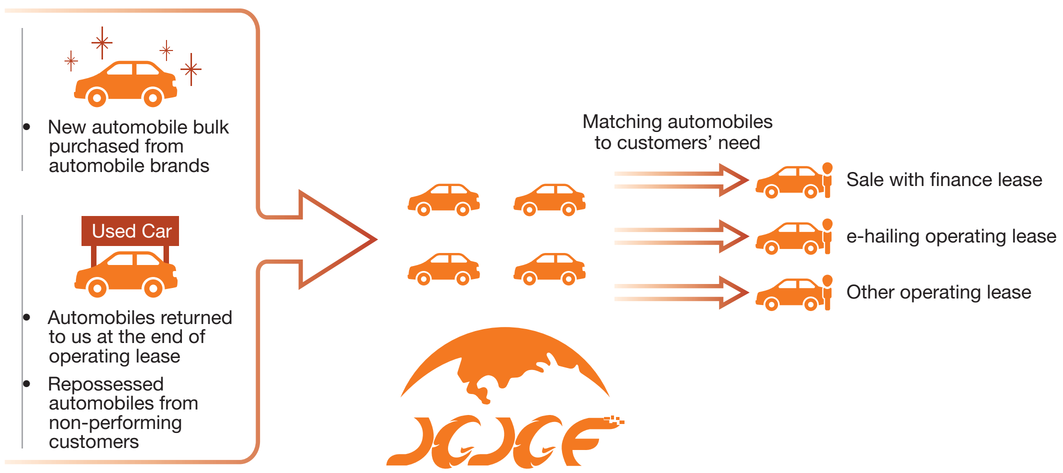
OVERVIEW

We are an established automobile finance lease service provider for our self-operated automobile retail business 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 primarily through our sales outlets; and (ii) automobile-related services, where we offer automobile operating lease service and other automobile-related services. According to the CIC Report, we ranked 4th in terms of transaction volume of direct finance lease and 19th in terms of transaction volume of retail automobile finance lease among all RAFLCs in the PRC in 2022.

We offer a wide range of non-luxury automobiles to customers primarily in the PRC's tier two, and tier three and below cities. We have established an extensive sales network with sales outlets mainly located in tier two cities, and tier three and below cities throughout the PRC. As at the Latest Practicable Date, we operated 70 sales outlets across 24 provinces and municipalities in the PRC.



Our fleet of automobile for sale and for lease

OUR COMPETITIVE STRENGTHS

We believe that our competitive strengths contribute to our success and our ability to capture future growth opportunities. Our competitive strengths include the following:

We specialise in matching the supply of non-luxury automobiles with the demand of our customers in tier two, and tier three and below cities in the PRC

We are a third party RAFLC that sell automobiles mostly on direct finance lease. According to the CIC Report, we ranked 4th in terms of transaction volume of direct finance lease among all RAFLCs in the PRC in 2022.

We focus on providing non-luxury automobiles under finance leases for customers in tier two, and tier three and below cities in the PRC. Through our sales outlets located principally in tier two, and tier three and below cities, we have developed an in-depth understanding of the customers' needs.

According to CIC, compared with automobile dealer-affiliated RAFLCs, we have advantages in wider selection of automotive brands, flexible offerings of finance lease services, and focused geographical coverage.

Wider selection of automotive brands. Our sales outlets offer a wide array of automotive brands to our customers, while automotive dealers generally contracted with automotive manufacturers and are subject to automotive manufacturers requirements of focusing on the sales of the specific brands and thus provide limited selection of brands to customers.

Flexible offerings of finance lease services. We are capable of providing flexible finance lease solutions which enables us to tailor the different needs of our target customers. In contrast, other automotive dealers generally rely on other financial services providers to provide financing solution to their customers, and have limited discretion of designing finance lease services on their own, and thus auto dealers generally provide limited or rigid financing method to their customers.

Focused geographical coverage. We focus on tier two and tier three and below cities in China with strong offline capability to serve target customers in these regions. However, automotive dealers generally focus on tier one and tier two cities in China, 4S stores networks have less presence in lower tier cities or counties, leading to lower penetration rate of automobile finance lease services for customers in tier three and below cities in the PRC.

We endeavour to work closely with our suppliers to offer a broad selection of automobiles. During the Track Record Period, we offered over 50 brands of non-luxury automobiles. We provide different finance lease solutions for the purchase of automobiles to suit the needs of our customers. We believe that we are well positioned to capture the growth opportunities of the automobile retail and finance market in the tier two, and tier three and below cities in the PRC.

Our extensive automobile service offerings provide tailored solutions for customers' different needs

We provide our customers practical solutions tailored to their different needs at automobile pre-purchase stage and usage stage. At the automobile pre-purchase stage, we generally offer automobiles with automobile finance solutions through our automobile finance lease service. We typically offer two-to-four-year finance lease to meet the financing needs of customers in making automobile purchases. At the automobile usage stage, our 52 Car APP provides car-user customers with a variety of user-friendly automobile aftermarket services, including scheduling monthly payments, locating automobile repairing and maintenance service providers, locating nearby petrol stations, and providing other useful automotive information. We believe the abundant information and convenient services available on our 52 Car APP could enhance our customers' automobile-related experience. We also offer automobile operating lease solutions to customers, including e-hailing operating lease and short-term/long-term operating lease.

According to CIC, our Group is a retail automobile finance lease company with extensive automobile service offerings to provide tailored solutions for customers' different needs, and other peers that provide retail automobile finance lease services through direct finance lease rarely provide e-hailing operating lease services.

The table below sets out the rankings of the RAFLCs in terms of transaction volume of retail automobile finance lease through direct finance lease in 2022 with an overview of the status of the operating lease services and e-hailing operating lease services:

Rank	**Companies**	**Transaction volume**	**Market share[1]**	**Offline capacity[2]**	**Number of self-operated offline stores**
		(thousand units, approximate)	*(%)*	*(unit, approximate)*	*(unit, approximate)*
1	Group A	50	16.1	36,000	None
2	Group J	35	11.3	70	None
3	Group N	28	9.0	150	75
4	Our Group	13	4.1	68	68
5	Group T	11	3.7	20–100	2
	Total		**44.2**		

Note:

(1) Refers to the market share among all RAFLCs in terms of transaction volume through direct finance lease.

(2) Refers to the number of physical stores across China, including both self-operated sales outlets and dealership stores in their cooperative sales network.

We believe that our business model has enabled us to cater to different customers' needs. This allows us to generate recurring and diverse income streams along the automobile life cycle and enhance our reputation and competitiveness among our industry peers.

We have an established and extensive sales network

We have established an extensive sales network with self-operated sales outlets strategically located in tier two cities, and tier three and below cities throughout the PRC. As at the Latest Practicable Date, we operated 70 sales outlets across 24 provinces and municipalities in the PRC. Our self-operated sales outlets are supported by a team of experienced frontline staff and sales personnel, who have equipped themselves with effective sales techniques and product knowledge in retail and leasing of automobiles under the guidance of our management team. Therefore, we believe we are able to continuously improve the customers' in-store experience. Since 2018, we have also commenced operation of our online automobile aftermarket service platforms, principally including our 52 Car APP and 52 Car (Business Version) APP, where car users are able to access over 500 automobile aftermarket service locations operated by our third party automobile aftermarket service providers in the PRC as at 31 December 2022.

According to CIC, we are one of the few market participants that mainly focus on the construction of offline self-operated sales network assisted by online platforms. In 2022, we were the 4th largest RAFLC in terms of direct finance lease transaction volume in China, with the top three companies primarily relying on cooperative sales networks to serve their customers instead of self-operated offline stores. The cooperative sales networks of the other companies are mainly composed of independent third-party auto dealers that help facilitate automobile transaction services.

We believe our extensive sales network complemented by our mobile applications on automobile aftermarket services enable us to cover a large customer base, retain customer engagement and continue to capture the growth opportunities in our target markets.

We have developed a risk management system

We place top priority on the management of the risks associated with our business. We have developed and implemented extensive risk management and internal control procedures to deal with various risks relating to our business. See the section headed "Risk Management and Operations" for further details of our risk management measures.

We will continue to develop our proprietary algorithms and data analytics capabilities in our risk management system to screen, assess and manage credit risks during pre-lease stage and post-lease stage of our automobile retail and finance business. It enables a bilateral flow of statistics and data between our pre-lease credit risk management system and post-lease credit risk management system. For instance, in order to deal with post-lease credit risks, we install our patent-protected GPS tracking devices on our automobiles leased to our customers and conduct risk analysis on our automobile monitoring platform, which is capable of detecting, analysing and reporting vehicle trajectory abnormality, vanishing GPS signal and usage pattern of automobiles. These functions effectively facilitate our tracking and repossession of the automobiles in case of default or delinquency in the repayment by our customers. Under our risk management system, the statistics of default or delinquent behaviours identified in our post-lease credit risk management system will be synchronised with our pre-lease credit risk management system for identifying and rejecting potential customers with similar background in the pre-lease stage, and thus, improving our credit risk control. See the section headed "Risk Management and Operations" for further details of our risk management measures.

As a result of our developed risk management system, we managed to maintain relatively low non-performing asset ratios during the Track Record Period. As at 31 December 2020, 2021 and 2022, our non-performing asset ratios were 0.7%, 0.7% and 0.7%, respectively. According to the CIC Report, the industry average of non-performing asset ratios as at 31 December 2021 and 2022 were 1.5% and 1.5%, respectively. In comparison with the industry average, our non-performing asset ratios as at 31 December 2021 and 2022 were lower than the industry average.

On the basis of our automobile repossession and disposal measures, as well as the legal proceedings we initiated against our customers, our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we did not experience any material adverse financial impact resulting from the default by our customers. As at the Latest Practicable Date, amongst the automobiles under the early terminated finance lease contracts for the years ended 31 December 2020, 2021 and 2022, 99.6%, 99.2% and 98.7% of the automobiles were successfully repossessed and sold, leased or put into our own commercial use (the "**Re-deployed Automobiles**"), representing 97.3%, 96.1% and 96.9% of the outstanding amount of finance lease receivables of such early terminated finance lease contracts for the corresponding year, respectively (the "**Re-deployed Rate**"). The Re-deployed Rate is calculated by dividing the number/value of all repossessed automobiles as at the end of the relevant financial year by the total number/value of the Re-deployed Automobiles as at the Latest Practicable Date and is in general higher if there is a longer lapse of time as the Group can repossess and re-deploy more automobiles relating to overdue loans during that period. For instance, as at the Latest Practicable Date, the Group had approximately 40 months to re-deploy the repossessed automobiles relating to loans defaulted in January 2020; whereas the Group only had approximately 16 months to redeploy the repossessed automobiles relating to loans defaulted in January 2022.

Our centralised automobile procurement leads to cost advantage

We endeavour to offer multiple brands and models of automobiles, and negotiate a lower purchase price on automobiles to lower our cost. We principally purchase automobiles through our centralised automobile procurement arrangement. Our head office consolidates and arranges monthly automobile procurement based on the expected demand and inventory level of each of our sales outlets, and leverages our bargaining power to procure more favourable terms and offers from our suppliers, including bulk purchase discounts, longer credit period and revolving credit lines from certain automaker-affiliated financial institutions, which we believe are not available to small-scale competitors. We believe that our centralised automobile procurement arrangement enables us to enjoy a cost advantage in our business operation.

We are led by a visionary and experienced management team

Our Group was established in 2007 by Mr. Huang. Prior to 2012, we primarily engaged in the provision of automobile rental services by way of operating lease. Since 2012, we have expanded our service offerings with a focus on automobile retail and finance business. We were one of the 13th batch of pilot enterprises of domestic-funded finance lease business (第十三批內資融資租賃業務試點企業) jointly approved by the MOFCOM and the SAT. Mr. Huang, an executive Director, the chairman and chief executive officer of our Group, has approximately 15 years of experience in the automobile industry. Our executive Directors including Mr. Huang have an average of over eight years of experience in automobile industry. See the section headed "Directors and Senior Management" for further details of the qualifications and experience of our Directors and senior management team. Over the years, our executive Directors and senior management team have been leading the growth of our business, formulating the business objectives and strategies of our Group and overseeing the implementation of such strategies in the day-to-day operations. We believe that the vision and experience of our senior management team are critical to the success of our business.

OUR STRATEGIES

We intend to expand the scale of our operations by pursuing the following business strategies:

Capture the potential growth in the direct finance lease market and the automobile operating lease market

According to the CIC Report, the penetration rate of the retail automobile finance lease services in the United States was approximately 38.0% in 2022. The penetration rate of the retail automobile finance lease services in the PRC was still at a relatively low level in 2022 and is expected to reach approximately 5.4% in 2027. Retail automobile finance lease has become increasingly acceptable to consumers in the PRC. As stated in the CIC report, with the increase in consumer disposable income and the introduction of flexible automobile finance lease products, the penetration rate of retail automobile finance lease in the PRC over the past few years has been increasing and is expected to increase further in the foreseeable future. Driven by the 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 in CAGR of 15.6% from 2022 to 2027.

In addition, according to the CIC Report, with the development of e-hailing vehicle platforms, the increasing spending on self-drive trips and the favourable policy reforms, the market size of automobile operating lease market in China is projected to increase to RMB82.6 billion in 2027, representing in CAGR of 5.4% from 2022 to 2027.

Our business is capital intensive. Generally, we are required to settle the payment in respect of our purchases of automobiles with our suppliers before delivery, which generally takes a few days to one month from placing of orders. We principally finance our purchases of automobiles by debt financing. We obtain funding from banks and other financial institutions under finance lease arrangements, loans pledged by vehicle mortgage and other loans. We recorded average inventory turnover days for our automobile finance lease business ranging from 54 days to 96 days during the Track Record Period. Our new automobiles have been sold on finance lease generally with a term of two to four years. We strive to match the cash outflow of our borrowings with cash inflow of our customers' automobile finance lease. We have maintained diversified funding sources. We believe that gaining access to an equity financing platform for future fundraising through the **[REDACTED]** is one of the effective ways to maintain diversified funding sources.

To capture the potential growth in the direct finance lease market and the automobile operating lease market in the PRC, we intend to apply **[REDACTED]**% or HK$**[REDACTED]** million (equivalent to RMB**[REDACTED]** million) of the **[REDACTED]** from the **[REDACTED]** to replenish our capital for procuring automobiles. See the section headed "Future Plans and **[REDACTED]**" for further details.

Expand our sales network to increase our market penetration

We have established an extensive sales network with sales outlets strategically located in tier two cities, and tier three and below cities throughout the PRC. According to the CIC Report, the sales volume of new automobiles in tier one cities is expected to grow at CAGR of 0.7%, from 2022 to 2027, while that in tier two cities, and tier three and below cities are expected to grow, with CAGR of 5.3% and 5.5%, respectively, over the same period. As such, we intend to expand our sales network by establishing new sales outlets in tier two cities, and tier three and below cities where we have little or no presence in order to capture the potential growth in the automobile markets in these cities by leveraging our experiences gained from operations in other cities. The detailed plan for expanding our sales network is as follows:

(i) our Directors have identified various provinces of the PRC, including Guangxi, Shanxi, Hunan, Sichuan, Shandong, Jiangxi, Anhui and Yunnan Provinces, where we plan to open 11 sales outlets in the coming two years after the **[REDACTED]**; and

(ii) to support the expansion of our sales network, we plan to recruit 84 additional staff and introduce more incentives to our sales team.

(iii) to correspond with the expansion of our sales network, we plan to scale up our marketing effort and launch new advertising and promotional activities.

We expect that the new sales outlets that we plan to open will have a breakeven period of approximately three months and an investment payback period of approximately five months.

Breakeven period refers to the period for a sales outlet to achieve breakeven point, i.e. its monthly revenue at least equals to its monthly expenses. We expect that the new sales outlets that we plan to open will have a breakeven period of approximately three months, based on our analysis of historical performance of eight selected sales outlets opened between 2017 and 2021 and with over 24 months in operation up to the Latest Practicable Date.

Investment payback period refers to the period required for the accumulated operating cash inflow generated from a sales outlet to cover the accumulated operating cash outflow and initial capital expenditure. We expect that the new sales outlets that we plan to open will have an investment payback period of approximately five months, based on our analysis of historical performance of eight selected sales outlets opened between 2017 and 2021 and with over 24 months in operation up to the Latest Practicable Date.

To this end, we intend to apply **[REDACTED]**% or HK$**[REDACTED]** million (equivalent to RMB**[REDACTED]** million) of the **[REDACTED]** from the **[REDACTED]** and our internal resources for expanding our sales network to increase our market penetration. See the section headed "Future Plans and **[REDACTED]**" for further details.

Continue to incorporate new technologies and upgrade our automobile-related software and mobile applications

We intend to continue to incorporate new technologies and upgrade our automobile-related software and mobile applications. We plan to recruit additional engineers and data specialists to enhance our technology capabilities.

Continue to enhance our risk management capabilities

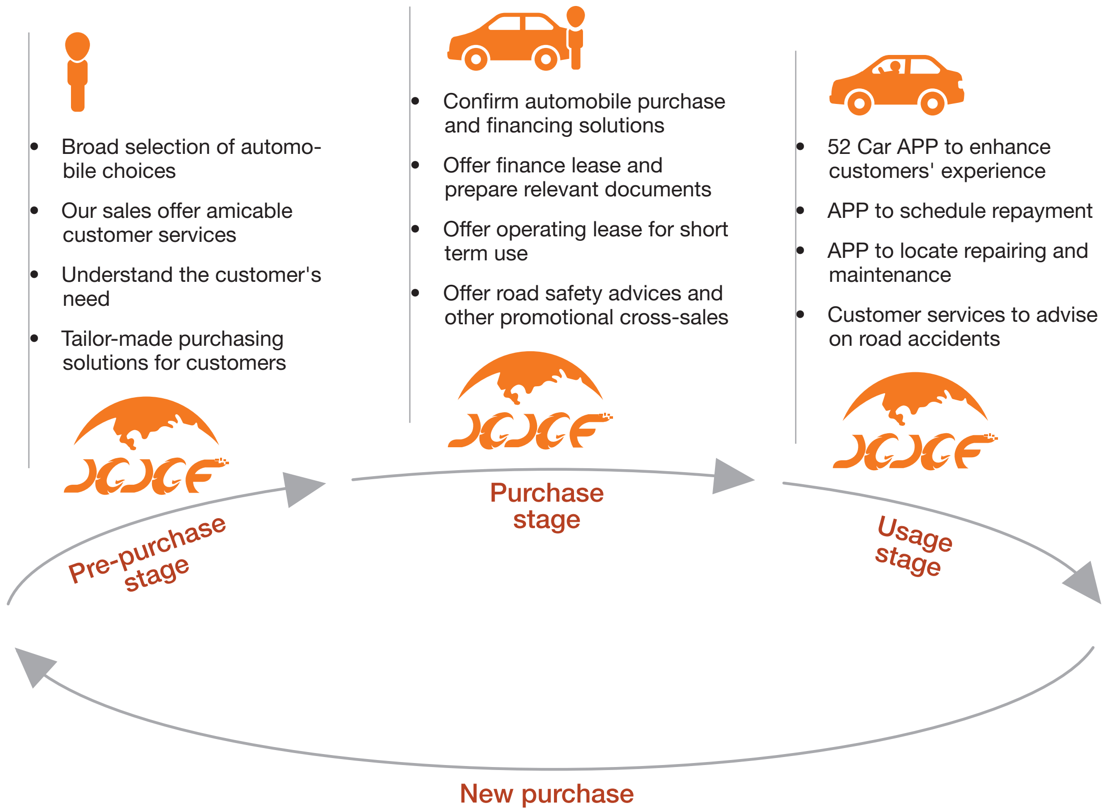
We intend to continue to enhance our risk management capabilities to protect the long term interests of our Group. As we plan to establish new sales outlets in the cities where we have little or no presence, we may be subject to risks that we have not encountered in our existing operations. To cope with this, we will devote more efforts in managing the risk exposure and continue to upgrade and optimise our risk management systems, in particular, our credit risk management system in order to improve the utilisation of the data collected regarding customer behaviour and automobile activities. We will continue to integrate our internal customer account management system, finance system and credit management system to improve our operational efficiencies, and optimise our data analytics algorithms to strengthen our customer credit risk assessment capabilities. Further, we will proactively conduct comprehensive prior study and research on the applicable policies and market conditions in relation to the geographical regions we plan to venture into and assess our potential risk exposure in these geographical regions, leveraging our risk management experience gained from the geographical regions we currently operate in.

OUR BUSINESS MODEL AND OPERATION

Our business model and operation

Our business involves (i) automobile retail and finance; and (ii) automobile-related services in the PRC. Under our automobile retail and finance business, we derive our revenue through selling together with leasing our automobiles to our finance lease customers. Under our automobile-related services, we generate revenue from automobile operating lease and other automobile-related services. The following table sets out a breakdown of our revenue for the years indicated:

	Year ended 31 December					
	2020		2021		2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Automobile retail and finance						
Sales of automobile under finance lease	362,934	48.4	777,856	66.4	734,600	64.4
Finance lease income	234,705	31.3	234,561	20.0	262,498	23.0
Sub-total	597,639	79.7	1,012,417	86.4	997,098	87.4
Automobile-related services						
Automobile operating lease	132,606	17.7	144,163	12.3	126,018	11.0
Other automobile-related services	19,516	2.6	14,682	1.3	18,410	1.6
Sub-total	152,122	20.3	158,845	13.6	144,428	12.6
Total	749,761	100.0	1,171,262	100.0	1,141,526	100.0



(A) Automobile retail and finance

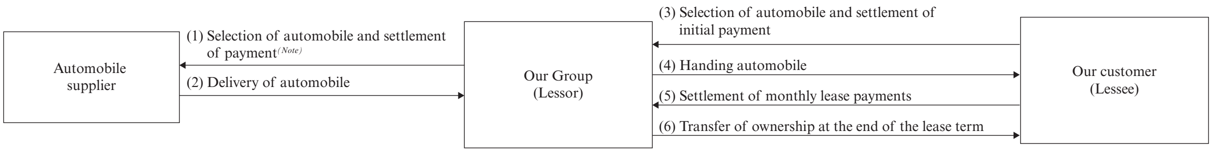
We sell automobiles, including both passenger vehicles and e-hailing vehicles, primarily under direct finance lease. We sell new automobiles purchased from automobile manufacturers and automobile dealers and also repossessed automobiles that we sold and were recovered from early terminated customers previously. We provide a variety of financing options to our customers. Our direct finance lease involves leasing of (i) our newly acquired automobiles mainly from auto dealers which we generate both sales of automobile and finance lease income; and (ii) repossessed automobiles due to customers' default which 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. During the Track Record Period, our sales were generated in the PRC primarily through our strategically located sales outlets, and our third party automobile agents. For the years ended 31 December 2020, 2021 and 2022, the number of new automobiles sold under finance lease was 3,901 units, 7,375 units and 7,153 units, respectively, and the number of newly entered finance lease agreements was 7,859, 11,308 and 12,754, respectively. Our revenue from sales of automobile under direct finance lease accounted for 98.9%, 99.7% and 99.8% of total revenue generated from our automobile retail and finance business for the years ended 31 December 2020, 2021 and 2022, respectively. Our revenue from sales of automobile under sale-leaseback arrangement amounted to RMB6.6 million, RMB3.5 million and RMB1.8 million, accounted for 1.1%, 0.3% and 0.2% of total revenue generated from our automobile retail and finance business for the years ended 31 December 2020, 2021 and 2022, respectively. The number of new energy e-hailing vehicles sold under finance lease was nil, nil and 164 units, and the revenue from sales of new energy e-hailing vehicles under finance lease amounted to nil, nil and RMB17.0 million for the years ended 31 December 2020, 2021 and 2022, respectively. The number of agreements we entered for new energy e-hailing vehicles was to 1 unit, nil and 1,064 units, and the revenue from finance lease income of new energy e-hailing vehicles amounted to RMB1,279, RMB6,247 and RMB20.2 million for the years ended 31 December 2020, 2021 and 2022, respectively.

We offer a wide range of non-luxury automobiles to match the needs of our customers primarily from China's tier two, and tier three and below cities. By purchasing multiple brands and models of automobiles in bulk, we are able to broaden our product portfolio and lower our purchase costs. Coupling finance lease solutions with automobile sales enables customers to make purchase with a low initial payment.

In retailing our automobiles, we set the price of all our automobiles as a packaged automobile finance lease product. Upon execution of the agreements, we require our customers (as lessees) to settle the initial payment, which may include the first monthly payment, service fee and/or down payment which is typically up to approximately 20% of the purchase price, depending on the credit rating and preference of the customers. We generally charge our customers a service fee, the annual average of which ranges from approximately RMB6,000 to RMB8,000 during the Track Record Period, based on the value of the leased automobile for every automobile retail and finance transaction. The service fee charged to our customers generally includes (i) fee for ancillary services, such as administrative assistance in purchasing insurance and obtaining automobile registration documents; (ii) automobile inspection and cleaning fee before delivery to customers; and (iii) equipment installation fee of GPS and electronic toll collection devices. We then lease the automobiles to our customers in return for monthly lease payments throughout the lease period, typically between two years and four years in accordance with the finance lease offering selected based on their needs. Throughout the lease term, the customers are granted the right to use the automobiles and they have to bear the costs of automobile repair and maintenance. At the end of the lease term, ownership of the automobile will be transferred to the respective customer after settlement of all outstanding payments.

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 arrange 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.

The following diagram illustrates the typical arrangements among automobile suppliers, our customers and our Group:



Note: We finance the payment to our automobile suppliers by debt financing and/or internal resources.

During the Track Record Period, the automobiles we sold under finance lease were typically of retail price ranging from approximately RMB40,000 to RMB300,000 per vehicle. The following tables set out the top five automobile brands in terms of revenue contribution to sales of automobile under finance lease and the corresponding number of new automobiles sold under finance lease during the Track Record Period:

For the year ended 31 December 2020

Rank	**Brand**	**Number of new automobiles sold under finance lease**	**Revenue contribution to sales of automobile under finance lease**	**Percentage of revenue to sales of automobile under finance lease**
			RMB'000	*%*
1	Roewe (上汽榮威)	524	45,783	12.6
2	Hyundai (北京現代)	408	40,619	11.2
3	Trumpchi (廣汽傳祺)	413	40,121	11.0
4	Buick (上汽通用別克)	386	35,499	9.8
5	SAIC Motor (上汽集團)	311	31,413	8.7
Total		2,042	193,435	53.3

For the year ended 31 December 2021

Rank	**Brand**	**Number of new automobiles sold under finance lease**	**Revenue contribution to sales of automobile under finance lease**	**Percentage of revenue to sales of automobile under finance lease**
			RMB'000	*%*
1	CHERY (奇瑞汽車)	1,104	95,364	12.3
2	Volkswagen (上汽大眾)	652	89,511	11.5
3	Changan Auto (長安汽車)	811	83,755	10.8
4	Trumpchi (廣汽傳祺)	702	70,945	9.0
5	AEOLUS (東風風神)	513	50,251	6.5
Total		3,782	389,826	50.1

For the year ended 31 December 2022

Rank	Brand	Number of new automobiles sold under finance lease	Revenue contribution to sales of automobile under finance lease	Percentage of revenue to sales of automobile under finance lease
			RMB'000	*%*
1	AEOLUS (東風風神)	1,445	134,679	18.3
2	Volkswagen (上汽大眾)	601	80,493	11.0
3	CHERY (奇瑞汽車)	887	76,493	10.4
4	BAIC Motor (北京汽車)	626	68,517	9.3
5	Hyundai (北京現代)	450	53,487	7.3
Total		4,009	413,669	56.3

The following tables set out the top five automobile models in terms of revenue contribution to sales of automobile under finance lease and the corresponding number of automobiles sold under finance lease during the Track Record Period:

For the year ended 31 December 2020

Rank	Model	Number of new automobiles sold under finance lease	Revenue contribution to sales of automobile under finance lease	Percentage of revenue to sales of automobile under finance lease
			RMB'000	*%*
1	Trumpchi GS3 (廣汽傳祺 GS3)	378	35,846	9.9
2	Buick Excelle XT/GT (上汽通用別克英朗 XT/GT)	385	35,313	9.7
3	Chevrolet Cavalier (上汽通用雪佛蘭科沃茲)	322	23,337	6.4
4	SAIC Motor MG6 (上汽集團名爵6)	221	22,956	6.3
5	Roewe RX3 (上汽榮威 RX3)	255	22,848	6.3
Total		1,561	140,300	38.6

For the year ended 31 December 2021

Rank	Model	Number of new automobiles sold under finance lease	Revenue contribution to sales of automobile under finance lease	Percentage of revenue to sales of automobile under finance lease
			RMB'000	*%*
1	Volkswagen Lavida (上汽大眾朗逸)	464	60,451	7.8
2	Trumpchi GS3 (廣汽傳祺GS3)	608	59,924	7.7
3	Buick Excelle (上汽通用別克英朗)	508	48,460	6.2
4	EADO (長安汽車逸動)	424	42,823	5.5
5	ELANTRA (北京現代伊蘭特)	303	37,737	4.9
Total		2,307	249,395	32.1

For the year ended 31 December 2022

Rank	Model	Number of new automobiles sold under finance lease	Revenue contribution to sales of automobile under finance lease	Percentage of revenue to sales of automobile under finance lease
			RMB'000	*%*
1	Volkswagen Lavida (上汽大眾朗逸)	510	65,905	9.0
2	AEOLUS (東風風神奕炫)	759	60,683	8.3
3	ELANTRA (北京現代伊蘭特)	428	50,746	6.9
4	AEOLUS (東風風神奕炫MAX)	418	44,830	6.1
5	BEIJING-X7 (北京X7)	291	36,681	5.0
Total		2,406	258,845	35.3

The following table sets out certain key figures in relation to newly entered finance lease agreements for the years indicated:

	Year ended 31 December		
	2020	**2021**	**2022**
Average principal amount of newly entered finance lease agreements *(RMB'000)*	83.1	94.2	90.6
Range of principal amount of newly entered finance lease agreements *(RMB'000)*	16.5–293.8	14.7–286.1	20.1–186.5
Number of customers entered into new finance lease agreement	7,830	11,278	12,079
Number of newly entered finance lease agreements	7,859	11,308	12,754
Range of effective interest rates charged for newly entered finance lease agreement per annum (%) *(Note)*	0.1–152.3	0.2–143.8	0.1–86.6
Average effective interest rate charged for newly entered finance lease agreements per annum (%)	20.5	19.4	18.5

Note: The extraordinarily high effective interest rates for certain finance lease agreements during the Track Record Period were mainly related to repossessed automobiles with relatively small amount of finance lease receivable brought forward from the previous corresponding finance lease agreements. When the repossessed automobiles were subsequently sold on finance lease, new finance lease agreements with new terms would be entered. The calculation of the effective interest rates of such contracts is based on, among other things, the amount of finance lease receivables brought forward from the previous corresponding finance lease agreements. Particular low balances of finance lease receivable brought forward could lead to the extraordinarily high effective interest rates. The extraordinarily low effective interest rates for certain finance lease agreements during the Track Record Period were mainly due to occasional promotion events we launched on certain automobile models.

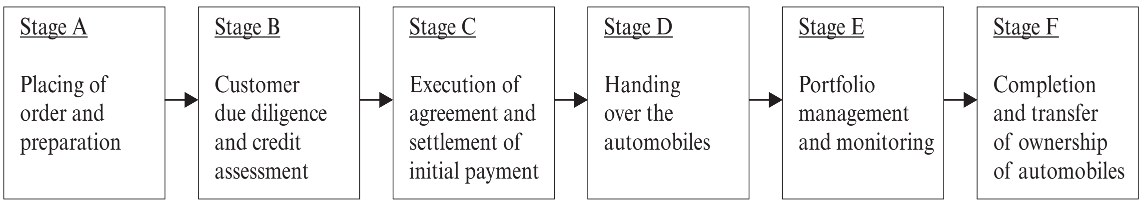
According to CIC, the average effective interest rates per annum charged by RAFLCs reflect average pricing, that is primarily affected by funding cost, risk management cost, operating cost, and profit margin. According to CIC, the effective interest rates per annum charged by RAFLCs in China in 2021 fell in the range of between 8% and 20%, thus the average effective interest rate charged by our Group for newly entered finance lease agreements per annum of 19.4% in 2021 was in line with the industry norm. The effective interest rate charged by our Group may change in the future. According to CIC, there was no major issue which may exert significant downward pressure on effective interest rates charged by industry players as 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 China can potentially offset the aforesaid impacts, if any.

The following table sets out the movement in the number of finance lease agreements, principal amount and average effective interest rate charged per annum during the years and as at the dates indicated:

	As at/Year ended 31 December								
	2020			2021			2022		
Lease term	Number of finance lease agreements	Total principal	Average effective interest rate charged per annum	Number of finance lease agreements	Total principal	Average effective interest rate charged per annum	Number of finance lease agreements	Total principal	Average effective interest rate charged per annum
		RMB'000	*%*		*RMB'000*	*%*		*RMB'000*	*%*
Beginning	**16,077**	**1,418,169**	**25.1**	**15,839**	**1,404,263**	**22.1**	**19,152**	**1,802,410**	**20.1**
— One year or shorter	—	—		—	—		—	—	
— Over one year but not more than two years	191	16,353		93	9,132		278	23,985	
— Over two years but not more than three years	5,219	489,202		3,674	385,174		5,033	530,642	
— More than three years	10,667	912,614		12,072	1,009,957		13,841	1,247,783	
Newly signed agreements	**7,859**	**652,741**	**20.5**	**11,308**	**1,065,070**	**19.4**	**12,754**	**1,156,110**	**18.5**
— One year or shorter	—	—		—	—		—	—	
— Over one year but not more than two years	72	5,923		272	23,692		717	49,820	
— Over two years but not more than three years	1,656	135,114		3,457	312,965		4,853	420,814	
— More than three years	6,131	511,704		7,579	728,413		7,184	685,476	
Completed agreements	**(2,373)**	**(163,850)**	**26.4**	**(2,902)**	**(225,697)**	**23.0**	**(3,384)**	**(288,335)**	**20.5**
— One year or shorter	—	—		—	—		—	—	
— Over one year but not more than two years	(156)	(12,108)		(31)	(4,064)		(74)	(6,265)	
— Over two years but not more than three years	(1,897)	(124,613)		(1,079)	(81,934)		(1,070)	(96,302)	
— More than three years	(320)	(27,129)		(1,792)	(139,699)		(2,240)	(185,769)	
Terminated agreements	**(5,724)**	**(502,797)**	**21.1**	**(5,093)**	**(441,226)**	**20.4**	**(6,521)**	**(610,520)**	**19.2**
— One year or shorter	—	—		—	—		—	—	
— Over one year but not more than two years	(14)	(1,036)		(56)	(4,775)		(125)	(10,769)	
— Over two years but not more than three years	(1,304)	(114,529)		(1,019)	(85,563)		(1,686)	(153,446)	
— More than three years	(4,406)	(387,232)		(4,018)	(350,888)		(4,710)	(446,306)	
Ending	**15,839**	**1,404,263**	**22.1**	**19,152**	**1,802,410**	**20.1**	**22,001**	**2,059,665**	**19.0**
— One year or shorter	—	—		—	—		—	—	
— Over one year but not more than two years	93	9,132		278	23,985		796	56,773	
— Over two years but not more than three years	3,674	385,174		5,033	530,642		7,130	701,708	
— More than three years	12,072	1,009,957		13,841	1,247,783		14,075	1,301,184	

Operational workflow

Our automobile retail and finance lease operation generally follows our operational workflow as shown below. The chart below shows the typical process workflow of our automobile retail and finance lease business operation, that applies to both passenger vehicles and e-hailing vehicles:



Stage A: Placing of order and preparation

Once we receive orders from our customers to purchase a new or repossessed automobile, we require our customers to provide information and documents, such as identification documents and driving licence for the purpose of conducting due diligence and credit assessment.

We require our third party automobile agents to provide guidance to the customers referred by them, such as collecting information and documents. Since 2021, we have been gradually phasing out working with third party automobile agents to promote our passenger vehicles under our automobile retail and finance business. On the other hand, we continue to work with third party automobile agents to promote e-hailing vehicles for our automobile retail and finance business.

Stage B: Customer due diligence and credit assessment

We conduct both computerised and manual due diligence and preliminary credit assessment on our customers through checking against our internal blacklist as well as third party blacklists which we subscribed for credit checking. Our third party automobile agents also conduct preliminary screening and assessment on the background information of the customers they referred. At our discretion, we may also obtain credit assessment reports from third parties.

Stage C: Execution of agreement and settlement of initial payment

After assessments, we will notify our customers of the assessment results. Before execution of the agreements, we conduct face-to-face interviews with our customers in order to verify their identity and to ensure that our customers understand the terms and conditions of the agreements. Our customers are then required to settle the initial payment and execute the agreements and other necessary documents. The customers' information will be recorded onto our ERP system at the same time.

Stage D: Handing over the automobiles

Before the automobile handover, we will ensure our GPS tracking devices installed on the automobiles function properly. After completion of the standard procedures, we will hand over the automobiles to our customers.

Stage E: Portfolio management and monitoring

After the automobile handover, our customers are obliged to make timely payment according to the finance lease agreement. We monitor the status of our leased automobiles through the GPS tracking devices installed and/or our automobile monitoring platform from time to time. We also send payment reminders to our customers usually three days before the due date of the respective payment mostly through text messages.

Under our finance lease agreements, we are usually entitled to take various remedial actions when our customers default on their lease payment, including repossession of the leased automobiles and imposing overdue interest on the default amount. In deciding the remedy to be pursued, we take into account considerations such as the number of days the respective repayment overdue and any irregular activities of the subject automobile.

Various risk control measures and procedures are consistently applied to transactions under our automobile retail and finance business, involving the active participation of different departments in our Group. See "Risk Management and Operations" for further details on the risk control measures we have adopted.

Stage F: Completion and transfer of ownership of automobiles

The finance lease term is completed upon full performance of the finance lease agreement. During the completion stage, we will ensure due receipt of lease payments and timely despatch of lease receipts. We will also remove the GPS tracking devices from the automobiles upon the completion of the transfer of ownership of the automobiles.

Cooperation with automobile finance providers

During the Track Record Period, we have worked with certain automobile finance partners, Company A, Company G and other funding providers, to provide finance lease solutions to our customers under the arrangement stated below. Under these arrangements, our Group is able to match our source of funding with customers' finance needs at the time the customers enter into the transactions of purchasing automobiles. We believe that through cooperations with the automobile finance partners, we can serve more customers and increase our revenue.

The typical arrangements with the automobile finance partners are set out below:

- *Customer sourcing*. For the purpose of our fund management, we may refer our prospective customers under our automobile retail and finance business to the relevant automobile finance partner, which enables the prospective customers to obtain finance lease solutions for purchasing automobiles from us.

- *Customer due diligence and credit assessment*.

  a) We will conduct customer due diligence and credit assessment based on our own internal procedures.

  b) We will sign a sales contract with the customer once the customer has passed our due diligence check and credit assessment. We will then accept the initial payment and arrange finance solutions for the outstanding payment owed to us by the customer.

  c) After obtaining prospective customer's consent, we will pass the customer's information and our assessment results to the relevant automobile finance partner.

d) Our automobile finance partner will independently perform its own credit assessment and make the final credit approval decision. Our automobile finance partner may reject the customer's application. In case of such rejection, we will guide the customer to look for other alternative finance solutions.

- *Finance lease execution*. After the loan application is approved by the relevant automobile finance partner, a sale and leaseback agreement will be entered between the customer and the automobile finance partner, following which the automobile finance partner will remit the loan proceeds to us to settle the remaining portion of the purchase price of the automobile (being the purchase price less the down payment paid by the customer). We will then pledge the subject automobile to the automobile finance partner. During the lease term, the title of the subject automobile would continue to be registered under our name for automobile asset management purposes and subject to the pledge.

- *Repayment administration*. Under the finance lease agreement between the customer and the relevant automobile finance partner, and our service contract, the customer is required to make monthly repayments to the automobile finance partner directly or through us, and monthly service fees to us. During the lease term, we will provide a range of services to the customer, including repayment notification services, traffic rules violation handling services, repair and maintenance services, and other relevant and related services. The customer also gains access to our 52 Cars APP and our customer services for finding other automotive aftermarket services.

- *Automobile asset management*. During the lease term, together with some of our automobile finance partners, we actively monitor the loan's scheduled repayments and promptly act upon any delinquency. When delinquency arises or any abnormal behaviour is observed, we may take action to repossess the subject automobile. If the automobile is repossessed, the relevant automobile finance partner will discuss with us. Subject to the mutual consent of the automobile finance partner and us, the remaining finance lease receivable of the repossessed automobile will be transferred to us and the automobile pledge will be released.

Coverage ratio

Our aggregate coverage ratio for newly signed automobile finance lease agreements is generally more than one. The aggregate principal of the automobile finance lease agreements is generally smaller than the aggregate book value of our leased automobiles at the signing of those agreements as our customers are required to settle the initial payments, which generally include down payments contributed to the value of our leased automobiles, upon signing of those agreements. The following table sets out the aggregate book value of leased automobiles, principals (net of initial payments), average down payment ratio, aggregate coverage ratio and range of coverage ratio for newly signed automobile finance lease agreements entered into for the years indicated:

	Year ended 31 December		
	2020	**2021**	**2022**
Aggregate book value of leased automobiles, immediately after the execution of the corresponding finance lease agreements *(RMB'000)*	710,641	1,181,606	1,283,357
Principals (net of initial payments) *(RMB'000)*	615,792	1,022,121	1,093,921
Average down payment ratio *(Note 1)*	0.15	0.15	0.15
Aggregate coverage ratio *(Note 2)*	1.15	1.16	1.17
Range of coverage ratio *(Note 3)*	1.00–1.66	1.00–1.70	1.00–2.69

Notes:

1. Down payment ratio is calculated as the initial payment of a leased automobile related to the corresponding finance lease agreement signed in the years indicated, divided by the sum of such initial payment and the principal related to the same agreement.

2. Aggregate coverage ratio is calculated as the aggregate book value of leased automobiles related to all finance lease agreements signed in the years indicated, divided by the aggregate principal amounts (net of initial payments) related to the same agreements, immediately after their execution.

3. Coverage ratio is calculated by the book value of a leased automobile related to the corresponding finance lease agreement signed in the years indicated, divided by the principal amount (net of initial payments) related to the same agreement, immediately after its execution.

We were able to cover most of our finance lease receivables as at each of the dates indicated below. The following table sets out the aggregate book value of leased automobiles, finance lease receivables, aggregate coverage ratio and range of coverage ratio for all the existing finance lease agreements as at the dates indicated:

	As at 31 December		
	2020	**2021**	**2022**
Aggregate book value of leased automobiles *(RMB'000)*	1,288,930	1,660,637	1,890,929
Finance lease receivables (net of initial payments) *(RMB'000)*	1,004,379	1,297,017	1,475,382
Aggregate coverage ratio *(Note 1)*	1.28	1.28	1.28
Range of coverage ratio *(Note 2)*	0.81 *(Note 3)* –179.97 *(Note 4)*	0.46 *(Note 3)* –289.12 *(Note 4)*	0.42 *(Note 3)* –600.19 *(Note 4)*

Notes:

1. Aggregate coverage ratio is calculated as the aggregate book value of leased automobiles as at the date indicated, divided by the total finance lease receivables (net of initial payments) as at the same date.

2. Coverage ratio is calculated by the book value of a leased automobile as at the date indicated, divided by the corresponding finance lease receivable (net of initial payments) as at the same date.

3. As at 31 December 2020, 2021 and 2022, there were 279, 517 and 780 finance lease contracts with individual customers recorded with coverage ratios lower than one, respectively, which were primarily due to delay payments from those individual customers to us while the book values of the leased automobiles concerned were decreasing due to depreciation charges to the extent that their book values were not able to cover the corresponding finance lease receivables. The balance of the finance lease receivables of those finance lease contracts were RMB17.9 million, RMB39.3 million and RMB49.8 million, representing 1.8%, 3.0% and 3.4% of the finance lease receivables as at 31 December 2020, 2021 and 2022, respectively. Taking into consideration of the aforesaid, our Directors believe that there was no material financial impact on our Group in this regard.

4. The extraordinarily high coverage ratio for certain finance lease agreements during the Track Record Period was mainly related to repossessed automobiles with relatively small residual amount brought forward from the previous corresponding finance lease arrangements. When the repossessed automobiles were subsequently sold on finance lease, a new finance lease agreement with new terms was formulated. The customers were normally required to pay initial payments which further reduced the principal amounts concerned and therefore drove up the coverage ratio of the finance lease agreements.

(B) Automobile-related services

Under our automobile-related services, we generate revenue from automobile operating lease and other automobile-related services.

i. Automobile operating lease

Our automobile operating lease business principally involves: (i) e-hailing operating lease; (ii) new energy car-sharing; and (iii) other operating lease. The following table sets out a breakdown of our revenue from automobile operating lease by type of services for the years indicated:

	Year ended 31 December					
	2020		2021		2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
e-hailing operating lease	116,599	87.9	132,846	92.1	115,930	92.0
New energy car-sharing	5,166	3.9	3,959	2.7	791	0.6
Other operating lease	10,841	8.2	7,358	5.2	9,297	7.4
Total	132,606	100.0	144,163	100.0	126,018	100.0

In an automobile operating lease transaction, we lease the automobiles to our customers in return for periodic rental payments. The lease term usually ranges from (i) six months to one year for e-hailing operating lease; (ii) a few hours and up to 6 months for new energy car-sharing; and (iii) a few days to three years for other operating lease. During the lease term, the ownership of the leased automobiles remains with us and we bear the costs of automobile insurance, repair and maintenance for all our vehicles under automobile operating lease services. At the end of the lease term, our customers shall return the leased automobiles to us.

(1) E-hailing operating lease

The following table sets out a breakdown of our revenue generated from e-hailing operating lease and the number of new e-hailing operating lease agreements entered into with drivers sourced from Didi Group, which operates mobile transportation platforms in the PRC, and other channels for the years indicated:

Channel	Year ended 31 December								
	2020			2021			2022		
	Number of agreements	Revenue		Number of agreements	Revenue		Number of agreements	Revenue	
		RMB'000	*%*		*RMB'000*	*%*		*RMB'000*	*%*
Didi Group[(Note 1)]	962	3,301	2.8	3,662	56,181	42.3	1,514	33,834	29.2
Other channels[(Note 2)]	5,085	113,298	97.2	4,089	76,665	57.7	4,392	82,096	70.8
Total	6,047	116,599	100.0	7,751	132,846	100.0	5,906	115,930	100.0

Notes:

1. We started to generate revenue from e-hailing operating lease agreements with drivers sourced from Didi Group for the year ended 31 December 2020 as the driver referral cooperation with Didi Group started in July 2020.

2. We may require drivers sourced from other channels to lease our e-hailing vehicles listed on Didi Group's e-hailing vehicles leasing platform.

For the years ended 31 December 2020, 2021 and 2022, the average occupancy rate of our e-hailing vehicles (defined as the aggregate number of e-hailing vehicles under operating lease at each month end in the year divided by the aggregate number of e-hailing vehicles at each month end in the year) was approximately 78.8%, 90.7% and 85.0%, respectively. We also provide options for our customers to change the e-hailing vehicles from e-hailing operating lease to e-hailing finance lease. Such flexibility in our service can satisfy customers who decide to own rather than lease the e-hailing vehicles. As at 31 December 2020, 2021 and 2022, the number of e-hailing vehicles under e-hailing operating lease was 3,930 units, 4,114 units and 4,122 units, respectively. During the Track Record Period, the number of e-hailing vehicles switched from e-hailing operating lease to e-hailing under finance lease was 5 units, nil and 1,121 units, respectively.

The average number of automobiles under e-hailing operating lease during the Track Record Period was 3,325 units, 4,072 units and 3,877 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 we transferred 1,121 units of e-hailing vehicles from e-hailing operating lease to e-hailing finance lease during the year to meet our customers' demand. The significant increase in the number of e-hailing vehicles switched from e-hailing operating lease to e-hailing finance lease for the year ended 31 December 2022 was mainly due to the increasing 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 lower than the total payment of leasing an e-hailing vehicle through operating lease, and (ii) in certain case, vehicles under finance lease require a lower monthly lease payment as compared to leasing e-hailing vehicles under operating lease. Therefore, purchasing our e-hailing vehicles under finance lease is commercially more appealing to such customers especially our customer may take ownership of the e-hailing vehicles at the end of finance lease term, where as operating lease our customers will have to return the e-hailing vehicle at the end of the lease term.

Didi Group

Leveraging our experience in the automobile industry, we have expanded our automobile lease business to cover e-hailing vehicles. Since late 2018, we have been supplying compliant e-hailing vehicles to individual e-hailing drivers through the e-hailing vehicles leasing platform operated by Didi Group.

On 27 November 2018, we entered into, among others, a business cooperation agreement (the "**Business Cooperation Agreement**") with one of our **[REDACTED]** Investors, Beijing Chesheng, an affiliate of Didi Group. At the time of its establishment, Beijing Chesheng was wholly-owned by Beijing Xiaoju Science and Technology Co., Ltd.* (北京小桔科技有限公司) ("**Beijing Xiaoju**"), which is the main operating entity of Didi Group.

Based on publicly available information, Beijing Chesheng is wholly-owned by EasyCar (HK) Limited, which is an indirectly wholly-owned subsidiary of DiDi Global Inc., a company listed on the OTC Markets of the U.S. (stock code: DIDIY). Beijing Xiaoju is a variable interest entity of DiDi Global Inc. As such, Beijing Chesheng and DiDi Group are affiliated companies by virtue of being under the control of the same entity, DiDi Group Inc. Under the Business Cooperation Agreement, Didi Group agreed to facilitate and support our business development in the e-hailing vehicle leasing business, provide favourable e-hailing vehicle procurement arrangement and provide favourable auxiliary services in relation to our e-hailing vehicles. In exchange for the foregoing and in view of other investments and financial support from Didi Group, we agreed, under the Business Cooperation Agreement, to provide and list our e-hailing vehicles exclusively on the e-hailing vehicles leasing platform operated by Didi Group when entering into lease agreements with our potential e-hailing drivers. Under the Business Cooperation Agreement, we were not restricted from sourcing drivers through other channels, such as our own sales outlets or automobile agents for our e-hailing operating lease business. The e-hailing drivers sourced from our own sales outlets or our automobile agents for e-hailing business transacted with us on Didi Group's e-hailing vehicles leasing platform. The Business Cooperation Agreement was terminated on 21 May 2021 with the mutual consent of the parties to the agreement as a result of changes in the regulatory environment such as promulgation of "the Anti-Monopoly Guidelines of the Anti-Monopoly Committee of the State Council on Platform Economy" on 7 February 2021 by the Anti-Monopoly Committee of the State Council (the "**Anti-Monopoly Guidelines**") targeting Internet platforms which signaled a strengthening of antitrust enforcement against monopolistic behaviours in China's Internet platform sector. Subsequent to the termination of the exclusive agreement, we entered into new cooperation agreements with Didi Group on 21 May 2021 and 10 November 2021. We further renewed our corporation agreement with Didi Group on 4 November 2022 with a validity period between 10 November 2022 and 9 November 2023. Our PRC Legal Advisers are of the view that the new cooperation agreements with Didi Group would not result in our Group's e-hailing operating lease business being subject to the impact of the regulatory changes of the Anti-Monopoly Guidelines, on the basis that our PRC subsidiary only serves as an e-hailing vehicles provider, which neither owns the online service platforms nor operates any e-hailing business, as confirmed by our Directors. As advised by our PRC Legal Advisers, the Anti-Monopoly Guidelines and the new-published laws and regulations on e-hailing industry as set out in "Regulatory Overview — Laws and Regulations on e-hailing services" mainly regulate online e-hailing platform enterprises and are not applicable to our Group's businesses, and do not have a bearing on our Group's businesses and operation.

The business arrangements under the three cooperation agreements are substantially the same as those under the exclusive agreement, apart from the terms in respect of exclusivity requirements and deposit amounts. A summary of the terms of the cooperation agreements dated 21 May 2021, 10 November 2021 and 4 November 2022 is set out as follows:

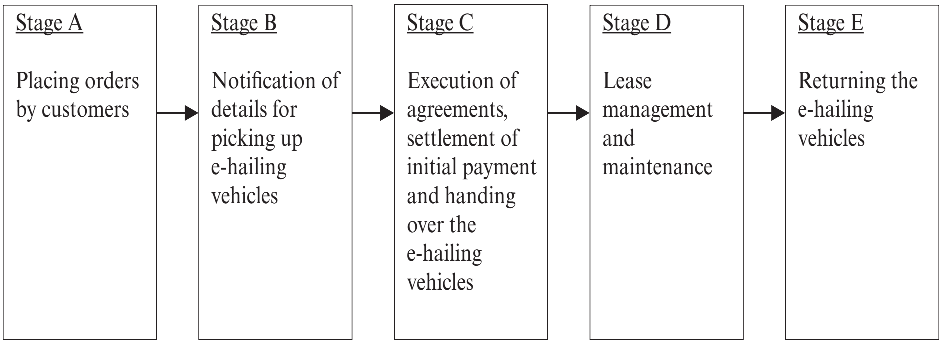
Term	:	One year
Leasing of e-hailing vehicles	:	Our Group shall list our e-hailing vehicles on the e-hailing vehicles leasing platform operated by Didi Group. The registered e-hailing drivers of Didi Group can rent our e-hailing vehicles by entering into operating lease agreements with us directly.

Insurance for e-hailing vehicles	:	Our Group shall buy automobile insurance for our e-hailing vehicles in compliance with the applicable laws and regulations.
Fees charged by Didi Group	:	Promotion service fee and automobile custody service fee shall be payable by us to Didi Group for the customers referred by Didi Group.
Deposit	:	Our Group shall pay a contingency deposit as a guarantee of our performance obligation under the cooperation agreements and the rules of Didi Group. Didi Group can pay out of the contingency deposit any compensation to the platform users if the users incur losses as a result of the breach of terms or warrants by us.

Between November 2018 and July 2020, we listed our e-hailing vehicles on the e-hailing vehicle leasing platform operated by Didi Group only and sourced driver customers from our sales outlets and other channels that we managed directly, and thus no service fee was charged by Didi Group for the listing of vehicles on its platform. Didi Group has referred customers to us since July 2020, when it started referring its platform's driver customers to its platform's vehicle suppliers nationwide. Since July 2020, we have incurred service fees payable to Didi Group for the provision of customer referral, promotion and other services provided by Didi Group. The service fees incurred were RMB0.4 million, RMB5.0 million and RMB2.3 million for the years ended 31 December 2020, 2021 and 2022, respectively.

For the years ended 31 December 2020, 2021 and 2022, our revenue generated from e-hailing operating lease from customers sourced from Didi Group was RMB3.3 million, RMB56.2 million and RMB33.8 million, accounted for 2.8%, 42.3% and 29.2% of our revenue from e-hailing operating lease business, respectively. The number of new e-hailing operating lease agreements entered into with customers sourced from Didi Group was 962, 3,662 and 1,514, accounted for 15.9%, 47.2% and 25.6% of our total number of e-hailing operating lease agreements that we entered into for the corresponding year.

The chart below shows the typical process workflow of our business operation of e-hailing operating lease with customers referred by Didi Group.



Stage A: Placing orders by customers

Potential e-hailing driver customers of Didi Group can search, compare, and select their interested automobile brand and model supplied by us on the e-hailing vehicles leasing platform operated by Didi Group, and the platform automatically lists a few options with different quotations prepared by us. Once the customers have confirmed their selection, placed an order and paid the required deposit, we will be able to retrieve customers' order information, and start to prepare the selected automobiles for handing over to customers. To the best knowledge of our Directors, Didi Group performs a background check on all of its customers, thus all the customers referred by Didi Group have passed the background check and are approved by Didi Group. We have reviewed Didi Group's background check procedures and criteria for admission of new customers which we considered to be in conformity with our own criteria and procedures, therefore we do not perform additional background checks on customers referred by Didi Group. During the Track Record Period, there was no material customer default associated with the customers referred by Didi Group as confirmed by our Directors.

Stage B: Notification of details for picking up e-hailing vehicles

Once the selected e-hailing vehicles are ready for collection, we will notify the customers about the location and time to pick up the e-hailing vehicles, and relevant identification documents to be prepared for verification.

Stage C: Execution of agreements

Before execution of the agreements, we conduct face-to-face interviews with customers in order to verify their identity and to ensure that our customers understand the terms and conditions of the agreements. Our customers are then required to settle the initial payment and execute the agreements and other necessary documents. The customers' information will be recorded onto our ERP system at the same time. Following the execution of agreements, we will direct the customer to pick up the e-hailing vehicle from Didi Group's centralised vehicle management centre.

For stages D and E, the process workflow follows our other operating lease. Please refer to the paragraph headed "Our Business Model and Operation — (B) Automobile operating lease — i. Automobile operating lease — (3) Other operating lease" in this section for details.

Other channels

In addition to the e-hailing drivers referred by Didi Group, we have individual customers and corporate customers sourced from other channels, including our own self-operated sales outlets and third party automobile agents. For the customers sourced from our own self-operated sales outlets, we generally received customers' inquiries on e-hailing vehicles leasing followed by signing lease documents in store. For the customers sourced from our third party automobile agents, the automobile agents introduce customers to us through their own business development efforts.

For the year ended 31 December 2021, the revenue and number of e-hailing operating lease agreements sourced from other channels decreased by RMB36.6 million and 996 agreements, respectively, mainly due to the decrease in e-hailing operating lease business generated from third party automobile agents, as we reduced the number of such agents due to their under-performance, and we put more effort into developing our self-operated outlets' e-hailing business in certain sales outlets. Our revenue and number of e-hailing operating lease agreements sourced from other channels for the year ended 31 December 2022 increased by RMB5.4 million and 303 agreements, respectively, as compared to the year ended 31 December 2021, mainly due to we put more effort into developing our self-operated outlets' e-hailing business in certain sales outlets.

During the Track Record Period, according to our internal policy, only vehicles which have obtained Transport Certificate can be allocated e-hailing business, hence all the vehicles that have been allocated to e-hailing business in both operating lease and e-hailing automobile under sales and finance lease have obtained Transport Certificate.

Internal policies in respect of e-hailing vehicles leasing platforms and e-hailing drivers

We have adopted a set of "Review Standards for Online E-hailing Vehicles Leasing Platform Policy" 《網約車平台審核標準》. Under such policy, the detailed assessment criteria for online e-hailing vehicle leasing platform in the PRC included (1) obtained the "Online E-Hailing Business Permit" 《網絡預約出租汽車經營許可證》 or relevant business licenses which complied with the national and regional e-hailing related laws and regulations; (2) the online e-hailing vehicle leasing platform is operating in both national and multiple regions in the PRC; (3) the online e-hailing platform is required to have branches or wholly-owned operating subsidiaries in more than five different cities in the PRC, with the local branches or wholly-owned subsidiaries and local qualified staff in operation to conduct administration procedures of operating leasing of vehicles and online e-hailing operations in accordance with the local laws and regulations; and (4) the registered capital of the online e-hailing platform company should not be less than RMB50 million; and the company is not in the "List of Enterprises with Abnormal Operations" (《經營異常名錄》) and "List of Untrustworthy with Serious Violations" (《嚴重違法失信企業名單》). If the online e-hailing vehicle leasing platform fulfils the above assessment criteria, a Framework Agreement is signed with the relevant online e-hailing vehicle leasing platform. Before the business cooperation agreement is signed with e-hailing platform, our business department will submit the cooperation agreement to legal department to review according to the aforementioned criteria to ensure the online e-hailing platform that we directly work with has obtained the valid E-hailing Business Permit. During the Track Record Period, the e-hailing platform we worked with was Didi Group, which has obtained the E-hailing Business Permit.

We have adopted a set of "Policies over Transport Certificate of e-hailing service" 《網約車運輸證辦理規範》. Under such policy, a Transport Certificate is required to apply for all e-hailing vehicles by the Sales and Rental Department ("租售部"). When the Transport Certificate is obtained, the staff of the Sales and Rental Department is required to pass the original Transport Certificates to the Logistics Vehicle Management Department ("後勤車務管理部"). The staff of the Logistics Vehicle Management Department uploaded the Transport Certificate to the business intelligent system. Before the vehicle is released to provide e-hailing service, staff of the Sales and Rental Department is required to check the validity period of the relevant Transport Certificate. We have adopted a set of "Policies for assessment on online e-hailing drivers" (《喜滴網約車司機前控審核標準》). Under such policy, the assessment criteria for online e-hailing drivers included (1) a valid online e-hailing drivers driving license, identification documents and the debit/credit card; (2) 52 Car APP to be installed and complete the address book authorization; (3) signing a third-party credit inquiry authorization letter; (4) aged between 21 to 60 years old with Driver License for E-hailing obtained for at least three years; (5) do not have any penalty record of a one-off 12 points deduction of the driver license; (6) online e-hailing drivers need to be located outside of Xinjiang, Tibet and Inner Mongolia region; and (7) online e-hailing drivers are not in the Blacklist Incident. Only the above mentioned criteria were all satisfied, our agreements with our e-hailing drivers can be finalised.

Laws and regulations on e-hailing services

There are mainly four regulations related to e-hailing service industry published recently: (i) the Provisional Measures for Administration of E-Hailing Services (《網絡預約出租汽車經營服務管理暫行辦法》) (the "**E-Hailing Measures**"); (ii) the Notice on Maintaining Market Order for the Fair Competition and Accelerating the Compliance of E-hailing Vehicles (《關於維護公平競爭市場秩序加快推進網約車合規化的通知》); (iii) Opinions on Strengthening the Protection of the Rights and Interests of Employees in the New Transportation Industry (《關於加強交通運輸新業態從業人員權益保障工作的通知》); and (iv) the Notice on Strengthening the Work Related to the Joint Supervision of the Whole Industry Chain of the E-hailing (《關於加強網絡預約出租汽車行業事中事後全鏈條聯合監管有關工作的通知》). As advised by CIC, the four recently published regulations in relation to the e-hailing service industry as mentioned are not expected to have material impact on the e-hailing platform operators or the e-hailing service industry at large as they only provide for further details of the requirements on e-hailing platform operators by existing legislations and do not impose new onerous requirements. The Directors concur with CIC's view and do not expect that such regulations to have material direct or indirect impact on the Group's e-hailing operating lease business. For details of the aforementioned four regulations related to e-hailing service industry published recently, please refer to "Regulatory Overview — Laws and Regulations on e-hailing Services".

According to the E-hailing Measures, the E-hailing Business Permit is issued to online e-hailing platform companies, the Transport Certificate for E-hailing is issued to passenger transport vehicles, and the Driver License for E-hailing is issued to e-hailing drivers. The E-hailing Measures also provide that an online e-hailing platform company failing to obtain the E-hailing Business Permit and the party failing to obtain the Transport Certificate or the Driver License shall be fined. Our Directors confirmed that our PRC subsidiary only serves as an e-hailing vehicles provider, which neither owns the online service platforms nor operates any e-hailing business. As advised by our PRC Legal Advisers and our Directors confirm that our PRC subsidiary was only responsible for obtaining transport certificates for the e-hailing vehicles during the Track Record Period. As advised by our PRC Legal Advisers after due diligence and as confirmed by our Directors, all of our e-hailing vehicles under operating lease and finance lease during the Track Record Period and up to the Latest Practicable Date have obtained

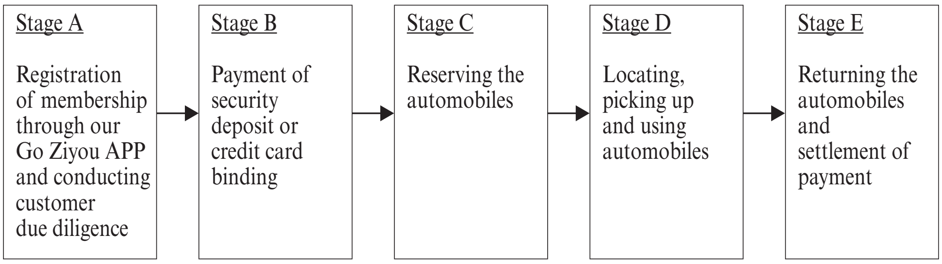
Transport Certificates for E-hailing. In addition, if the vehicle that provides the aforesaid services operates without the transport certificate for e-hailing, the e-hailing platform company or the drivers, rather than the e-hailing vehicle providers, may be ordered to make rectification or fined by the competent administrative departments of transportation and prices. Therefore, as advised by our PRC Legal Advisers, these four newly-published laws and regulations on e-hailing industry mainly regulate online e-hailing platform enterprises and are not applicable to Group's businesses, and do not have any bearing on our Group's business and operation.

(2) New energy car-sharing

During the Track Record Period, we operated our new energy car-sharing business in several cities in the Fujian Province of the PRC through our Go Ziyou APP, where our customers could rent our new-energy vehicles for shorter term with greater flexibility. However, our new energy car-sharing business underperformed as compared to our e-hailing operating lease business in terms of return on assets. 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, our new energy car-sharing automobiles had been disposed of or reallocated to our automobile retail and finance business.

During the operation period of our Go Ziyou APP, we published the new energy car-sharing locations and price information in the form of texts and pictures on our Go Ziyou APP without any charge, and our Go Ziyou APP users could browse such information for free and rent new energy automobiles of their choice on our Go Ziyou APP. Our customers were required to download our Go Ziyou APP, on which our customers could locate and reserve our available new energy automobiles in their proximity. We generated revenue from the rental payment of our new energy automobiles, which was generally priced and charged by minute and/or distance travelled. In relation to our new energy car-sharing business through our Go Ziyou APP, for the years ended 31 December 2020, 2021 and 2022, we generated revenue of RMB5.2 million, RMB4.0 million and RMB0.8 million, respectively, and recorded gross loss of RMB1.2 million, RMB4.1 million and RMB1.6 million, respectively, for the corresponding year.

The chart below was the typical process workflow of our new energy car-sharing business during the operation period of our Go Ziyou APP:



Stage A: Registration of membership through our Go Ziyou APP and conducting customer due diligence

Customers were required to download the Go Ziyou APP, followed by registering their relevant personal information details, including uploading photos of personal identification documents and driver's licences onto the Go Ziyou APP. Customers were required to agree with our lease terms and conditions for using our service to complete the registration process on the Go Ziyou APP. After obtaining customers' registration information, we would process the information and complete background checks on customers online in accordance with our credit risk assessment requirements.

Stage B: Payment of security deposit or credit card binding

Once the customers' background checks were passed, customers were required to pay a fixed amount of security deposit before proceeding to select and reserve their preferred automobiles.

Stage C: Reserving the automobiles

Customers were able to select and reserve their preferred automobiles that were available directly on the Go Ziyou APP.

Stage D: Locating, picking up and using automobiles

Once the preferred automobiles were selected, customers were able to locate the automobiles and use the automobiles.

Stage E: Returning the automobiles and settlement of payment

At the end of the lease term, our customers shall return the automobiles to any of our parking sites and pay for their actual usage of the leased automobiles.

We would conduct inspections on the conditions of the leased automobiles returned to the designated parking site by the customers. If the condition of the automobiles failed to meet the requirements stated in the lease agreements, we would make arrangements for the cost of repair according to the lease terms.

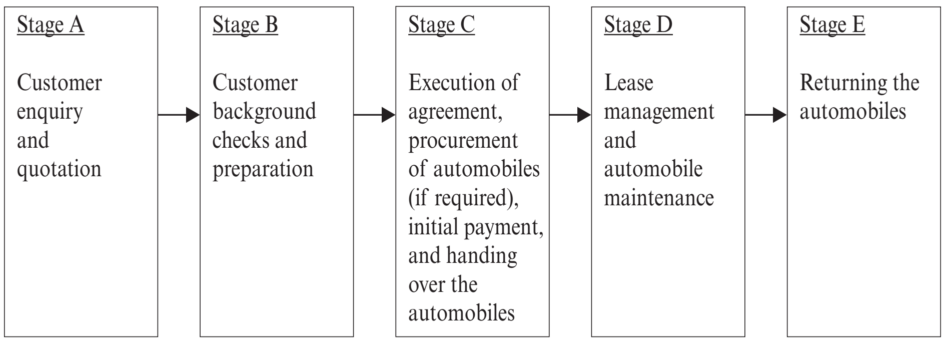
(3) Other operating lease

In addition to e-hailing operating lease and new energy car-sharing services, we also provide other operating lease services to our customers. The lease term of other operating lease varies from a few days to three years. We have provided chauffeured service at the request of our automobile operating lease customers, the fee of which have taken into account when we determined the amount of the periodic rental payments. As at the Latest Practicable Date, we had no longer provided chauffeured service.

In May 2021, we launched our Kuai Ya Car Rental WeChat mini programme (快呀租車微信小程序) for our other operating lease business, which can be accessed by WeChat users without any charge and allows the users to browse our selection of automobiles available for operating lease, and reserve their selected automobiles. Since its launch and up to the Latest Practicable Date, we had completed 2,853 automobile operating leases through this mini programme.

For the years ended 31 December 2020, 2021 and 2022, the average occupancy rate of our other operating lease automobiles (defined as the sum of number of other operating lease automobiles under operating lease at month end date over the period divided by the sum of number of other operating lease automobiles at month end date over the year) was approximately 59.0%, 35.8%, and 36.3%, respectively.

The chart below shows the typical process workflow of our other operating lease business operation. The process workflow also applies to our e-hailing operating lease with other customers.



Stage A: Customer enquiry and quotation

When we receive enquiries from potential customers on our automobile operating lease, we will obtain information from them on their preferred terms of the operating lease such as the lease period and the choice of automobile model. Having considered the information obtained, we will then provide our quotation to the customers.

Stage B: Customer background checks and preparation

After confirming the order, we will require our customers to provide necessary information for the purpose of conducting our credit risk assessment and approval. Once approved, we will prepare the automobile operating lease agreements setting out, among others, lease term, rent, automobile model and automobile licence number, for our customers' execution.

Stage C: Execution of agreement, procurement of automobiles (if required) and handing over the automobiles

We execute the automobile operating lease agreement with our customers upon confirmation of the agreed lease terms, and process the initial payment. If the automobile model chosen by our customer is not available from our inventories, our procurement department will place an order for such automobile model. Prior to handing over the automobiles, we will conduct inspections on the condition of the automobiles, perform pre-handover checks and record the information of the automobiles such as appearance, mileage and tools and kits that go along with the automobiles. After all these inspection checks, we will hand over the automobiles to our customers.

Stage D: Lease management and automobile maintenance

Throughout the lease term, our customers are obliged to make periodic rental payments timely. We bear the costs of the automobile insurance, annual inspection, repair and maintenance.

Stage E: Returning the automobiles

At the end of the lease term, our customers shall return the automobiles to us. We will then conduct inspections on the condition of the automobiles. After such inspections, we will then decide whether such automobiles are suitable to be retained as part of our automobile fleet for operating lease.

ii. Other automobile-related services

For our other automobile-related services, 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.

We provide automobile-related services to business-end customers. We generate income from business-end customers, which can be an agreed lump sum over the service period or determined based on the number of automobile transactions promoted.

We provide auto-insurance promotion service through our cooperation with insurance providers. By the insurance providers' promotion of auto-insurance at our sales outlets, we receive promotion service fees, which typically represent approximately 10% to 16% of the transaction amount with the insurance providers. For the years ended 31 December 2020, 2021 and 2022, our revenue generated from the auto-insurance promotion service was RMB17.5 million, RMB12.3 million and RMB12.4 million, respectively.

We also operate an automobile aftermarket service platform with our 52 Car APP on which we assist car-user customers to look for automobile aftermarket usage solutions to cater to their various needs during the automobile usage stage, including but not limited to (i) recommendations on over 500 automobile service locations as at 31 December 2022 operated by third party automobile aftermarket service providers in the PRC; and (ii) provision of information and assistance in relation to repair works on the damaged automobiles. Our Directors confirm that we do not charge customers for browsing the aftermarket services listed on 52 Car APP and the assistance provided, furthermore 52 Car APP does not offer the functionality of placing orders. As at the Latest Practicable Date, we did not charge our car-user customers for downloading or using our 52 Car APP. We publish automobile service locations and information in the form of texts and pictures on our 52 Car APP without any charge, and our 52 Car APP users can browse such information for free.

For third party automobile aftermarket service providers (as business-end users) including repair and maintenance workshop, they can access our automobile aftermarket service platform through our 52 Car (Business Version) APP which enables them to manage automobile repair orders, editing their service information shown on our 52 Car APP, such as name, location, contact details and service offerings of their repair and maintenance workshops. To ensure the quality of the repair and maintenance services provided by the third party automobile aftermarket service providers to the car-user customers, we require them to provide us progress reports from time to time on the respective automobiles they are working on, supported with photos and videos showing the condition of the automobiles before and after the repair and maintenance work performed. We do not charge our business-end users for downloading or using our 52 Car (Business Version) APP. Instead, we receive service fees from service providers, such as third party automobile aftermarket service providers, based on the agreed percentage typically ranging from 5% to 15%, of the transaction value with the customers referred by us. For the years ended 31 December 2020, 2021 and 2022, our revenue generated from the services we provided to the third party automobile aftermarket service providers was RMB1.5 million, RMB1.6 million and RMB1.7 million, respectively.

SALES AND MARKETING

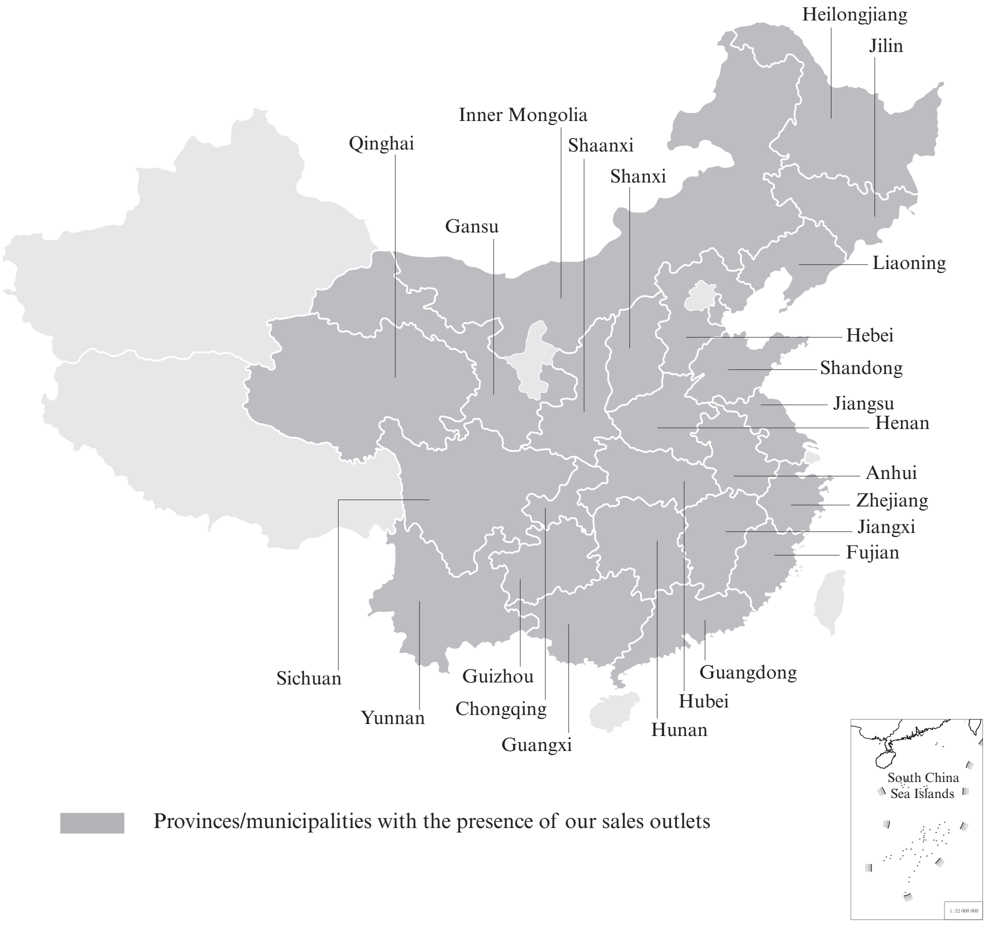
Sales

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

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

Self-operated sales outlet

We conduct our sales of automobiles under finance lease principally through our self-operated sales outlets. As at the Latest Practicable Date, our sales outlets were located in the provinces and municipalities in the PRC as shown below:



As at the Latest Practicable Date, we had a self-operated sales network comprising of 70 sales outlets across 24 provinces and municipalities in the PRC. The following tables set out the breakdowns of the number of our sales outlets by geographical location and by city tier as at the Latest Practicable Date:

By geographical location:

Eastern PRC	29
Southern PRC	10
Southwestern PRC	9
Central PRC	8
Northern PRC	5
Northwestern PRC	4
Northeastern PRC	5

By city tier:

Tier one city	1
Tier two cities	33
Tier three and below cities	36

Our sales outlets are supported by a team of experienced frontline staff and sales personnel with effective sales techniques and product knowledge in the retail and leasing of automobiles under the guidance of our management team. For the years ended 31 December 2020, 2021 and 2022, our sales commission paid to our staff amounted to RMB15.2 million, RMB30.8 million and RMB31.3 million, representing 3.4%, 3.8% and 4.1% of our total cost of revenue, respectively. The table below shows the movement in the number of our sales outlets during the Track Record Period:

	Year ended 31 December		
	2020	**2021**	**2022**
As at the beginning of the year	62	66	65
Opened during the year	4	2	3
Closed during the year	—	(3)	—
As at the end of the year	66	65	68

As at the Latest Practicable Date, we had 43 and nine sales outlets offering only passenger vehicles and only e-hailing vehicles, respectively, and 18 sales outlets offering both passenger vehicles and e-hailing vehicles.

The number of new automobiles sold represents the new automobiles we sold by way of finance lease during the year. The number of newly entered finance lease agreements includes the new finance lease agreements for the new automobiles we sold and the new finance lease agreements for the repossessed automobiles we sold during the year. The following tables set out a breakdown of (i) the number of new automobiles sold; (ii) the number of newly entered finance lease agreements; and (iii) revenue from our automobile retail and finance business by geographical location:

For the year ended 31 December 2020

	Number of new automobiles sold under finance lease	Number of newly entered finance lease agreements	Revenue from automobile retail and finance business
			RMB'000
Eastern PRC	1,473	3,120	241,828
Southern PRC	656	1,264	100,895
Southwestern PRC	676	1,405	105,305
Central PRC	434	900	62,601
Northern PRC	368	689	47,728
Northwestern PRC	202	352	28,027
Northeastern PRC	92	129	11,255
Total	3,901	7,859	597,639

For the year ended 31 December 2021

	Number of new automobiles sold under finance lease	Number of newly entered finance lease agreements	Revenue from automobile retail and finance business
			RMB'000
Eastern PRC	2,750	4,219	395,627
Southern PRC	1,452	2,074	193,048
Southwestern PRC	1,133	1,911	156,951
Central PRC	919	1,357	121,023
Northern PRC	671	1,048	86,661
Northwestern PRC	376	555	49,272
Northeastern PRC	74	144	9,835
Total	7,375	11,308	1,012,417

For the year ended 31 December 2022

	Number of new automobiles sold under finance lease	Number of newly entered finance lease agreements	Revenue from automobile retail and finance business
			RMB'000
Eastern PRC	2,869	4,754	409,689
Southern PRC	1,402	2,922	194,667
Southwestern PRC	997	1,941	137,979
Central PRC	792	1,363	108,738
Northern PRC	559	968	77,476
Northwestern PRC	407	614	52,867
Northeastern PRC	127	192	15,682
Total	7,153	12,754	997,098

The following tables set out a breakdown of the number of new automobiles sold, the number of newly entered finance lease agreements and revenue from our automobile retail and finance business by city tier:

For the year ended 31 December 2020

	Number of new automobiles sold under finance lease	Number of newly entered finance lease agreements	Revenue from automobile retail and finance business
			RMB'000
Tier one city	—	—	2,278
Tier two cities	3,322	6,511	506,884
Tier three and below cities	579	1,348	88,477
Total	3,901	7,859	597,639

For the year ended 31 December 2021

	Number of new automobiles sold under finance lease	Number of newly entered finance lease agreements	Revenue from automobile retail and finance business
			RMB'000
Tier one city	—	—	669
Tier two cities	6,431	9,695	879,744
Tier three and below cities	944	1,613	132,004
Total	7,375	11,308	1,012,417

For the year ended 31 December 2022

	Number of new automobiles sold under finance lease	Number of newly entered finance lease agreements	Revenue from automobile retail and finance business
			RMB'000
Tier one city	10	541	5,470
Tier two cities	6,036	10,383	844,925
Tier three and below cities	1,107	1,830	146,703
Total	7,153	12,754	997,098

Automobile agents

In addition to our self-operated sales outlets, we also engaged third party agents, via agency agreements and certain ad hoc arrangements, to promote our passenger vehicles and e-hailing vehicles, as well as our corresponding finance lease and operating lease solutions so as to leverage their resources, customer base and experiences in their respective regions.

During the Track Record Period, we worked with passenger vehicle agents to promote our automobile retail and finance business. Due to the non-performing asset ratio of our finance lease agreements through this channel was higher than that of our self-operated sales outlets, we ceased to work with any agents to promote our passenger vehicles under our automobile retail and finance business in 2021. During the Track Record Period and up to the Latest Practicable Date, we had cooperated with third party agents to promote e-hailing vehicles for our automobile retail and finance business and operating lease business.

Passenger vehicle agents

The following table shows the movement in the number of passenger vehicle agents we entered into agency agreements with during the Track Record Period:

	Year ended 31 December		
	2020	**2021**	**2022**
As at the beginning of the year	119	25	—
Engaged during the year	23	—	—
Discontinued during the year	(117)	(25)	—
As at the end of the year	25	—	—

For the years ended 31 December 2020, 2021 and 2022, we had 23, 6 and nil passenger vehicle agents referred customers to us, respectively.

The revenue from sales of automobile attributable to customers referred by the passenger vehicle agents amounted to RMB11.7 million, RMB1.5 million and nil for the years ended 31 December 2020, 2021 and 2022, respectively.

E-hailing vehicle agents

As for e-hailing vehicles, since late 2018, we have engaged third party agents to promote our e-hailing vehicles and lease solutions, including both finance lease and operating lease. As at 31 December 2022, we had entered into agency agreements with 42 agents for e-hailing vehicles, of which 2, 31 and 9 were located in tier one city, tier two cities and tier three and below cities respectively. The following table shows the movement in the number of e-hailing vehicle agents (including both promoting our finance lease solutions and operating lease solutions) we entered into agency agreements with during the Track Record Period:

	Year ended 31 December		
	2020	**2021**	**2022**
As at the beginning of the year	172	105	79
Engaged during the year	70	58	33
Discontinued during the year	(137)	(84)	(70)
As at the end of the year	105	79	42

For the years ended 31 December 2020, 2021 and 2022, there were 137, 84 and 70 agency agreements with the e-hailing vehicle agents, respectively, discontinued in view of the unsatisfactory performance of certain e-hailing vehicle agents.

For the years ended 31 December 2020, 2021 and 2022, there were nil, nil and 12 e-hailing vehicle agents referred finance lease customers to us. For the years ended 31 December 2020, 2021 and 2022, 163, 55 and 25 e-hailing vehicle agents referred operating lease customers to us.

The salient terms of the agency agreements with the passenger vehicle agents and e-hailing vehicle agents are set out below:

Contract term	:	Usually one year
Scope of service	:	The agents are mainly responsible for: — promoting and answering customers' enquiries about our passenger vehicles and e-hailing vehicles, as well as the corresponding lease solutions utilising their own resources, such as setting up stores/booths for marketing purpose (if applicable); — conducting preliminary screening and assessment of customers' background information by way of collecting and verifying customers' documents; and — assisting customers in placing orders with us.
Region of service	:	The agents are only allowed to perform their services within the agreed region. Certain agents are entitled to exclusive rights in promoting our products and services in the agreed region.
Commission to agents	:	For each automobile finance lease transaction the agents procure, they earn commission, which can be at a fixed amount typically ranging from approximately RMB2,000 to RMB11,000 or at an agreed percentage typically ranging from approximately 1.4% to 7.7% of the value of the transacted automobile. For each automobile operating lease transaction the agents procure, they earn a service fee, which is calculated based on the number of customers referred to us by the respective agents, subject to due monthly rental payment by the customers to us.
Termination	:	Upon agreement by both parties

To exercise control over our automobile agents, we collect feedback from the customers referred by them from time to time to assess the promotion practice of these agents. We also conduct assessments on their performance from time to time and monitor the non-performing asset ratio in relation to the customers referred by the respective agents. We have the right to request rectification in the case where any unsatisfactory performance is observed.

For the years ended 31 December 2020, 2021 and 2022, our sales commission paid to these agents in relation to promoting our finance lease solutions amounted to RMB1.0 million, RMB0.1 million and RMB0.2 million, representing 0.2%, 0.01% and 0.03% of our cost of revenue, respectively.

For the years ended 31 December 2020, 2021 and 2022, our service fee paid to these agents in relation to promoting our operating lease solutions amounted to RMB5.9 million, RMB7.5 million and RMB3.9 million, representing 7.8%, 9.0% and 4.8% of our total selling and marketing expenses, respectively.

Mobile applications

During the Track Record Period, we operated various mobile applications and programmes, which include 52 Car APP, Go Ziyou APP and Kuai Ya Car Rental, a WeChat mini programme (快呀租車微信小程序) for car-user customers, and 52 Car (Business Version) APP for business-end customers. Other than 52 Car APP, 52 Car (Business Version) and Kuai Ya Car Rental, a WeChat mini programme, the other mobile applications have been suspended.

All of our mobile applications can be downloaded without any charge. Through our mobile applications, our customers can have access to a wide range of products and services we offer in relation to automobile retail and finance, new energy car-sharing and aftermarket services. We have adopted internal control measures to ensure the security of our data system and confidentiality of our customers' personal and behavioural data. Our employees are required to strictly adhere to the internal control measures and we have accordingly established a penalty mechanism in the event of their non-compliance with our internal control measures. See the section headed "Risk Management and Operations — Operational Risk Management" for further details.

In relation to the provision of automobile retail and finance, new energy car-sharing and aftermarket services through our mobile applications, we may be considered as conducting information services business through the Internet. According to the Administrative Measures on Internet Information Services (《互聯網信息服務管理辦法》) promulgated by the State Council (which came into effect on 25 September 2000 and was last amended on 8 January 2011) (the "**Measures**"), Internet information services are divided into two types, namely, (i) profitable Internet information services; and (ii) non-profitable Internet information services which the former refers to the provision of Internet information services with a charge of payment. Please refer to the section headed "Regulatory Overview — Laws and Regulations on Value-Added Telecommunication Services" for further details.

In the past, we provided Internet information services through our mobile applications to our car-user customers without charge. Our car-user customers may use our mobile applications, i.e. Taoqi APP and Go Ziyou APP, to place orders for automobile purchases with our automobile finance solutions or new-energy vehicles rentals, and pay for such products and services. However, they are not required to pay for the use of our mobile applications (i.e. the Internet information services provided by us). Our Directors confirm that we did not charge our customers for viewing, searching, downloading automobile-related information, interacting with customer service representatives, or transacting on our mobile applications, and we did not charge third-party service providers, such as aftermarket automobile service providers for displaying their information on our mobile applications. On such basis, we did not provide Internet information services at a charge, and our Internet information services provided are hence regarded as non-profitable Internet information services, as advised by our PRC Legal Advisers. Our Directors confirmed although our car-user customers could purchase our automobiles with our automobile finance solutions and rent our new-energy vehicles through our mobile applications, the provision of such services by us was concluded offline, where our car-user customers were required to visit our sales outlets or our directed car parks where we provided onsite assistance to our customers for inspection and picking up the automobiles before driving off. Our Directors confirmed that the revenue and income from the provision of automobile retail and finance, new energy car-sharing services through our mobile applications were entirely generated from the conclusion of such automobile services offline for the customers referred by our Group, instead of the provision of profitable Internet information services according to the Measures. To further clarify and confirm our understanding of ICP Licence requirement, we had three interviews with Fujian Telecommunication Administration Bureau (福建省通信管理局) (the "**FTAB**") on 13 November 2018, 14 November 2018 and 20 August 2020 (the "**Interviews**"). According to the Interviews, the person-in-charge of internet management and communication management of the FTAB concluded that, (i) for a mobile application providing information service with no charge of payment, an ICP Licence is not required, and (ii) based on our introduction of our mobile applications, including the business and operation of Taoqi APP, Go Ziyou APP, 52 Car APP and 52 Car (Business Version) APP, the operations of our Group's mobile applications do not fall within the scope of profitable Internet information services and do not require the ICP Licence. Our PRC Legal Advisers are of the view that the FTAB is the competent authority supervising the activities of Internet information services of the operations of our Group's mobile applications and confirming that the operations of our Group's mobile applications in China are regarded as "non-profitable Internet information services" and do not require the ICP Licence. In May 2021, we launched our Kuai Ya Car Rental WeChat mini programme (快呀租車微信小程序) for our other operating lease business, which can be accessed by WeChat users without any charge and allows the users to browse our selection of automobiles available for operating lease, and reserve their selected automobiles. Our Directors confirm that we do not charge our customers for viewing, searching, downloading automobile-related information, or transacting on our Kuai Ya Car Rental WeChat mini programme, and the revenue and income from the provision of our other operating lease through our Kuai Ya Car Rental WeChat mini programme were entirely generated from the conclusion of such automobile services offline, where the customers from Kuai Ya Car Rental WeChat mini programme are required to visit our sales outlets or our directed car parks where we provide onsite assistance to our customers for inspection and picking up the automobiles before driving off. Our PRC Legal Advisers advised the operation of our Kuai Ya Car Rental WeChat mini programme is regarded as "non-profitable Internet information services" and does not require the ICP Licence, based on the same principles of the Interviews.

Marketing

We reach out to our customers through various marketing channels, such as advertising on trains and high speed trains, our own online platforms and mobile applications, including our 52 Car APP, Kuai Ya Car Rental, a WeChat mini programme, and our website at www.xxfgo.com. In addition, we advertise our business through other third party media channels such as WeChat (微信), Baidu (百度), Iqiyi (愛奇藝), Tencent (騰訊), and well-known automobile websites such as www.autohome.com.cn on which we place advertisements for our available automobile models.

For the years ended 31 December 2020, 2021 and 2022, our advertising expenses amounted to RMB8.5 million, RMB10.8 million and RMB8.4 million respectively. We believe that these marketing efforts have been instrumental in promoting our products and services to our customers and establishing our Group's brand image and reputation.

PRICING POLICY

Generally, we formulate our pricing policy according to (i) the type of products and services; (ii) the market competition and industrial information; (iii) market trend; and (iv) the market acceptance of our product pricing.

We set the price of our automobile retail and finance offering, including the finance lease solutions for both passenger vehicles and e-hailing vehicles, as a packaged automobile finance lease product in terms of the number of instalments and the amount of each instalment. The pricing of our packaged automobile finance lease product is determined by taking into account factors including but not limited to the cost of automobiles, length of finance lease terms, the cost of automobile insurance, handling fee, vehicle registration fee, initial down payment, the cost of GPS tracking devices, the creditworthiness of customers. All of our automobile finance leases adopt a fixed interest rate throughout the respective lease term.

For the years ended 31 December 2020, 2021 and 2022, the average yield of finance lease receivables were 22.3%, 20.4% and 19.0% respectively. Our customers are mainly individuals looking for non-luxury automobiles in the PRC's tier two, and tier three and below cities within the age group of 20 to 40 years. We sell automobiles mostly on direct finance lease. Our target customers are different from those of bank-affiliated and automaker- or automobile dealer-affiliated RAFLCs. The top five RAFLCs (including our Group) in terms of transaction volume of direct finance lease in the PRC in 2021 are all third party RAFLCs. None of them are bank-affiliated and automaker- or automobile dealer-affiliated RAFLCs. We have adopted a wide array of pre-lease and post-lease credit risk management measures and in particular, our post-lease credit risk management such as monitoring of customers' periodic payments and automobile activities, repossession of automobiles, disposal of repossessed automobiles and subsequent legal actions (the details of which are set out in "Risk Management and Operations — Our Risk Management

Measures — Credit Risk Management"). Our Directors believe that we had a higher bargaining power and we were able to sell our packaged automobile finance lease products at higher prices with higher average yield rates, implying higher effective interest rates for our customers.

We determine the rent of our automobile operating lease, including both passenger vehicles and e-hailing vehicles, mainly based on the cost of the leased automobile, the term of the lease, the cost of depreciation and automobile insurance and maintenance. Our automobile operating leases are generally charged on a monthly or quarterly basis. In addition, we may also provide chauffeured service for our automobile operating lease customers, the fees of which are taken into account when we determine the price of our automobile operating lease. During the Track Record Period, the monthly rent of our e-hailing operating lease was within the range of RMB1,000 and RMB5,700, and the monthly rent of our other operating lease with chauffeured service was within the range of RMB3,590 and RMB14,800, and without chauffeured service within the range of RMB800 and RMB15,500, respectively.

We determined the minute and/or distance charge for new energy car-sharing by taking consideration of the cost or market value of the leased automobile. During the Track Record Period, our new energy car-sharing service was priced in the range of RMB0.49 and RMB0.79 per minute and capped from RMB168 to RMB260 per 24 hours, depending on the automobile brand and model, the price is different.

Our senior management review and adjust the pricing policy periodically taking into account of (i) the demand for our products and services; (ii) our future development and expansion strategy; (iii) customers' feedback; and (iv) our estimated funding costs to allow our Group to price our product and service competitively.

SEASONALITY

During the Track Record Period, we generally derived higher revenue generated from our automobile retail and finance business in December each year until before the Chinese New Year in the next calendar year. We believe that this seasonal pattern is primarily correlated with typical customer behaviours in the PRC, where the sales of automobile are generally higher as a result of the increased demand for automobiles prior to the festive season in the PRC.

We did not experience any significant seasonal fluctuations in our other businesses during the Track Record Period.

OUR LENDERS AND FUNDING CAPABILITIES

Our finance department is responsible for conducting regular capital planning, reporting and forecasting, following which it formulates customised funding plans seeking to manage our exposure to liquidity and interest rate risks. We have also established a risk management system to manage our credit, operational, legal and compliance risks. See the section headed "Risk Management and Operations" for further details on our risk management and internal control. In addition, we carefully manage our balance sheet by maintaining our gearing ratio at a level which we consider to be appropriate to meet our Group's funding needs and comply with the PRC laws and regulations while maximising the return to Shareholders through balancing our debt financing and equity financing. See "Financial Information — Liquidity and Capital Resources — Capital Management" for further details on our gearing ratios during the Track Record Period. See "Financial Information — Key Financial Ratios" for detailed analysis of our capital adequacy ratio and liquidity ratio during the Track Record Period.

We have established diversified funding channels. During the Track Record Period, we mainly obtained fundings from several sources, namely (i) interest-bearing loans; (ii) automobile finance lease arrangements; (iii) factoring of finance lease receivables; and (iv) asset-backed securities issued by a financial institution. 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, duration of the loan and the time required for the approval of funds. In addition, we received equity investments from our Shareholders as equity financing. Accordingly, we have been capable of securing sufficient equity and debt financing to meet our funding needs.

The following table sets out the breakdown of our proceeds from borrowings by funding source for the years indicated:

	Year ended 31 December					
	2020		2021		2022	
	Proceeds of borrowings		Proceeds of borrowings		Proceeds of borrowings	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Interest-bearing loans	294,705	46.1	384,598	32.9	359,146	26.8
Within one year	203,357	31.8	313,492	26.8	197,901	14.8
Between one and two years	—	—	7,582	0.6	24,830	1.9
Between two and four years	91,348	14.3	63,524	5.4	136,415	10.2
Automobile finance lease arrangement	315,688	49.4	710,057	60.7	940,931	70.3
Within one year	19,681	3.1	—	—	—	—
Between one and two years	30,873	4.8	—	—	110,817	8.3
Between two and four years	265,135	41.5	710,057	60.7	830,114	62.0
Finance lease receivables factoring	28,480	4.5	30,000	2.6	38,247	2.9
Asset-backed securities	—	—	44,260	3.8	—	—
Total	638,873	100.0	1,168,915	100.0	1,338,324	100.0

Note: To better align the terms and schedule of our borrowings cash outflow with our finance lease income cash inflow, we lowered the borrowings from interest-bearing loans within one year and increased the amount of funds provided through automobile sale-leaseback for the year ended 31 December 2022.

Our weighted average effective interest rate of the total outstanding borrowings per annum remained relatively stable at 8.5%, 8.5% and 8.6% as at 31 December 2020, 2021 and 2022, respectively.

Interest-bearing loans

We obtained interest-bearing loans from banks and financial institutions, including automaker-affiliated financial institutions, and from certain individuals in the PRC during the Track Record Period. As at 31 December 2020, 2021 and 2022, our outstanding interest-bearing loans amounted to RMB658.4 million, RMB516.7 million and RMB395.1 million, respectively. Such interest-bearing loans bore fixed interest rate ranging from approximately 4.3% to 14.4% per annum. Some of these loans were secured by pledging our owned office premises and owned automobiles. According to CIC, fundings from automaker-affiliated financial institutions are one of the common sources of financing for third party RAFLCs. Our Directors believe that obtaining fundings from automaker-affiliated financial institutions allows us to maintain good relationships with automakers and to repay the outstanding amounts by instalments for better management of our cash flow. We also obtained fundings from certain individuals in the PRC for the year ended 31 December 2022 as arrangements with them are generally more flexible and require fewer securities. For instance, other than personal guarantees, our individual lenders typically do not require securities such as automobile mortgages or trade receivable pledges which are common in loan arrangements with other types of funding providers, allowing more flexibility in obtaining fundings. Our Directors confirm that we had not encountered any difficulties in obtaining financing from other independent third party financial institutions during the Track Record Period and up to the Latest Practicable Date.

The following table sets out the breakdown of our proceeds from interest-bearing loans by type of funding providers for the years indicated:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Automaker-affiliated financial institutions	81,271	34,631	60,691
Banks	30,021	51,786	51,626
Other financial institutions	183,413	298,181	212,830
Individuals*(Note)*	—	—	34,000
Total	294,705	384,598	359,146

Note: There were three individuals who provided funding to us in 2022. One of the individuals was one of the shareholders of our Supplier B. The other two individuals are one of our Executive Director's acquaintances who are also Independent Third Parties. The three individual fund providers had idle cash and were looking for a stable return of interest on their idle cash. The interest rate of these loans was within the range of 9.0% and 12.8%, which is within the range of 4.3% and 14.4% for the interest we paid to banks. As both the purposes of providing loans to us and the interest rate charged to us had no difference from other funding sources, as advised by our PRC Legal Advisers, we treated the loans from the three individuals the same as other loans. Our Directors confirm that the negotiations of the terms of our fundings and purchases from Supplier B were conducted on an individual basis and the terms of transactions with Supplier B are similar to those transactions with our other financiers or suppliers. Supplier B was also our customer, mainly business-end customer of our third party automobile aftermarket service providers, during the Track Record Period, to which our Group provided automobile-related promotion services. For more details of Supplier B, please refer to "Business — Our Suppliers and Procurement". To the best knowledge and belief of our Directors, Supplier B and its ultimate beneficial owners are Independent Third Parties.

The following table sets out a summary of the salient terms of the typical interest-bearing loans we obtained from (i) automaker-affiliated financial institutions; (ii) banks; (iii) other financial institutions; and (iv) individuals in the PRC during the Track Record Period:

	Automaker-affiliated financial institutions	**Banks**	**Other financial institutions**	**Individuals in the PRC**
Effective interest rate	Ranging from approximately 6.2% to 10.5% per annum	Ranging from approximately 4.3% to 14.4% per annum	Ranging from approximately 7.2% to 12.0% per annum	Ranging from approximately 9.0% to 12.8% per annum
Loan purpose	Typically expressed for purchase of automobiles		May or may not be specified	
Duration	36 to 48 months	6 to 36 months	1 to 45 months	3 to 24 months
Securities	Typically may include: 1. Personal guarantee 2. Vehicle mortgage 3. Property mortgage	Typically may include: 1. Personal guarantee 2. Vehicle mortgage 3. Deposit pledge	Typically may include: 1. Personal guarantee 2. Trade receivable pledge	Typically may include: 1. Personal guarantee
Representations and warranties	We may represent that we have the requisite civil capacity to enter into and perform our obligations under the agreements, and that for such purposes, we have obtained all necessary approvals, permissions and authorisations. Where applicable, we may also undertake to use the proceeds in accordance with the relevant use provisions of the agreements. Under agreements with certain automaker-affiliated financial institutions, we also undertake to take out various vehicle insurance with the approval of the lender.			
Penalties	The agreements may set forth the additional interest rates if we default on our payments or if we fail to use the proceeds accordingly to relevant provisions of the agreements (including without limitation the loan purpose provision, where applicable).			
Early repayments	The agreements may state whether early repayment is permitted, whether any extra charge is payable by us for such early repayment, and the conditions and steps we should satisfy and undertake to terminate the agreements			
Transferability	Lenders are typically entitled to transfer its rights to third parties		Lenders may or may not be entitled to transfer its rights to third parties	Lenders are typically not entitled to transfer its rights to third parties

Besides providing interest-bearing loans to our Group and a managerial position held by our non-executive Director, Ms. Xu Rui (徐睿), in an institutional lender of our Group, Company B, to the best knowledge of our Directors after making all reasonable enquiries, each of the institutional/individual lenders of our Group during the Track Record Period has no past or present relationship (business, employment, family, financing or otherwise) with and is independent from our Company, its subsidiaries, our Directors and senior management and their respective associates and our Shareholders, except for (i) two shareholders, namely Ms. Qiu Hui* (邱暉) and Mr. Lin Dachun* (林大春), and one shareholder, Mr. Guo Hongzhi* (郭洪志), of an institutional lender of our Group, Fujian Pingtan Tiansha, have indirect interests in our Company's shareholding through Charming Tulip Holdings Limited and Southern Fortune, respectively; (ii) one institutional lender of our Group, Company B, has indirect interest in our Company's shareholding through Brown Oak; (iii) one shareholder, Mr. Lin Dachun* (林大春), of the institutional lender, Fujian Pingtan Tiansha, has indirect interest in our Company's shareholding through Charming Tulip Holdings Limited, is also a shareholder of another institutional lender of our Group; and (iv) one institutional lender of our Group, Company A, was one of the financial institutions we worked with in the automobile finance solution matching arrangement as set out in "Our Business Model and Operation — (A) Automobile retail and finance — Cooperation with automobile finance providers" in this section.

Automobile finance lease arrangements

During the Track Record Period, we obtained funding from different independent financial institutions through automobile sale-leaseback arrangement, with effective interest rate ranging from approximately 5.2% to 13.0% per annum. Under this arrangement, we obtained funding through selling automobiles owned by us along with all the associated rights to the financial institutions. We would then lease the automobiles back from the financial institutions by paying monthly lease payments within the lease term plus handling fee. At the end of the lease term under both automobile finance lease arrangements, upon our fulfilment of all payment terms, the ownership of the automobiles will be transferred to our Group. As confirmed by our PRC Legal Advisers, our sales of automobiles under finance lease were not subject to restrictions as such sales were sub-lease in nature, rather than re-sale, which did not violate any restrictions in our sale-leaseback agreements with the financial institutions and for some of the sale-leaseback agreements signed earlier with the financial institutions that specified sub-lease was forbidden, we have obtained consent letters from all the financial institutions and confirmed that we are not restricted to the sales of automobiles under finance lease. For the years ended 31 December 2020, 2021 and 2022, 3,604, 6,463 and 11,805 automobiles were involved in such sale-leaseback arrangements respectively. The increase in such sale-leaseback arrangements for the year ended 31 December 2022 was primarily due to we lowered the amount of borrowings with term of one year and below, and increased the amount of borrowings with longer term, such as sale-leaseback funding arrangement, to better align the terms and schedule of our borrowings with our finance lease income.

Key terms of our automobile finance lease arrangements with funding providers include the followings:

Principal and lease payment:	The agreements set out the principal amount which is typically the aggregate price of procuring the automobiles concerned less initial payment and fees (if any). The agreements also set out the sum payable by us in respect of each repayment period.
Risk allocation:	The agreements typically spell out the risk allocation in respect of loss or damage to the automobile concerned during the term of the finance lease, together with the steps that the parties shall take in such circumstances.
Ownership upon expiry of lease:	The agreements typically provide that upon expiry of the finance lease and due performance of all our obligations thereunder, we may obtain ownership of the automobiles concerned either automatically or through payment of a nominal consideration.
Insurance:	The agreements typically set out the minimum types of vehicle-related insurance which our customers shall take out throughout the term of the finance lease.
Guarantee:	The agreements are typically backed up by credit enhancement measures, including guarantees, receivables pledges and vehicle mortgages.
Representations and warranties:	We may represent that all approvals, permissions and authorisations have been obtained for the signing and performance of the finance lease arrangement. Under sale-leaseback arrangements, we may also represent that we have full ownership of the automobiles concerned prior to the sale pursuant to such arrangements and that no third party has any right over such automobiles.
Penalties:	The agreements may provide for the penalties and steps which the automobile supplier may take if we default on any payment or otherwise breach the agreement.

Our Directors believe that this method of financing is beneficial to our Group because we can raise funds while maintaining flexible control of assets that are valuable to our business operations.

As at 31 December 2020, 2021 and 2022, our outstanding balance towards the financial institutions under sale-leaseback arrangement amounted to RMB472.3 million, RMB821.7 million and RMB1,258.6 million respectively.

During the Track Record Period, our Supplier H and Supplier C provided automobile finance lease arrangements to us. Supplier H was also one of our five largest funding providers during the Track Record Period, namely Company E. Other than providing fundings to our Group through automobile finance lease arrangements as disclosed in the paragraph headed "Our Lenders and Funding Capabilities — Our five largest funding providers" in this section and the above, to the best knowledge of our Directors after making all reasonable enquiries, each of the financial institutions under the automobile finance lease arrangements during the Track Record Period has no past or present relationship (business, employment, family, financing or otherwise) with and is independent from our Company, its subsidiaries, our Directors and senior management and their respective associates and our Shareholders.

Factoring of finance lease receivables

During the Track Record Period, we had factored our finance lease receivables to independent factoring institutions, with effective interest rate ranging from approximately 9.2% to 11.0% per annum. For the years ended 31 December 2020, 2021 and 2022, we factored our finance lease receivables amounting to RMB35.8 million, RMB42.0 million and RMB51.5 million in return for proceeds of RMB28.5 million, RMB30.0 million and RMB38.2 million, respectively. Our outstanding balance towards the independent factoring institutions amounted to RMB25.3 million, RMB27.7 million, and RMB47.5 million as at 31 December 2020, 2021 and 2022, respectively.

Key terms of our factoring arrangements with independent factoring institutions include the followings:

Term:	Usually one year.
Type of factoring:	We typically factor our rights under automobile finance leases with our customers, which include mainly lease payments and other sums receivable by us under such agreements and our ancillary rights. We typically enter into factoring arrangements with recourse, pursuant to which we agree to repurchase all factored but uncollected receivables from the independent factoring institutions if such receivables could not be collected in full by or if a sum equivalent could not be paid to such institutions by a specified date.
Principal:	The agreements typically set out a percentage limit whereby the amount advanced to us on a certain occasion shall not exceed such portion of the receivables factored on that occasion. The agreements may also provide for a limit in respect of the aggregate amount advanced to us thereunder.
Interest rate and fees:	The agreements specify the interest rate and fees payable in connection with the factoring arrangement.

Guarantee:	The agreements are typically backed up by credit enhancement measures, including guarantees and vehicle mortgages.
Representations and warranties:	We may represent that the underlying transactions are within our usual course of business, all factored receivables originate from genuine, lawful and bona fide sale or provision of goods or services, and that we have performed all our obligations under the underlying transactions.
Penalties:	The agreements may provide for the penalties if we default on any interest or fee payment, fail to repurchase the receivables in accordance with relevant provisions of the agreements or otherwise breach the agreement.

To the best knowledge of our Directors after making all reasonable enquiries, each of the factoring institutions of our Group during the Track Record Period has no past or present relationship (business, employment, family, financing or otherwise) with and is independent from our Company, its subsidiaries, our Directors and senior management and their respective associates and our Shareholders.

Asset-backed securities

During the year ended 31 December 2021, we transferred our finance lease receivables amounting to RMB59.1 million to a trust firm, Sinolink Securities Company Limited, in exchange for proceeds amounting to RMB44.3 million, while the trust firm issued securities backed by these finance lease receivables through a trust plan to investors for subscription.

The table below sets out the key terms of our asset-backed securities arrangements with the trust firm:

Principal and backed assets	:	The trust firm purchases our underlying assets, which in particular, include the claims that our Group has towards our automobile lessees and relevant security interests attached to the claims.
Payment and repurchase	:	If the finance lease receivables do not generate sufficient funds to meet the payment obligations of the trust, our Group needs to make up for the shortfall of the payment obligations in full from our own funds. Our Group also needs to repurchase finance lease receivables which do not satisfy the requirements of the trust firm throughout the trust plan.
Replacement and redemption	:	The trust firm has the right to require our Group to replace the underlying assets which are unqualified or have no payment record with other eligible assets, or to directly redeem such unqualified underlying assets. The default rate of unqualified assets shall be restricted to 5%.

Our five largest funding providers

For the years ended 31 December 2020, 2021 and 2022, the proceeds obtained from our five largest funding providers in each year during the Track Record Period were RMB489.0 million, RMB862.1 million and RMB781.3 million, representing 76.5%, 70.6% and 58.4% of our total proceeds obtained from funding providers, respectively. During the Track Record Period, we worked with multiple funding providers to maintain diverse funding sources. We do not rely on any single source of funding and we regularly adjust our borrowings according to our operational needs. The following tables set out the details of our five largest funding providers during the Track Record Period:

For the year ended 31 December 2020

Rank	Funding provider	Background and financial scale	Nature of funding source	Year of commencement of relationship with our Group	Approximate interest rate per annum	Proceeds from borrowings	Percentage of total proceeds from borrowings
					%	*RMB'000*	%
1	Company A (Note 1)	A financial institution headquartered in Guangzhou, with registered capital of approximately RMB1,175 million	Interest-bearing loan and automobile finance lease arrangement	2019	9.6–10.3	243,095 (Note 4)	37.9
2	Company B (Note 2)	A financial institution headquartered in Beijing, with registered capital of approximately RMB2,671 million	Interest-bearing loan	2017	7.8–10.9	77,228	12.1
3	Beijing Hyundai Auto Finance Co. Ltd.* (北京現代汽車金融有限公司) (Note 3)	An automaker affiliated finance lease company headquartered in Beijing	Interest-bearing loan	2018	9.5–10.5	73,981	11.6
4	Company C	A financial institution headquartered in Fujian, with registered capital of approximately RMB180 million	Interest-bearing loan	2020	12.0	57,278	9.0
5	Company D	An automaker affiliated finance lease company headquartered in Guangzhou, with registered capital of approximately RMB1,000 million	Automobile finance lease arrangement	2019	10.0	37,449	5.9
Total						489,031	76.5

For the year ended 31 December 2021

Rank	Funding provider	Background and financial scale	Nature of funding source	Year of commencement of relationship with our Group	Approximate interest rate per annum	Proceeds from borrowings	Percentage of total proceeds from borrowings
					%	*RMB'000*	%
1	Company A*(Note 1)*	A financial institution headquartered in Guangzhou, with registered capital of approximately RMB1,175 million	Interest-bearing loan and automobile finance lease arrangement	2019	9.2–9.8	412,831	33.8
2	Company B*(Note 2)*	A financial institution headquartered in Beijing, with registered capital of approximately RMB2,671 million	Interest-bearing loan	2017	7.2–9.5	166,315	13.6
3	Company C	A financial institution headquartered in Fujian, with registered capital of approximately RMB180 million	Interest-bearing loan	2020	12.0	112,283	9.2
4	Company E*(Note 4)*	An automaker affiliated finance lease company headquartered in Wuhan, with registered capital of approximately RMB15,600 million	Interest-bearing loan and automobile finance lease arrangement	2018	7.1–11.0	87,975	7.2
5	Company F	An automaker affiliated finance lease company headquartered in Tianjin, with registered capital of approximately RMB1,070 million	Automobile finance lease arrangement	2018	10.8–10.9	82,737	6.8
Total						862,141	70.6

For the year ended 31 December 2022

Rank	Funding provider	Background and financial scale	Nature of funding source	Year of commencement of relationship with our Group	Approximate interest rate per annum	Proceeds from borrowings	Percentage of total proceeds from borrowings
					%	*RMB'000*	%
1	Company E*(Note 4)*	An automaker affiliated finance lease company headquartered in Wuhan, with registered capital of approximately RMB15,600 million	Interest-bearing loan and automobile finance lease arrangement	2018	7.1–13.4	254,846	19.0
2	Company G*(Note 1)*	A financial institution headquartered in Nanjing, with registered capital of approximately RMB4,000 million	Automobile finance lease arrangement	2022	8.6–8.8	189,331	14.2
3	Company A*(Note 1)*	A financial institution headquartered in Guangzhou, with registered capital of approximately RMB1,175 million	Interest-bearing loan and automobile finance lease arrangement	2019	9.2	154,211	11.5
4	Company B*(Note 2)*	A financial institution headquartered in Beijing, with registered capital of approximately RMB2,671 million	Interest-bearing loan	2017	6.7–10.9	117,781	8.8
5	Company F	An automaker affiliated finance lease company headquartered in Tianjin, with registered capital of approximately RMB1,070 million	Automobile finance lease arrangement	2018	10.8	65,153	4.9
Total						781,322	58.4

Notes:

1. The proceeds from borrowings of RMB212.3 million, RMB412.8 million and RMB154.2 million during the Track Record Period were for the arrangement through cooperation with Company A, and nil, nil and RMB189.3 million with Company G during the Track Record Period, which was borrowed by our referred customers who would use the proceeds to fully pay the purchase price of automobile from our Group with the condition that the automobile will be pledged to Company A and Company G by us until the relevant borrowings were fully settled. Details of the automobile finance lease arrangement are set out in the paragraph headed "Our Business Model and Operation — Cooperation with automobile finance providers" in this section.

2. To the best knowledge of our Directors, Company B held 45% equity interests in a company which held the entire issued share capital of Zhuhai Wanhe Jinhua Asset Management Co., Ltd. (珠海萬和錦華資產管理有限公司) ("**Wanhe Jinhua**"). Wanhe Jinhua is the executive partner and general partner of Shanghai Jili Enterprise Management Partnership (Limited Partnership) (上海霽礫企業管

理合夥企業(有限合夥)), which held the entire issued capital of Brown Oak Holdings Limited, which holds approximately **[REDACTED]**% of our issued Shares immediately upon completion of the **[REDACTED]** and the **[REDACTED]**.

3. Beijing Hyundai Auto Finance Co. Ltd.* (北京現代汽車金融有限公司) ("**Beijing Hyundai**") was also our customer for the years ended 31 December 2020 and 2021, to which our Group provided other automobile-related services. Revenue from Beijing Hyundai for the years ended 31 December 2020 and 2021 amounted to approximately RMB0.3 million and RMB0.1 million, respectively. Our Directors confirm that the negotiations of the terms of our fundings from and sales to Beijing Hyundai were conducted on an individual basis and the terms of transactions with Beijing Hyundai are similar to those transactions with our other financiers or customers. To the best knowledge and belief of our Directors, Beijing Hyundai and its ultimate beneficial owners are Independent Third Parties.

4. Company E was also our supplier H for the years ended 31 December 2021 and 2022. The total transaction value with Company E as our supplier was RMB46.7 million and RMB50.2 million for the years ended 31 December 2021 and 2022. Our Directors confirm that the negotiations of the terms of our fundings and purchases from Company E were conducted on an individual basis and the terms of transactions with Company E are similar to those transactions with our other financiers or suppliers. To the best knowledge and belief of our Directors, Company E and its ultimate beneficial owners are Independent Third Parties.

As our automobile retail and finance business and automobile operating lease business are capital intensive, we require and obtain funding on a rolling basis. It is our strategy to diversify our sources of funding to allow flexibility in capital management. Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we had not encountered any difficulties in obtaining financing in general. Our PRC Legal Advisers are of the view that we had complied with all the applicable laws, rules and regulations in the PRC in relation to our debt financing from each of the funding channels for our business operations during the Track Record Period and up to the Latest Practicable Date.

Events of default

Our financing agreements with our lenders contain a number of covenants, undertakings, restrictions and default provisions. Examples of major covenants, undertakings and restrictions that may trigger default provisions include:

- failure to make the repayment of the loan in a timely manner;
- infringement of the lessor's ownership of the leased properties; and
- recession in our business operations which the lender may deem to affect our capacity to repay the debt.

Under certain finance lease agreements between us and the financial institutions, we are not allowed to transfer, sublease, use or otherwise dispose of the automobiles leased back from the financial institutions without their consents. In the event that we transfer or sublease such automobiles to our customers in the course of our business without consents, the financial institutions may terminate the finance lease agreements and deem the outstanding loan amounts be immediately due, and we may be liable for the loss suffered by the financial institutions.

As advised by our PRC Legal Advisers, in respect of the subsisting finance lease agreements containing the aforesaid restrictions, we have obtained written confirmations or verbal confirmation through interviews from the relevant financial institutions from which consents were required to be sought according to the agreements, confirming that it (i) does not and will not consider our Group to be in breach of the restrictive clause by subleasing or transferring the automobiles to our customers in the course of our business and (ii) will not make any claim against us. As such, our PRC Legal Advisers are of the view that, the financial institutions will not claim against us for the breach of the relevant restrictive clause and the risk of our Group being made liable for the breach is remote.

During the Track Record Period, and as at the Latest Practicable Date, none of our lenders had claimed default against us under any of the provisions in the financing agreements and we have not breached any of the provisions that could result in any event of default under such financing agreements.

OUR DEBT MANAGEMENT

As our business develops, we expect our level of debt to increase due to the nature of our business. We have strictly complied, and will continue to comply the applicable law and regulations to ensure that the level of our risk assets is maintained at a reasonable level, such that our level of risk assets will comply with the requirements stipulated by the relevant PRC laws and regulations. See "Regulatory Overview — Laws and regulations on finance lease industry" for further details.

We have systematic procedures for the approval of our financing plans. Based on assessment of our business needs through communications among different departments, cash flow forecast and review on market conditions, our procurement department formulates and submits financing request to our finance department. Our capital management department will then analyse different financing plans to determine the suitable financing method to secure working capital for our business operations.

We have also devised the following strategies to manage our level of debt:

- Determining a reasonable level of debt on an annual basis;
- Determining the most appropriate timing for borrowing;
- Arranging appropriate means of funding and planning proportional debt repayment structure; and
- Diversifying our funding sources.

The **[REDACTED]** from the **[REDACTED]** will increase our funding for expanding our operations. Our Directors believe that through our Group's debt management measures and strategies, we can ensure that we have sufficient working capital to meet our business needs and repay our debts promptly when they fall due, and effectively limit our exposure to liquidity risk.

Liquidity risk management

Liquidity risk refers to the risk that the 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.

Maturity profile of our assets and liabilities may not be the same. Our funding strategy aims to avoid any significant gap between the maturity profile of assets and liabilities and to diversify our sources of funding to minimize our liquidity risk. For details of our liquidity risk management, please refer to the section headed "Risk Management and Operations — Operational Risk Management — Liquidity risk" in this document.

Liquidity gap is defined as the difference between financial assets and financial liabilities based on contractual undiscounted cash flows. We had positive net liquidity gaps for the categories of between one and two years and between two and five years as well as the overall position (including on demand and less than one year) as at 31 December 2020, 31 December 2021 and 31 December 2022. However, we had a negative net liquidity gap for the category of on demand and less than one year of RMB268.1 million, RMB132.5 million and RMB74.7 million as at 31 December 2020, 2021 and 31 December 2022, respectively. For details of the calculation, please refer to the section headed "Financial information — Capital Management — Liquidity" in this document.

Maturity gap is calculated by subtracting borrowings under the automobile retail and finance segment from finance lease receivables. We had positive maturity gaps for categories of between one and two years and between two and five years as well as the overall position (including on demand and less than one year) as at 31 December 2020, 31 December 2021 and 31 December 2022. However, we had a negative maturity gap for the category of on demand and less than one year of RMB87.3 million, RMB86.0 million and RMB89.4 million as at 31 December 2020, 31 December 2021 and 31 December 2022, respectively. For details of the calculation, please refer to the section headed "Financial information — Capital Management — Liquidity" in this document.

As majority of our automobile purchases for our automobile retail and finance were funded by our borrowings, these automobiles were recorded as inventories before they were sold, which were classified as 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.

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 and RMB80.4 million as at 31 December 2020, 2021 and 2022, 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 and RMB117.2 million, as at 31 December 2020, 2021 and 2022, 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.

In addition, we had unutilised facilities of approximately RMB[4,005.8] million as at 30 April 2023.

OUR CUSTOMERS

Due to the nature of our businesses, we serve a large number of customers, including (i) individual customers mainly for automobile retail and finance business, and automobile operating lease business; and (ii) business-end customers for other automobile-related services, mainly consisting of third party insurance providers and third party automobile aftermarket service providers. We do not have any major customers in terms of revenue contribution.

Our five largest customers in each year during the Track Record Period accounted for approximately 3.2%, 1.6% and 2.1% of our total revenue for the years ended 31 December 2020, 2021 and 2022, respectively. All of our five largest customers are Independent Third Parties. None of our Directors, their close associates or any Shareholders (which to the knowledge of our Directors owns more than 5.0% of the Shares) has any interest in any of our five largest customers that are required to be disclosed under the Listing Rules.

For our automobile retail and finance business, our customers are mainly individuals within the age group of 20 to 40 years looking for non-luxury automobiles and e-hailing drivers looking to purchase e-hailing vehicles in the PRC. The table below sets out a summary of the key terms of the typical finance lease agreements, which we (as lessor) entered with our customers (as lessees):

Term:	Typically ranging from two to four years.
Title of the automobile under the lease:	Our customer agrees that we may mortgage the automobile but we shall compensate our customer if such pledge affects the right to use the automobile by our customer. The title of the automobile will be transferred to our customer upon completion of the finance lease agreement and settlement of all payables under the lease.
Use of the automobile:	Our customer shall not use the automobile for illegal purpose. For e-hailing vehicle, our customer shall only use the automobile for the purpose of providing e-hailing services.
Monitoring of the automobile:	Our customer agrees to the installation of GPS tracking devices on the leased automobile.
Insurance:	Our customer agrees to purchase the compulsory traffic accident liability insurance and commercial insurance.
Lease payment:	Our customer shall make an initial payment to us at the commencement of the lease and a monthly payment during the term of the lease.
Default provision:	If our customer fails to pay any lease payment or fails to perform any of its obligations under the lease, we shall have the right to demand prompt payment in full of the lease receivables, terminate the lease agreement, repossess the automobile and claim for the loss we suffer.
Dispute resolution:	First through negotiation and if no consensus could be reached, legal proceedings at a court in a jurisdiction where we are located or where the lease agreement is executed.

In the above table, the key terms of a typical finance lease agreement which we entered with our customers are generally in line with those of comparable RAFLCs in the PRC.

For our automobile operating lease business, our customers are primarily individual customers looking for automobile rental service and e-hailing drivers looking to rent e-hailing vehicles in the PRC. The following table sets out a summary of the key terms of the typical automobile operating lease agreements with our customers:

Term:	For passenger vehicles, ranging from a few days to three years. For e-hailing vehicles, ranging from six months to one year.
Title:	The ownership of the leased automobile remains with us.
Use of the automobile:	Our customer shall not use the automobile for illegal purpose. For e-hailing vehicle, our customer shall only use the automobile for the purpose of providing e-hailing services.
Maintenance of the automobile:	We shall be responsible for the repair and maintenance of the lease automobile. Under certain operating lease arrangement for passenger vehicles, if there is a breakdown of the leased automobile, which is not due to any accident nor any fault on the customer, we shall make available a replacement vehicle for their use.
Insurance:	We bear the cost of insurance for all operating lease vehicles throughout the lease term.
Lease payment:	Our customer shall make monthly or quarterly payments during the term of the lease as determined by our Group. For a lease period of less than one month, our customer shall make a security deposit of RMB3,000.
Default provision:	If our customer fails to pay any lease payment or fails to perform any of its obligations under the lease, we shall have the right to demand prompt payment in full of the lease receivables, terminate the lease agreement, repossess the automobile and claim for the loss we suffered.
Dispute resolution:	First through negotiation and if no consensus could be reached, legal proceedings at a court in which we are located.

OUR SUPPLIERS AND PROCUREMENT

Our suppliers mainly consist of (i) auto dealers which supply us with automobiles for our automobile retail and finance business and operating lease business; and (ii) insurance and other service providers. Our other suppliers also include GPS component manufacturers which supply us GPS components. Our business is driven by the needs of our customers. From time to time, customers' preferences for different automobile brands and models change. As a result, during the Track Record Period, we worked with different suppliers to find the best offerings and we adjusted our procurement strategy and execution plans to meet the needs of our customers. The change in composition of our top five largest suppliers during the Track Record Period typically reflected the changes of our customers' needs.

Our procurement team adopts a systematic approach to strategically select appropriate suppliers which match our business needs. We formulate procurement plans mainly on a monthly basis based on sales review and collection of feedbacks from sales outlet managers. We also formulate yearly, quarterly and temporary procurement plans to align our automobiles inventories with our business plans. To ensure that we provide automobiles which are of a promised quality to our customers while managing our purchase costs at the same time, our procurement team will purchase automobiles based on market research, quality feedbacks from our sales team, and the supplier's pricing policy. We also evaluate our suppliers from time to time to ensure that these suppliers are suitable for cooperation taking into account past cooperation experience and track record.

Our Directors confirmed that during the Track Record Period, we did not experience any significant shortage or delay in supply mainly due to our strategy of procuring multiple brands and models of automobiles.

In addition, we have entered into framework agreements with a number of suppliers, where we enjoy bulk purchase discount for purchasing an agreed quantity of automobiles on an annual basis. Further, some of our automobile suppliers allow us to pay the full purchase price after the delivery of automobiles. Since we purchase all of our automobiles in the PRC, in accordance with the Provisions on the Liabilities for the Repair, Replacement and Return of Household Automotive Products (家用汽車產品修理、更換、退貨責任規定), sellers of household automobiles such as our Group are entitled to seek compensation from the manufacturers or other dealers of household automobiles if the liability is attributable to the fault of the manufacturers or other dealers.

The following table sets out a summary of the key terms of the procurement agreements with our major automobile suppliers during the Track Record Period:

Purchase price:	The agreements set out the purchase price of the automobiles we intend to procure. Some agreements also provide for a price reduction mechanism pursuant to which the supplier may decide to lower the market guidance price of the automobiles concerned after signing.
Payment terms:	We are generally required to settle an upfront payment of up to approximately 30% of the total contractual amount within a specified time after signing. The remaining purchase price may be payable by us or by the third party financial institutions as agreed by the suppliers before or after the delivery of automobiles.
Delivery:	The suppliers are generally required to deliver the automobiles to our premises or other places designated by us at their cost.
Quality and safety:	The automobiles supplied shall be new and shall satisfy the relevant national, industry and/or manufacturer's quality standards. Some agreements also require the supplier to give warranties on the safety of the automobiles under normal use and that such automobiles do not have any latent safety issue.
Representations and warranties:	In respect of agreements where we obtained a discounted purchase price due to the granting of national or local subsidisation, we undertake to comply with all requirements in connection therewith and to compensate the supplier for any loss arising from our failure to comply with such requirements.
After-sales services:	The suppliers are generally required to provide after-sale services, including maintenance and repair services, within a certain time or mileage limit, or otherwise in accordance with the manufacturer's warranty policies.
Minimum purchase commitment:	There is no minimum purchase commitment requirement.

Renewal and termination:	Each of the agreements contain its respective renewal and termination clause. We are not obliged to renew the agreements and can terminate the agreements under the respective renewal and termination clauses in each of the agreements.
Penalties:	Some agreements specify the penalties if we default on our payment obligations or if we refuse to take delivery of the automobiles without valid reason, or if the supplier fails to deliver the automobiles in accordance with the provisions of the agreement.

For the years ended 31 December 2020, 2021 and 2022, transaction amounts with our five largest suppliers in each year during the Track Record Period were RMB236.4 million, RMB364.5 million and RMB394.9 million, representing 62.9%, 54.5% and 49.1% of our total transaction amount with suppliers respectively. For the years ended 31 December 2020, 2021 and 2022, transaction amounts with our largest supplier were RMB80.2 million, RMB108.0 million and RMB162.5 million, representing 21.4%, 16.2% and 20.2% of our total transaction amounts with suppliers, respectively. All of our five largest suppliers are Independent Third Parties. None of our Directors, their close associates or any Shareholders (which to the knowledge of our Directors owns more than 5.0% of the Shares) has any interest in any of our five largest suppliers that are required to be disclosed under the Listing Rules.

Our Directors confirmed that during the Track Record Period, we did not experience any breach of the key framework agreement clauses of the aforementioned framework agreements.

Our Directors confirmed that during the Track Record Period, the Group adopted the practice of referring the product recalls and product return request from our customers to the respective automobile manufacturers. We are not responsible for any liability originated from product recalls and product return and no respective provision shall be provided during the Track Record Period.

We adopted the practice of referring our customers' complaints on the quality issue of the leased automobiles or any other issues related to the leased automobiles to the corresponding automobile manufacturers directly during the Track Record Period.

We have adopted a set of customer complaint policy and procedures to handle customer complaints during the Track Record Period, which contains the procedures of collecting complaints from the customers, investigating on the issue raised by the customers and providing feedbacks to our customers.

During the Track Record Period, our Directors confirmed that our Group has not received from our customers any complaints with a material impact on our business operation.

Our five largest suppliers

The following tables set out the details of our five largest suppliers during the Track Record Period:

For the year ended 31 December 2020

Rank	Supplier	Principal business and financial scale	Major products or services procured by us	Year of commencement of relationship with our Group	Credit terms	Payment method	Transaction amount *RMB'000*	Percentage of total transaction amount with suppliers %
1	Supplier A	Sales of automobile and provision of after-sales services A private company with registered capital of approximately RMB212 million	Automobiles	2017	15% or 20% to be paid as initial payment and the remaining 85% or 80% to be paid within five days after confirmation of delivery and vehicle inspection	Bank transfer	80,157	21.4
2	Supplier B	Sales of automobile and provision of after-sales services Four private companies under one legal person with registered capital of approximately RMB50 million, RMB10 million, RMB10 million and RMB 10 million, respectively	Automobiles	2017	25% to be paid as initial payment within 95 days of execution of contract and the remaining 75% to be paid after confirmation of delivery and vehicle inspection/Full payment within five days of execution of contract/1.5% to be paid as initial payment and the remaining 98.5% to be paid after confirmation of delivery and vehicle inspection/10% to be paid within 10 days of execution of contract and the remaining 90% to be paid within seven days after confirmation of delivery and vehicle inspection	Bank transfer	42,309	11.2
3	Supplier C	Sales of automobile and provision of after-sales services A private company with a registered capital of approximately RMB500 million	Automobiles	2019	20% to be paid within five days of execution of contract and the remaining 80% to be paid within 20 days after the initial payment	Bank transfer	42,095	11.2
4	Supplier D	Sales of automobile and provision of after-sales services Two private companies under one group, one with registered capital of approximately RMB30 million and RMB11 million, respectively	Automobiles	2014	20% to be paid as initial payment within five days of execution of contract and the remaining 80% to be paid within seven days after confirmation of delivery and vehicle inspection/10% to be paid as initial payment and the remaining 90% to be paid after confirmation of delivery and vehicle inspection	Bank transfer	38,144	10.1
5	Supplier E	Sales of automobile and provision of after-sales services Subsidiaries under a company listed on the Main Board of the Stock Exchange, China Yongda Automobile Services Holdings Limited (stock code: 3669), with a total revenue of approximately RMB68,201 million for the financial year 2020	Automobiles	2015	20% to be paid as initial payment within seven days of execution of contract and the remaining 80% to be paid after confirmation of delivery and vehicle inspection	Bank transfer	33,727	9.0
Total							236,432	62.9

For the year ended 31 December 2021

Rank	Supplier	Principal business and financial scale	Major products or services procured by us	Year of commencement of relationship with our Group	Credit terms	Payment method	Transaction amount *RMB'000*	Percentage of total transaction amount with supplier *%*
1	Supplier B	Sales of automobile and provision of after-sales services Four private companies under the control of one legal person with registered capital of approximately RMB50 million, RMB10 million, RMB10 million and RMB 10 million, respectively	Automobiles	2017	Full payment within 45 days after the issuance of invoices/10% to be paid as initial payment and the remaining 90% to be paid after the issuance of invoices	Bank transfer	108,027	16.2
2	Supplier A	Sales of automobile and provision of after-sales services A private company with registered capital of approximately RMB139 million	Automobiles	2017	10% to be paid as initial payment within 7 days of execution of contract and the remaining 90% to be paid within 15 days after the issuance of invoices	Bank transfer	85,933	12.8
3	Supplier F	Sales of automobile and provision of after-sales services A private company with registered capital of approximately RMB10 million	Automobiles	2019	20% to be paid as initial payment after execution of contract and the remaining 80% to be paid after the issuance of invoices	Bank transfer	63,728	9.5
4	Supplier E	Sales of automobile, provision of after-sale services and automobile lease services Subsidiaries under a company listed on the Main Board of the Stock Exchange, China Yongda Automobile Services Holdings Limited (stock code: 3669), with a total revenue of approximately RMB77,917 million for the financial year 2021	Automobiles	2015	20% to be paid as initial payment within 7 days of execution of contract and the remaining 80% to be paid after the confirmation of delivery/Issue of invoice within 7 days of execution of contract followed by full payment before delivery	Bank transfer	55,320	8.3
5	Supplier D	Sales of automobile and provision of after-sales services A private company with registered capital of approximately RMB30 million	Automobiles	2014	Approximately 10% to be paid as initial payment and the remaining 90% to be paid with 10 days after confirmation of delivery and inspection of vehicle	Bank transfer	51,525	7.7
Total							364,533	54.5

For the year ended 31 December 2022

Rank	Supplier	Principal business and financial scale	Major products or services procured by us	Year of commencement of relationship with our Group	Credit terms	Payment method	Transaction amount	Percentage of total transaction amount with supplier
							RMB'000	*%*
1	Supplier B	Sales of automobile and provision of after-sales services Four private companies under one legal person with registered capital of approximately RMB50 million, RMB10 million, RMB10 million and RMB10 million, respectively	Automobiles	2017	Full payment within 45 days after the issuance of invoices/10% to be paid as initial payment and the remaining 90% to be paid after the issuance of invoices	Bank transfer	162,451	20.2
2	Supplier G	Sales of automobile and provision of after-sales services A private company with registered capital of approximately RMB100 million	Automobiles	2021	Approximately 5% or 10% to be paid as initial payment and the remaining to be paid after the issuance of invoices	Bank transfer	77,034	9.6
3	Supplier A	Sales of automobile and provision of after-sales services A private company with registered capital of approximately RMB139 million	Automobiles	2017	10% to be paid as initial payment within 2 days of execution of contract and the remaining 90% to be paid within 10 days after the issuance of invoices	Bank transfer	60,753	7.6
4	Supplier H	Sales of automobile and provision of after-sales services	Automobiles	2021	Full payment within 15 days before purchase order	Bank transfer	50,181	6.2
5	Supplier I	Sales of automobile and provision of after-sales services A private company with registered capital of approximately RMB10 million	Automobiles	2021	20% to be paid as initial payment and the remaining to be paid within 35 days after the issuance of invoices	Bank transfer	44,504	5.5
Total							394,924	49.1

Major suppliers which are also our customers

Three of our major suppliers, namely Supplier A, Supplier B and Supplier H, were also our customers, mainly business-end customers of our third party automobile aftermarket service providers, during the Track Record Period, to which our Group provided automobile-related promotion services. The amount of revenue from these suppliers for the years ended 31 December 2020, 2021 and 2022 as our business-end customers were approximately RMB0.3 million, RMB0.5 million and RMB1.9 million, respectively, representing 0.03%, 0.04% and 0.2% of our total revenue for the respective years, respectively.

Our Directors confirm that negotiations of the terms of our purchases from and sales to all the above mentioned entities were conducted on an individual basis and the terms of transactions with all these entities are similar to those transactions with our other customers or suppliers. To the best knowledge and belief of our Directors, all the abovementioned entities and their ultimate beneficial owners are Independent Third Parties.

Major suppliers which are also our funding providers

During the Track Record Period, Supplier C and Supplier H (Company E) were also our funding providers. The amount of transaction value from Supplier C and Supplier H for the years ended 31 December 2020, 2021 and 2022 were approximately RMB42.1 million, RMB55.7 million and RMB50.2 million, respectively, accounted for 11.2%, 7.7% and 6.2% of our total transaction value with our automobile suppliers for the respective years, respectively.

Our Directors confirm that negotiations of the terms of our purchases from and our debt financings from all the above mentioned entities were conducted on individual basis and the terms of transactions with all these entities are similar to those transactions with our other suppliers or funding providers. To the best knowledge and belief of our Directors, all the abovementioned entities and their ultimate beneficial owners are Independent Third Parties.

INVENTORY MANAGEMENT

Our inventories consist of new and repossessed automobiles for our automobile retail and finance business and vehicle telematics equipment. 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 levels with the aid of our IT systems and physical records. We conduct daily inspection of the physical condition of our inventories and monthly physical inventory stocktake to ensure the accuracy of our inventory record. The inventory information will be recorded in our IT system and reviewed by our senior management on a monthly basis. Our procurement team is required to formulate procurement plans based on the inventory record to ensure that we are appropriately stocked with inventory. We formulate procurement plans mainly on a monthly basis based on sales reviews and collection of feedbacks from sales outlet managers. We also formulate yearly, quarterly and ad hoc procurement plans to align our automobile inventories with our business plans. We normally select automobiles by taking into account factors including popularity of the brand, price and marketability of the automobiles. Similarly, our sales and marketing team is required to launch marketing campaigns for promoting the sales of certain automobile models to adjust the inventory level and conduct market research for long aged inventories. Our product development team perform weekly sales analysis and identify long aged inventories. We also hold meetings to discuss inventory related issues and formulate solutions and provide suggestions for the procurement plans. If necessary, we will also transfer automobiles between sales outlets according to their respective inventory levels.

Our average inventory turnover days for our automobile finance lease business were 96 days, 54 days and 58 days for the years ended 31 December 2020, 2021 and 2022, respectively. As at 31 December 2020, 2021 and 2022, our inventories amounted to RMB142.0 million, RMB141.9 million and RMB193.6 million, respectively.

See "Financial Information — Description of Certain Items of Consolidated Statements of Financial Position — Inventories" for further details.

MANAGEMENT OF AUTOMOBILES UNDER PROPERTY AND EQUIPMENT

Our automobiles for operating lease business and for own use are included in property and equipment. We formulate procurement plans of automobiles for operating lease business mainly on a monthly basis primarily based on the operating lease occupancy rate, budget allocation and overall business development plan. We normally select automobiles based on a series of factors including the popularity of the model, price and marketability. During the operating lease period, customers can choose to switch from the operating lease to the finance lease for the vehicles they rented. In such cases, we will transfer the automobiles from the property and equipment to inventories. When customers return the automobiles under operating lease at the end of the lease term, we will inspect the condition of the automobiles to assess if such automobiles are under good condition for further leasing. If the condition of the automobiles are deemed unsuitable for leasing, we will dispose of such automobiles with reference to market prices.

The following tables set out the movement of net book amount of our automobiles under property and equipment during the Track Record Period:

	For the year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Opening net book amount	312,055	398,052	324,096
Addition	169,578	50,538	206,018
Depreciation charge	(71,793)	(89,609)	(86,845)
Transfer to inventories	(3,005)	(9,022)	(68,808)
Disposal	(8,783)	(25,863)	(31,695)
Closing net book amount	398,052	324,096	342,766

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Cost	501,913	511,206	530,963
Accumulated depreciation	(103,861)	(187,110)	(188,197)
Net book amount	398,052	324,096	342,766

As shown above, our automobiles under property and equipment were mainly purchased during the years ended 31 December 2020.

As at 31 December 2020, 2021 and 2022, the number of automobiles for operating lease business was 4,860, 5,000 and 5,223, respectively, and the corresponding aggregate net book amount of the automobiles was RMB390.9 million, RMB317.8 million and RMB324.7 million, respectively.

RESEARCH AND DEVELOPMENT

We have research and development capabilities and new technologies for our business operation and risk management. In particular, we have developed an automobile monitoring platform based on our understanding of the management characteristics of automobile finance lease business. The automobile monitoring platform, through the advanced GPS tracking technology, provides various functions including the positioning of leased automobiles, risk analysis through detecting vehicle trajectory abnormality, vanishing GPS signal and usage pattern of automobiles, and alarm system sending timely warning messages to our system upon the detection of automobile malfunctioning. We believe the automobile monitoring platform serves as a effective channel for us to monitor our leased automobiles from different angles. We continue to develop our proprietary algorithms and data analytics capabilities in our risk management system to screen, assess and manage credit risks during pre-lease stage and post-lease stage. It enables a bilateral flow of statistics and data between our pre-lease credit risk management system and post-lease credit risk management system.

As at 31 December 2022, our research and development team had 21 staff members, most of whom have completed a college education or above in computing software, information engineering or other related areas. Expenditure on research and development activities is recognised in the year in which it is incurred. For the years ended 31 December 2020, 2021 and 2022, we incurred research and development expenditures of RMB11.8 million, RMB13.4 million and RMB12.0 million, of which RMB11.4 million, RMB11.3 million and RMB9.4 million were capitalised, respectively.

Our Directors believe that our IT infrastructure is important to numerous aspects of our business operations, including transaction processing, risk management and customer services. Hence, we will continue to invest in our research facilities and focus on technological innovation.

RISK MANAGEMENT AND INTERNAL CONTROL

As a finance lease service provider, we are exposed to a variety of risks, namely credit risk, operational risk and legal and compliance risk. We have developed a risk management and internal control systems to address the risks we are subject to. See the section headed "Risk Management and Operations" for further details.

In preparation for the **[REDACTED]**, we engaged an internal control consultant to evaluate our internal control system. We have implemented the recommendations from the internal control consultant to improve and enhance our internal control system.

The internal control consultant also performed follow-up reviews on the status of our actions to address the findings in the abovementioned evaluation and reported that the deficiencies identified have been remedied.

We have placed emphasis on data security and personal information protection, and in view of the regulatory updates in respect of data security and personal information protection, we have the following internal control policies in place:

- updated a series of internal control policies in November 2021, including operating procedures for handling reports and complaints from our customers and employees in relation to leakage of personal information, formulated an emergency response plan for information security emergencies, and developed an information security management system and putting in place of related operating procedures;

- amended the user agreements and the personal information protection and privacy policies of our Taoqi APP, 52 Car APP and Go Ziyou APP in March and August 2022, with a view to stepping up the protection of users' privacy, including but not limited to providing users with enhanced access to their personal information. Our PRC Legal Advisers confirm that the user agreements and the personal information protection and privacy policies amended in March and August 2022 are in compliance with relevant laws;

- in respect of the installation of GPS tracking devices on the leased automobiles, the user agreements of the Taoqi APP and 52 Car APP were updated in March 2022 to indicate that the Taoqi APP and 52 Car APP lessee will set the default data collection mode to "no collection of data" but all APP users irrevocably consent and authorise our Group to inquire GPS tracking data for internal use only;

- updated a set of personal privacy data security management operating procedures in November 2021 which includes access rights and password controls. Our category-based access restrictions are formulated based on the position of the employees and the departments where the employees are working in; and

- implemented a set of security training policy in November 2021 in respect of personal data protection, which stipulated that regular training on a quarterly basis should be provided for all employees as a reminder and update on personal data protection and mandatory acknowledgement of the collection of personal data protection policy by all new employees should be required.

Based on the above measures, we are not required to enter into supplemental agreements with customers in order to amend the terms of the user agreements signed before March 2022 for the following reasons:

- the original agreements and policies have clearly stated that to provide better service and with the development of business, these documents will be updated from time to time and we will make public announcement before such updates take effect on websites and APPs. If users continue to use such websites or APPs, they will be deemed to agree upon the updated agreements. However, if those agreements involve sensitive issues, such as biological recognition, whereabouts, the consent of users should be specifically obtained; and

- these updates are made to optimise our personal information protection service and do not constitute any material change of the users' rights and obligations compared with the original ones.

We have implemented a software management policy. The policy requires inspection of our Group's computers to be conducted at least annually to verify if there are any unauthorised software installed on our Group's computers. Only IT department staff have access rights to install computer software on our Group's computers. Under the recommendation of the internal control consultant, our Group further enhanced the software management policy and required our Group to record and maintain a list of software licenses owned by our Group and its respective users.

Having reviewed the existing internal control measures, the above internal control measures, and the internal control review report prepared by the internal control consultant, our Directors considered, and the Sole Sponsor concurs, that our internal control measures are adequate and effective in preventing the unauthorised use of software.

To strengthen our internal control and ensure future compliance with the applicable laws and regulations (including the Listing Rules) after the **[REDACTED]**, we have also adopted the following additional internal control measures:

- our Board will continuously monitor, evaluate and review our internal control system to ensure compliance with the applicable legal and regulatory requirements and will adjust, refine and enhance our internal control system as appropriate;

- in February 2021, our Group designated a deputy general manager of the legal affairs department to be responsible for the regular review of legal compliance;

- we arranged training for our employees to deepen their understanding of laws and regulations;

- in April 2021, our Group engaged an external legal adviser to advise on the relevant rules and regulations; and
- we have appointed Quam Capital Limited (previously known as China Tonghai Capital Limited) as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules to provide advice to our Directors and management team relating to the Listing Rules.

Laws and Regulations on Cybersecurity Review

China Cybersecurity Review Technology and Certification Center (CCRC, formerly known as China Information Security Certification Center) undertakes network security review technical support and certification work, according to Cybersecurity Review Measures, which was promulgated by the CAC. The CAC is the rule-making authority and the CCRC is responsible for undertaking the rules promulgated by the CAC.

On 16 November 2021, the Cyberspace Administration of China (the "**CAC**"), with other governmental authorities, jointly issued the Cybersecurity Review Measures (《網絡安全審查辦法》) (the "**Cybersecurity Review Measures**"), which came into effect on 15 February 2022. The Cybersecurity Review Measures provide that the procurement of network products and services by critical information infrastructure operators (關鍵信息基礎設施運營者) and the data processing activities carried out by network platform operators (網絡平台運營者) that affect or may affect national security shall be subject to the cybersecurity review by the CAC. Network platform operators holding personal information of more than one million users seeking abroad public listing must apply for a cybersecurity review as well. Critical information infrastructure refers to any network facilities and information systems in important industries and fields that may seriously endanger national security, national economy and people's livelihood, and public interests in the event that they are damaged or lose their functions or their data are leaked. As advised by our PRC Legal advisers, we do not hold or operate any of the abovementioned properties, and the type of data we collect is mainly personal information, including our customers' names, dates of birth, ID numbers, addresses, phone numbers, account numbers, passwords, etc., hence we will not be considered as a critical information infrastructure operator. However, there are no relevant laws and regulations to define "online platform operators", hence it is uncertain whether we will be considered as an online platform operator. Our Directors confirmed as at the Latest Practicable Date, we had not more than 0.24 million registered users in total on our 52 Car APP, Kuai Ya Car Rental, a WeChat mini programme (快呀租車微信小程序), Taoqi APP and Go Ziyou APP, which is far less than 1 million, and the PRC Legal Advisers advised that the Cybersecurity Review Measures do not apply to the Group's business. In addition, the CAC may also voluntarily conduct the cybersecurity review if any network products and services and data processing activities affect or may affect national security.

On 14 November 2021, the CAC released the Administration of Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) (the "**Draft Data Security Regulations**", together with the Cybersecurity Review Measures, the "**Cybersecurity Regulations**". The Draft Data Security Regulations cover a wide range of cyber data security issues and govern the use of networks to carry out data processing activities, as well as the supervision and management of cyber data security in the PRC. The Draft Data Security Regulations are applicable to the use of networks to carry out data processing activities, and the supervision and management of network data security in the PRC, as well as several situations of overseas data processing activities that process personal and organisational data of PRC. We conducted a verbal consultation with the CCRC on 15 December 2022 for further clarification. The interviewee opined that the cybersecurity review will not apply to enterprises seeking public listings in Hong Kong.

As advised by our PRC Legal Advisers, since the Cybersecurity Review Measures do not define "online platform operators", it is uncertain whether the Group will be considered as an online platform operator. The Cybersecurity Review Measures also provide that to go public abroad, an online platform operator who possesses the personal information of more than one million users shall declare to the Office of Cybersecurity Review for cybersecurity review. Our Directors confirmed as at the Latest Practicable Date we had not more than 0.24 million registered users in total on our 52 Car APP, Kuai Ya Car Rental, a WeChat mini programme (快呀租車微信小程序), Taoqi APP and Go Ziyou APP, which is far less than one million, and the PRC Legal Advisers advised that the Cybersecurity Review Measures do not apply to the Group's business.

The internal control consultant has reviewed the Group's general IT controls. The Group has implemented an IT security management policy that has restrictions on logical access, and physical access. According to the IT security management policy, different access rights are assigned to the staff based on their roles and such assignments requires approval from superiors, and the staffs' accounts are password protected. Physical servers are required to be installed in an access-controlled environment. Cloud servers are protected by the service agreement between the Vendor and the cloud service provider. The Group has also obtained the Service Organization Control 3 report from the cloud service provider. As advised by our PRC Legal Advisers and based on the internal control measures the Group has taken, our Directors are of the view that the Group fulfils the requirement to establish relevant data security mechanisms. According to the Cybersecurity Review Measures, the Cybersecurity Review Measures shall apply to critical information infrastructure operators and online platform operators.

As confirmed by our Directors, as at the Latest Practicable Date, we were not involved in any investigations on the cybersecurity review made by the CAC, and we had not received any inquiry, notice or warning, or been subject to any penalties or sanctions in such respect. As advised by our PRC Legal Advisers, our Group's relevant internet data protection mechanism has been established. Our Directors confirmed as at the Latest Practicable Date we had not more than 0.24 million registered users in total on our 52 Car APP, Kuai Ya Car Rental, a WeChat mini programme (快呀租車微信小程序), Taoqi APP and Go Ziyou APP, which is far less than one million users. In the event such number exceeds one million in the future, according to the Cybersecurity Review Measures and the Draft Data Security

Regulations, which would be effective at that time, there is a possibility that we may be considered as "online platform operator" by the CAC, and thus need to apply for cybersecurity review. According to the Cybersecurity Regulations, to file an application for cybersecurity review, the operator shall submit a list of documents, including a written declaration and an analysis report concerning the impact or possible impact on national security, the procurement documents, and business agreements and/or **[REDACTED]** related application documents, etc. As confirmed by our Directors, we will be able to provide these documents timely and accurately. In addition, the Cybersecurity Regulations do not require the applicant to suspend the business until the completion of the cybersecurity review. Therefore, as advised by our PRC Legal advisers, if the Cybersecurity Regulations takes effect in the current form in the future, the Group does not have any obstacles in meeting the requirements and completing the application timely.

Accordingly, our PRC Legal Advisers advised, and our Directors concur, that (i) our Group would be able to comply with the Cybersecurity Regulations in all material aspects; (iii) the Cybersecurity Regulations would not have any material adverse impact on our business; and (iii) our **[REDACTED]** in Hong Kong will not give rise to national security risks based on the factors set out in Article 10 of the Cybersecurity Review Measures, assuming the Draft Data Security Regulations are implemented in their current form. The PRC legal advisers to the Sole Sponsor concur with the aforesaid view.

MARKET

Automobile retail and finance

According to the CIC Report, the total sales volume of non-luxury automobiles is estimated to reach 25.8 million units in 2027, representing a CAGR of 4.6% from 2022 to 2027.

According to the CIC Report, the retail automobile finance lease services penetration rates of both new and used automobiles of the United States, Germany and France were approximately 38.0%, 25.5% and 23.5%, respectively. The penetration rate of retail automobile finance lease services of both new and used automobiles in China, when compared with the aforementioned developed countries, was still at a relatively low level in 2022, indicating a strong growth potential and is expected to reach approximately 5.4% in 2027.

The PRC's direct finance lease market experienced significant growth from 2018 to 2022 in terms of loan volume. Such volume grew from 0.2 million units in 2018 to 0.3 million units in 2022, representing a CAGR of 11.1%. Driven by the 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 2018 to 2022.

There are three types of players constitute the majority of the retail automobile finance lease market, including (i) third party RAFLCs; (ii) bank-affiliated RAFLCs; and (iii) automaker or auto dealer-affiliated RAFLCs. We ranked 4th in terms of transaction volume of direct finance lease and 19th in terms of transaction volume of retail automobile finance lease among RAFLCs in the PRC in 2022.

Operating lease

The automobile operating lease market in the PRC has expanded at a fast pace over the past years, and the market size has increased from RMB50.9 billion in 2018 to RMB63.4 billion in 2022, with a CAGR of 5.7%. With the development of e-hailing vehicle platforms, the increasing spending on self-drive trips and the favourable policy reforms, the market size of automobile operating lease market in China is projected to increase to RMB82.6 billion in 2027, representing a CAGR of 5.4% from 2022 to 2027.

e-hailing vehicles

According to CIC, more e-hailing platforms have begun to provide e-hailing services and the overall demand of consumers for e-hailing has been continuously increasing. The market size of e-hailing vehicle platform market in terms of GMV is expected to increase at a CAGR of 9.7% from RMB263.2 billion in 2022 to RMB419.0 billion in 2027. Furthermore, CIC is of the view that more stringent regulations on the compliance of e-hailing vehicles will drive an increasing demand for compliant e-hailing vehicles provided by e-hailing vehicle service providers like us, having considered that the number of rides with the required online booking taxi driving transport certificate* (網絡預約出租車運輸證) and the necessary online booking taxi driving licence* (網絡預約出租汽車駕駛員證) only accounted for approximately 70% of the total number of rides served by all e-hailing vehicle platforms in 2022.

Our ability to compete against our competitors is, to a significant extent, dependent on our ability to distinguish our products and services from those of our competitors through the following factors:

(i) we specialise in matching the supply of non-luxury automobiles with the demand of our customers primarily in tier two, and tier three and below cities;

(ii) our extensive automobile service offerings provide tailored solutions for customers' different needs;

(iii) we have established an extensive sales network;

(iv) we have developed a risk management system;

(v) our centralised automobile procurement leads to cost advantage; and

(vi) we are led by a visionary and experienced management team.

Details of our competitive strengths are set out in "Business — Our Competitive Strengths" above.

Our Directors believe there is growth potential for automobile retail and finance business and operating lease business and we will continue to strengthen our market position in the competitive business environment.

See "Industry Overview" for further details on the competitive landscape of the industries in which we operate.

INSURANCE

In accordance with the applicable PRC laws and regulations, the owner or manager of an automobile operating on the roads within the PRC must apply for compulsory traffic accident liability insurance. Pursuant to our standard finance lease contracts, our customer must pay for and we will arrange the compulsory traffic accident liability insurance and also the commercial insurance policies for the automobiles underlying our finance leases to cover any loss or damage to such assets before the commencement of the finance lease term. For a small portion of automobiles sold under finance lease, we bore the insurance cost for a period of time, and our customers bore such insurance cost for the rest of the lease term. We maintain compulsory traffic accident liability insurance and commercial insurance for the automobiles underlying our operating leases. To effectively manage our operational expenses, the costs of such insurance premiums are reflected on the periodic rental payments paid by our operating lease customers.

Our Directors believe that our insurance coverage to be customary for businesses of our size and type and is adequate with respect to our current business operations and the availability of insurance products in the PRC. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any business interruptions which had a material adverse effect on our business, nor had we submitted any material insurance claims other than those arisen during our ordinary course of business operations.

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, we had registered, or had applied for the registration of, a number of intellectual property rights which, in the opinion of our Directors, are material in relation to our business. Most notably, these include nine design patents related to our GPS tracking devices for risk management control and 96 computer software copyrights. See "Statutory and General Information — B. Information About our Business — 2. Intellectual Property Rights of our Group" in Appendix IV to this document for further details on our intellectual property rights.

During the Track Record Period and up to the Latest Practicable Date, to the best knowledge of our Directors after having made all reasonable enquiries, we did not have any intellectual property infringement claims by third parties which had material impact on our Group.

PROPERTIES

Owned Properties

As at the Latest Practicable Date, we owned four properties in the PRC which we use as the premises of our sales outlets. As at the Latest Practicable Date, we had obtained all title certificates for our owned properties. The following table sets out further details of the properties owned by us as at the Latest Practicable Date:

No.	Address	Registered owner	Description/usage	Approximate gross land area	Approximate gross floor area
1.	Shop 01, 1st Floor, 2nd Building, Junlin Dongcheng (originally Lijing Feoso),No.16 Puqian Road, Gushan Town, Jinan District* (晉安區鼓山鎮浦乾路16號君臨東城小區(原山水麗景) 2#1層01店面)	XXF Group	Commercial	17.8 sq.m.	60.2 sq.m.
2.	Shop 07, 1st Floor, 3rd Building, Junlin Dongcheng (originally Lijing Feoso),No.16 Puqian Road, Gushan Town, Jinan District* (晉安區鼓山鎮浦乾路16號君臨東城小區(原山水麗景) 3#樓1層07店面)	XXF Group	Commercial	16.3 sq.m.	55.2 sq.m.
3.	Shop 16, 1st Floor, 3rd Building, Junlin Dongcheng (originally Lijing Feoso),No.16 Puqian Road, Gushan Town, Jinan District* (晉安區鼓山鎮浦乾路16號君臨東城小區(原山水麗景) 3#樓1層16店面)	XXF Group	Commercial	9.8 sq.m.	33.1 sq.m.
4.	Shop 17, 1st Floor, 3rd Building, Junlin Dongcheng (originally Lijing Feoso),No.16 Puqian Road, Gushan Town, Jinan District* (晉安區鼓山鎮浦乾路16號君臨東城小區(原山水麗景) 3#樓1層17店面)	XXF Group	Commercial	13.4 sq.m.	45.4 sq.m.

As at 31 December 2022, we had no single property with a carrying amount of 15% or more of our total assets, and on this basis, we are not required by Rule 5.01B of the Listing Rules to include in this document any valuation report. Pursuant to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and

Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all of our interests in land or buildings.

Leased Properties

As at the Latest Practicable Date, we had 151 leased properties located in Fuzhou, Suzhou, Xiamen and various other cities in the PRC which serve as our sales outlets, staff dormitories, offices and car park. As at the Latest Practicable Date, 123 lease agreements had not been registered with the relevant regulatory authorities. See "Legal Compliance — Non-compliance" in this section for further details. According to our PRC Legal Advisers, a rental lease without registration will not invalidate the lease agreement. Based on our PRC Legal Advisers' advice, we believe that the risks of being forced to withdraw from the lease agreements without registration are remote. With respect to the aforesaid leases, save as to the Fuxing Property which is our principal place of business and headquarter, our Directors confirmed that we are able to relocate the offices situated in 12 properties out of the 123 properties to our headquarter and subsidiaries, and accommodate 13 sales outlets out of the 123 properties in our local offices at no significant cost. Based on our market research and as advised by CIC, for 51 sales outlets out of the 123 properties, our Directors confirmed that there is sufficient supply of substitute properties available at reasonable market prices; for the remaining 47 properties out of the 123 properties which are mostly leased for the purposes of dormitories, car parks, and small-size sales outlets, each of a size of generally less than 120 sq.m., our Directors confirmed that there is sufficient supply of substitute properties available at reasonable market prices. According to CIC and our own market research, the overall potential costs (including removal costs and renovation costs) to relocate the 123 properties, if required, are estimated at approximately RMB140,000. As advised by our PRC Legal Advisers, our Group had not breached any lease agreement, therefore, no penalty is accounted for in the total cost estimation. Our Directors are of the view, with the support of CIC's advice, that substitute properties are available in the market and the relocation costs are not expected to be material.

Mr. Huang has undertaken to indemnify us for any unpaid amount, penalties, other monetary damages costs and expenses incurred from or in connection with our failure to register lease agreements with relevant PRC authorities in full amount prior to the **[REDACTED]**.

In the past, we had occupied the Fuxing Property as offices without lease agreement at nil consideration between 11 November 2018 and 31 January 2019 (the "**Rent-Free Period**"). The use of the Fuxing Property as offices was granted and approved in November 2018 by the CPC Fuzhou City Jin'an District Committee Office (中共福州市晉安區委辦公室), which is, according to our PRC Legal Advisers, the competent authority for granting such approval. In April 2020, Fuzhou Fuxing Economic Development District Assets Operating Development Co., Ltd. (福州福興經濟開發區資產運營開發有限公司) as the lessor and XXF Group as the lessee, entered into a lease agreement relating to the Fuxing Property for a term of six years starting from 21 January 2019 retrospectively at a monthly rent of RMB133,050 (subject to adjustment according to the terms of the lease agreement). Pursuant to such lease agreement, the rent would accrue from 1 February 2019 onwards. Our Directors confirmed that we were granted the benefit of not paying any rent during the

Rent-Free Period as a measure to facilitate the establishment of presence of our Group in the Fuxing Economic Development District. Our PRC Legal Advisers confirm that the lease agreement is valid and Fuzhou Fuxing Economic Development District Assets Operating Development Co., Ltd. (福州福興經濟開發區資產運營開發有限公司) has the capacity to enter into the lease agreement as the lessor.

Mr. Huang [executed] the Deed of Indemnity whereby he agreed to indemnify our Group and each member of our Group and hold each member of our Group harmless from and against all or any depletion in, loss of or reduction in, the value of our respective assets or increase in our respective liabilities as a result of or there being any losses, liabilities or damages suffered by our Group arising out of or in connection with the occupation of the property without a lease agreement.

Properties leased from connected persons

Six of our leased properties have been leased from connected persons of our Company, which we have entered into the following tenancy agreements with Shenghui Logistic Group Co., Ltd. (盛輝物流集團有限公司) ("**Shenghui Logistic**"), our connected person by virtue of being an associate of Mr. Liu Wei, our non-executive Director, and Mr. He Xiaowu (何曉武), our connected person by virtue of being an associate of Mr. Huang, our chairman, executive Director and one of our substantial Shareholders, pursuant to Chapter 14A of the Listing Rules. As confirmed by our Directors, none of these properties is individually material to our operation. Details of such Tenancy Agreements are set out as follows:

No.	Date of tenancy agreement	Property address	Parties	Approximate gross floor area	Total rent	Term	Use of premises
				(sq.m.)	*(RMB'000)*		
1	28 August 2015	Unit 01/02/03/05/06/07/08/09/10/11/12/13, 13/F, Shenghui Guoji, No. 169 Qianheng Road, Jinan District, Fuzhou City, Fujian Province, the PRC (中國福建省福州市晉安區前橫路169號盛輝國際第十三層 01/02/03/05/06/07/08/09/10/11/12/13單元)	**Landlord:** Shenghui Logistics **Tenant:** XXF Group	1,698.9	8,618	1 September 2015–31 August 2021*(Note 1)*	Office premises
2	1 March 2016	Units 05-06, 14/F, Shenghui Guoji Building, No. 169 Qianheng Road, Jinan District, Fuzhou City (福州市晉安區前橫路169號盛輝國際大廈14層05–06單元)	**Landlord:** Shenghui Logistics **Tenant:** XXF Group	146.0	576.4	1 March 2016–1 April 2020*(Note 2)*	Office premises

No.	Date of tenancy agreement	Property address	Parties	Approximate gross floor area *(sq.m.)*	Total rent *(RMB'000)*	Term	Use of premises
3	1 August 2016	Unit located at northeast corner, 14/F, Shenghui Guoji, No. 169 Qianheng Road, Jinan District, Fuzhou City, Fujian Province, the PRC* (中國福建省福州市晉安區前橫路169號盛輝國際第十四層東北角單元)	**Landlord:** Shenghui Logistics **Tenant:** XXF Group	45.0	170	1 August 2016– 31 August 2023	Office premises
4	1 May 2018	Unit 108, No. 1 Building, Junlin Dongcheng (originally Lijing Feoso), Gushan Town, Jinan District, Fuzhou City* (福州市晉安區鼓山鎮君臨東城社區(原山水麗景)1號樓108棟)	**Landlord:** Mr. He Xiaowu **Tenant:** XXF Group	160.5	210	1 May 2018– 1 September 2021 *(Note 3)*	Staff dormitories
5	5 September 2018	Unit 01–02, 08–13, 15/F, Shenghui Guoji, No. 169 Qianheng Road, Gushanzhen, Jinan District, Fuzhou City, Fujian Province, the PRC (中國福建省福州市晉安區鼓山鎮前橫路169號盛輝國際15層01–02、08–13單元)	**Landlord:** Shenghui Logistics **Tenant:** XXF Group	1,153.7	3,593	1 October 2018– 31 August 2023	Office premises
6	5 September 2018	Unit 03–07, 15/F, Shenghui Guoji, No. 169 Qianheng Road, Gushanzhen, Jinan District, Fuzhou City, Fujian Province, the PRC (中國福建省福州市晉安區鼓山鎮前橫路169號盛輝國際15層03–07單元)	**Landlord:** Shenghui Logistics **Tenant:** Taoqi Internet	577.7	1,799	1 October 2018– 31 August 2023	Office premises

In addition, certain car parking spaces have been leased from Ningde Yongsheng Property Management Co., Ltd. (寧德市永盛物業管理有限公司) ("**Ningde Yongsheng**"), which is wholly owned by Fuzhou Shenghui, and in turn owned as to approximately 4.48% by Mr. Liu Wei, our non-executive Director, and approximately 95.52% by his father and an associate of Mr. Liu Wei, and thus a connected person of our Company.

No.	Date of tenancy agreement	Property address	Parties	Number of car parking spaces	Total rent *(RMB'000)*	Term	Use of premises
7	5 September 2018, 28 May 2021	Basement garage of Shenghui Guoji, No. 169 Qianheng Road, Jinan District, Fuzhou City, Fujian Province, the PRC (中國福建省福州市晉安區前橫路169號盛輝國際地下車庫)	**Landlord:** Ningde Yongsheng **Tenant:** XXF Group	20 or 16 *(Note 4)*	640.8	1 October 2018– 31 August 2023	Car parking spaces

Notes:

(1) The tenancy agreement was early terminated with effect from 31 August 2021 by mutual consent of Shenghui Logistics and XXF Group.

(2) The tenancy agreement was early terminated with effect from 1 April 2020 by mutual consent of Shenghui Logistics and XXF Group.

(3) The tenancy agreement was early terminated with effect from 1 September 2021 by mutual consent of Mr. He Xiaowu and XXF Group.

(4) We rented 20 car parking spaces from September 2018 to April 2021 and 16 car parking spaces from May 2021 onwards.

The following table sets out the right-of-use assets recognised in relation to the above properties leased from connected persons:

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Shenghui Logistics	4,374	1,067	427
Mr. He Xiaowu	86	32	—

Note: No right-of-use asset was recognised in respect of the car parking spaces leased from Ningde Yongsheng as at 31 December 2020, 2021 and 2022, as these car parking spaces are low-value assets according to IFRS.

These transactions were entered into before the **[REDACTED]** and are accounted as one-off in nature under IFRS 16. If these transactions were entered into after the **[REDACTED]**, such transactions would constitute connected transactions of our Group. Details of such transactions are set out above in order to facilitate potential investors to anticipate that we have, before the **[REDACTED]**, entered into transactions which would otherwise be considered as connected transactions should our Company be **[REDACTED]** on the Stock Exchange at the time of the relevant transactions.

Our Directors confirmed that the rents were on normal commercial terms determined after arm's length negotiations based on the prevailing market rates no less favourable to those offered by Independent Third Parties for similar properties at comparable locations.

Our Group has been using the leased properties no. 3, 5, 6 and 7 as our offices and car park. Having considered that the rent of the properties are comparable to the prevailing market rates of comparable properties in the locality, and the additional renovation and associated costs which we may incur if we move out of the properties and relocate to another premises, our Directors consider that it is desirable and in the interests of our Company and the Shareholders as a whole to continue using these properties as our offices and car park.

EMPLOYEES

As at 31 December 2022, we had a total of 933 employees. The following table sets out the breakdown of our employees by function as at 31 December 2022:

Function(s)	Number of employees
CEO office	15
Procurement, sales and marketing	577
Risk management and internal control	183
Finance and capital management	75
Human resources and administration	62
Research and development	21
Total	933

In addition to our employees as mentioned above, during the Track Record Period, we also entered into labour dispatch agreements with independent labour dispatch providers. Under the labour dispatch agreements, we pay dispatch fees to the labour dispatch providers, and they provide suitable workers for our Group based on our business needs.

Under the relevant agreements, the labour dispatch providers are responsible for making contributions to the social insurance, housing provident funds and other welfare benefits in respect of the dispatched workers. There is no employment relationship between us and the dispatched workers under the labour dispatch arrangements and the dispatched workers are employed by the labour dispatch providers. As confirmed by our PRC Legal Advisers, the arrangements with the labour dispatch providers during the Track Record Period were in compliance with the applicable PRC laws and regulations in all material aspects.

As at the Latest Practicable Date, our Group was not involved in any labour dispatch arrangements.

For the years ended 31 December 2020, 2021 and 2022, our total staff costs were RMB109.8 million, RMB120.5 million and RMB120.6 million, respectively, representing 14.6%, 10.3% and 10.6% of our revenue during those respective periods.

Employee Training

We highly value the contributions of our employees, and we believe skilled and committed employees are the key to achieving our success. To ensure the top quality of our employees at all levels, we place great emphasis on the training and development of our employees. We have developed a systematic training system comprising of an e-learning platform, internal seminars and management trainings to improve the essential work-related skills of our employees. We also cooperate with other external institutions to host trainings and facilitate industry exchange. We have established an internal training programme which serves to improve and standardise the training activities and system for our employees. We believe that by continuously evaluating and improving our training system based on our accumulated industry experience, our employees are equipped with the necessary knowledge and expertise to perform their duties.

We have also placed emphasis on data security and personal information protection. In view of the regulatory updates in respect of data security and personal information protection, we implemented a set of security training policy in November 2021 in respect of personal data protection, which stipulates that regular training on a quarterly basis should be provided for all employees as a reminder and update on personal data protection and mandatory acknowledgement of the collection of personal data protection policy by all new employees should be required. To keep the employees updated with the latest industry regulations, we arrange trainings for our employees to deepen their understanding of laws and regulations as needed.

Employee Relations and Benefits

Our employees are mainly recruited by us through online platforms or job fairs. We believe we provide competitive remuneration packages and benefits (such as staff dormitories) to solicit and retain talented individuals. We also provide year-end bonus to our employees, as well as share incentive for our key management personnel. In addition, we offer performance bonus subject to regular performance appraisals. We believe the aforementioned transparent promotion mechanism can encourage our employees to progress and develop continuously and contribute to the success of our Company.

We have also established an employee labour union in the PRC. Our labour union represents the interests of our employees. The union also organises various activities for our employees. We believe that we maintain a good working relationship with our employees. During the Track Record Period and up to the Latest Practicable Date, we did not experience any strikes or significant labour disputes which materially affected our operations.

We have adopted the **[REDACTED]** Share Option scheme and conditionally adopted the Share Option Scheme. See "Statutory and General Information — D. Other Information — 2. **[REDACTED]** Share Option Scheme" and "Statutory and General Information — D. Other Information — 1. Share Option Scheme", respectively in Appendix IV to this document for further details.

ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE

In view of the increasing risk from climate change, environmental protection is regarded as an integral corporate responsibility at our Group, and our Group is dedicated to lowering the environmental impact of all aspects of our business operations. Environmental stewardship and corporate social responsibility are key parts of our Group's core growth philosophy, which, along with our focus on sustainability, diversity, and public interests, shall generate value for our Shareholders. Accordingly, our Board has adopted a extensive policy on ESG responsibilities (the "**ESG Policy**") in accordance with the Listing Rules, which sets forth our corporate social responsibility objectives and provides guidance on practising corporate social responsibility in our daily operations.

Compliance Requirement with ESG-related Laws

As advised by our PRC Legal Advisers, the ESG-related laws and regulations in the PRC mainly consist of Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法), Law of the People's Republic of China on the Protection of Rights and Interests of Consumers (中華人民共和國消費者權益保護法), Labour Law of the People's Republic of China (中華人民共和國勞動法), Labour Contract Law of the People's Republic of China (中華人民共和國勞動合同法), Law of the People's Republic of China Against Unfair Competition (中華人民共和國反不正當競爭法) and Company Law of the People's Republic of China (中華人民共和國公司法).

Our Directors confirmed that with respect to environmental-related and social-related laws, we had not been subject to any material claim or penalty. As advised by our PRC Legal Advisers, we have complied with all environmental-related and social-related laws in the PRC.

With respect to governance-related laws, each entity in the Group has been duly incorporated and validly exists as a company with limited liability and enterprise legal person status under the PRC laws and the current articles of association and the business license of each entity in the Group comply with applicable PRC laws and are in full force and effect. Therefore, as advised by our PRC Legal Advisers, we have complied with all governance-related laws in the PRC.

Governance Regarding ESG Risks

Our Board has overall responsibility for our Group's sustainability strategy and reporting, and we oversee sustainability issues related to our Group's operations, which include legal compliance, anti-corruption measures, supply chain, product quality assurance, human resources, and employee development. Our Board also plans to engage an independent third party to assess our Group's performance regarding environmental protection, climate change, as well as social and governance issues to give independent advice.

Our Board has set up and established an ESG task force team in April 2023, consisting of a representative from the human resources department as the team head, representatives from the risk management department and finance leasing services department of our Group as team members, and representatives from subsidiaries of our Group as supporting staff and coordinators. The ESG task force team shall be handling all ESG issues that arise in our Group's operations and report to our Board directly. In addition to the above-mentioned ESG aspects, the ESG task force team shall also be responsible for ESG climate risk discussions and ensuring that effective climate risk management is in place. The ESG task force team shall set ESG and climate goals for our Board's consideration at the beginning of each financial year, during which it shall also review our Group's progress in achieving the goals of the preceding financial year. Additionally, the ESG task force team shall convene meetings twice a year to bring ESG concerns to our Board's attention, as well as offer to our Board recommendations and solutions that can be applied in our Group.

With respect to the management of ESG issues, our Group has adopted the Environmental, Social and Governance Management Procedure to manage ESG risks and to establish an internal control system, which adopts ISO14001 to manage, monitor and improve its environmental performance. Furthermore, the internal control system also gives guidance on remedial actions which could be taken by the Group in response to ESG incidents with reference to relevant laws and regulations.

Currently, our Group has not engaged any independent adviser to advise on our workplace safety management, emissions standards and our Group's compliance with related ESG rules and regulations. However, our Directors confirmed that our Group closely follows and monitors the latest requirements regarding ESG disclosure and regulatory compliance.

Impact of Climate-related Issues and Opportunities

Our Directors are aware of the risks posed by global climate change on our Group. Climate change has been of increasing concern to our Group as well as the automobile industry as a whole for the foreseeable future. In response to that, our Group has endeavoured to identify the risks and opportunities that climate change poses to our business operations, along with corresponding strategies to mitigate risks and take advantage of arising opportunities. The risks can be divided into two major categories: physical risks and transition risks.

Our Directors believe that extreme weather events brought about by climate change pose multiple physical risks to our business. Unstable weather conditions may not only have the potential of causing damage to our Group's sales outlets, offices and inventories, but may also disrupt logistics and lead to delays in the transportation of automobiles from suppliers, potentially causing financial losses to our Group. As such, our Group has formulated a number of strategies to mitigate damages from these identified physical risks, including buying wading insurance for our inventories, setting guidelines to exempt employees from commuting to their workplaces under unstable weather, and incorporating parts of the automobile purchasing procedures into its online website and various APPs.

In terms of transition risks, based on our assessment of the potential shift in the market sentiment towards more environmentally friendly products, transition towards a low-carbon economy and relevant changes in laws and regulations, we believe that we may suffer financial loss if customers associate automobiles with air pollution and forego purchasing automobile products or if the operation of fossil fuel-consuming automobiles is prohibited. In order to mitigate damages from these identified transition risks, we have formulated a number of strategies, such as to enhance the use of cleaner energy with the aim of lowering the reputation risk and the financial risk from changes in market preference, to expand our line-up of new energy vehicles through further procurement to our customers in the future and to carry out extensive advertising campaigns and promotions as part of our Group's efforts of branding as a company with dedicated efforts to becoming environmentally friendly.

Notwithstanding the abovementioned risks, our Group also endeavours to capture these opportunities which may be brought about by the aforementioned changes. In addition to our plans to offer additional electric automobiles for lease or purchase beyond its current line-up, our Group had been operating a new energy car sharing business in several cities in the Fujian Province of the PRC through our Go Ziyou APP since early 2018. While the new energy car sharing business operation had been suspended in July 2022, our Group has begun transferring the new energy vehicles to our automobile retail and finance lease business for better resource allocation and utilisation. By the end of 2022, our new energy car-sharing automobiles had been disposed of or transferred to our automobile retail and finance business.

Metrics and Targets on ESG-related Risks

We have assessed quantitative information that reflects our management of ESG-related risks, which includes information on resource consumption and greenhouse gas emissions. Greenhouse gas emissions consist of Scope 1, Scope 2 and Scope 3 emissions. Scope 1 direct emissions include the greenhouse gas emissions from our vehicles. Scope 2 indirect emissions include greenhouse gas emissions from the consumption of purchased electricity. Scope 3 greenhouse gas emissions refer to other indirect upstream and downstream emissions that occur outside our Group, including methane gas generation at landfills due to disposal of paper waste, greenhouse gas emissions due to electricity used for processing fresh water and sewage by third party handlers, and greenhouse gas emissions from employees' business travel. For the purpose of calculating the Scope 3 greenhouse gas emissions, (i) upstream emissions were not relevant to our Group as an automobile retailer and distributor since greenhouse gas emissions from vehicle manufacturing were already accounted for by the vehicle manufacturers in order to avoid double counting; (ii) indirect emissions along the whole supply chain of our Group were not accounted for as such data was difficult to be obtained by our Group from its suppliers, which included vehicle manufacturers and falls outside our Group's direct management or ownership; and (iii) greenhouse gas emissions generated from the use of our Group's vehicles by its customers after they have been sold by our Group were also not accounted for as our Group's downstream emissions. The table below sets forth a summary of these emissions of our Group during the Track Record Period:

	2020	Intensity (per million RMB revenue)	2021	Intensity (per million RMB revenue)	2022	Intensity (per million RMB revenue)
Resource Consumption						
Purchased Electricity (kWh)	1,331,247.4	1,775.6	1,360,451.8	1,159.5	1,501,890.8	1,315.7
Freshwater Usage (m^3)	18,032.9	24.1	11,465.2	9.8	20,167.8	17.7
Paper Waste (kg)	8,804.8	11.7	13,321.9	11.4	11,395.7	10.0
Emissions						
Scope 1 + Scope 2 Emissions (tonnes CO_2e)	1,070.6	1.4	830.0	0.7	872.6	0.8
Scope 3 Emissions (tonnes CO_2e for emission level/kg CO_2e for intensity)	121.6	162.1	139.0	118.5	95.5	83.7

Our Group's resource consumption recorded a decrease in intensity for the year ended 31 December 2022 despite an increase in the total amount as compared to the year ended 31 December 2020, primarily attributable to the significant differences in revenue recorded by our Group between the two years as our Group recorded an increase of over 50% in revenue for the year ended 31 December 2022 in comparison to the year ended 31 December 2020. Our Group's scope 1 and scope 2 emissions for the year ended 31 December 2022 recorded a decrease in both total amount and intensity as compared to the year ended 31 December 2020, primarily attributable to the lowered emission factor of electricity purchased from the National Grid of the PRC due to a gradual transition of a cleaner energy mix during the Track Record Period. As a result, our Group recorded a lower total amount of Scope 1 and Scope 2 emissions despite an overall increase in the total amount of purchased electricity.

Scope 3 emissions recorded an insignificant level of emissions as compared to Scope 1 and 2 emissions during the Track Record Period, and has limited impact on our Group's business operations. For the year ended 31 December 2022, our Group recorded a lower aggregate level of Scope 3 emissions as compared to the preceding years in the Track Record Period. Such emissions only accounted for a small portion of our Group's total greenhouse gas emissions during the Track Record Period. In addition, the emissions intensity of Scope 3 emissions showed a decreasing trend during the Track Record Period.

According to the report prepared by an independent ESG expert engaged by our Group, the average emissions intensity of selected industry peers for Scope 1 and Scope 2 emissions for the year ended 31 December 2021 was 0.73 tonnes CO_2e. For the year ended 31 December 2021, our Group recorded (i) a lower aggregate level of Scope 1 and Scope 2 emissions (measured in tonnes CO_2e) as compared to all four sampled industry peers; and (ii) a slightly lower emissions intensity (measured in tonnes CO_2e (per million RMB revenue)) as compared to the average of the sampled industry peers. As the emissions intensity of the four sampled industry peers ranged from 0.28 tonnes CO_2e (per million RMB revenue) to 1.16 tonnes CO_2e (per million RMB revenue), the Group recorded a higher emissions intensity as compared to three sampled industry peers respectively, which was partially attributable by the lower revenue recorded by our Group in comparison to its industry peers. As for the consumption of electricity, according to the report prepared by the independent ESG expert engaged by our Group, for the year ended 31 December 2021, our Group's aggregate level of electricity consumption (measured in kWh) was lower than all four sampled industry peers. For the year ended 31 December 2021, as the average electricity consumption intensity (measured in kWh (per million RMB revenue)) of the four sampled industry peers was 939.11 kWh (per million RMB revenue), our Group recorded a higher electricity consumption intensity as compared to the average of the sampled industry peers, which was partially attributable by the lower revenue recorded by our Group in comparison to its industry peers. As for the consumption of freshwater, according to the report prepared by the independent ESG expert engaged by our Group, for the year ended 31 December 2021, our Group's aggregate level of freshwater usage (measured in m^3) was lower than three of four sampled industry peers. For the year ended 31 December 2021, as the average freshwater usage intensity (measured in m^3 (per million RMB revenue)) was 10.86 m^3, our Group recorded a lower freshwater usage intensity as compared to the average of the sampled industry peers, which was partially attributable to the lower revenue recorded by our Group in comparison to its industry peers.

We are committed to fulfilling our sustainability and environmental obligations. We target to reduce the intensity of purchased electricity, freshwater usage, paper waste and Scope 1 and Scope 2 emissions by approximately 10% in the coming 10 years as compared to the current emission level. Our ESG task force team may adjust the target based on our yearly key environmental data and adopt mitigation measures, such as considering to purchase the corresponding required amount of carbon certificate if our Group has fallen behind on the original emissions target. To fulfil our social responsibility, and to align with the national target of carbon neutrality by 2060, our Group has also set the target of becoming carbon neutral by 2050.

Environmental Protection

Our Group is not required to obtain any environmental approval permits, approvals and registrations to conduct our business. While our Group is an automobile finance lease and operating lease service provider, our Group is not responsible for any fuel used by our customers. In addition, our Group does not operate any staff canteens. Non-hazardous waste generated by our Group primarily consists of daily waste from our Group's offices and sales outlets operations, which has been deemed insignificant and thus is not recorded. Further, while the operations of our Group have not generated any significant amount of hazardous waste, our Group has nonetheless adopted internal policies with respect to handling hazardous waste.

We are dedicated to reducing our environmental footprint with emphasis on energy saving, emissions control, and sustainable development. We have adopted control and mitigation measures for a number of risk items, such as pledging to purchase energy efficient equipment when replacements are needed, encouraging our staff to turn off idling appliances and equipment, as well as monitoring energy consumption across our site locations, which would allow us to identify the highest relative energy consumption portion of our business operations, and thus formulate more tailored measures to further reduce energy consumption.

Identification, Assessment, Management and Mitigation of ESG Risks

We have worked with an external consultant to establish a materiality assessment process and identify the material ESG risks to our Group. Our Board has adopted the Sustainability Accounting Standard Board Standard as the basis for its material assessment and has identified the most material issues relevant to our Group's performance, namely "automobiles" and "car rental and leasing". We have identified the following ESG risks which we consider material and may have an impact on our business, strategies or financial performance:

Greenhouse gases emissions

Combustion of petroleum-based fuels by automobiles accounts for a significant share of greenhouse gases emissions is identified as one of the risks that contribute to global climate change. More stringent emissions standards on automobiles may be put in place, coupled with changing consumer preferences for electric vehicles and hybrids, may drive down demand for traditional automobiles. If our Group is unable to adapt to the changing market preference or innovate, we may witness a decline in our competitiveness, or even lose out on market share. As such, we have adopted control and mitigation measures as set out in the paragraph headed "Environmental, Social and Corporate Governance — Environmental Protection" in this section.

Labour practices

We recognised the importance of workers' rights and entitlement to fair wages, safe working conditions and freedom of association. Our Board identified that improper management of labour issues may breed conflicts with workers, which in turn could lead to extended periods of strikes and may reduce our Group's revenue and impose operational risk of our Group. In order to implement measures to enhance protection for workers' rights, such as the establishment of a workers' labour union, we may incur higher labour costs in the short term. However, we believe such measures may enhance workers' productivity in the long term. For further details of the mitigation measures, please refer to the paragraphs headed "Environmental, Social and Corporate Governance — Labour Standards" and "Environmental, Social and Corporate Governance — Occupational Health and Safety" in this section.

Labour standards

We compensate our employees with remuneration packages and welfare benefits which commensurate with their experience and responsibilities; whereas working hours and overtime work arrangement are arranged in accordance with our Group's working hours and holiday management system. Furthermore, our Group also offers other working benefits to retain its employees, including but not limited to statutory holidays, basic social insurance, end-of-year bonuses, and long service awards.

In addition, our Group has also been promoting diversity through continuous implementation of equal opportunity management practices and fair treatment for all employees regardless of their backgrounds. Our Group also plans to implement a comprehensive set of diversity policies in the near future. Moreover, we have incorporated practices of equal opportunities and anti-discrimination in our Group's promotion management system, recruitment and labour relations management system.

In the event of employee dismissal, whether initiated by the employees or our Group, our Group shall act in accordance with the internal procedures of our Group to ensure fair treatment for employees, which includes requiring the said employee to fill out a dismissal report and checklist with the human resources department and arranging an exit interview to facilitate work transition and gain a better understanding of the reasons behind employee dismissal.

Our Group strictly follows relevant laws and regulations such as the Labour Law of the PRC and the Labour Contract Law of the PRC. No child labour, forced, or compulsory labour was reported and/or identified within any sites of our Group during the Track Record Period and up to the Latest Practicable Date. If any incident of non-compliance is identified within our Group's operation sites, our Group shall immediately suspend employment and carry out internal investigation.

Occupational Health and Safety

We strive to provide and maintain a safe and healthy working environment for all of our employees. To ensure compliance with applicable laws and regulations, from time to time, we would, if necessary and after consultation with our legal advisers, adjust our human resources policies to accommodate material changes to relevant labour and safety laws and regulations. Our ESG task force team will also review our Group's policies on a regular basis.

During the Track Record Period and up to the Latest Practicable Date, our Group had not experienced any significant incidents or accidents in relation to workers' safety. Furthermore, our Directors confirm that we had not been subject to any material claim, whether for personal or property damage, or penalty in relation to health, work safety, social and environmental protection and had not been involved in any accident or fatality and had been in compliance with the applicable laws and regulations in all material aspects during the Track Record Period and up to the Latest Practicable Date.

Our Board considers that the annual cost of compliance with the applicable health, safety, social and environmental laws and regulations was not material during the Track Record Period and do not expect the cost of such compliance to be material in the future. Under the ESG Policy, our Group strives to operate in a manner that protects the environment and the safety and health of our employees and communities, with the aim of sustainably connecting with our employees, customers, and business partners through a combination of initiatives, which will create long-lasting benefits to our Group as a community.

In this regard, our Group has put in place various measures, including publishing guidelines governing workplace safety and fire control, inspecting office premises to identify emergencies and safety hazards and minimise related risks, and keeping health records for all employees and conduct health examinations during their employment with our Group.

Supply Chain Management

Our Group has formulated internal policies specifying the methods for supplier selection and procurement process under different circumstances. Our Group evaluates supplier performance on an annual basis, taking into consideration factors such as qualification, service quality, prices, delivery periods, and environmental consciousness of each supplier before renewing any agreements with them.

LICENCES, PERMITS AND APPROVALS

During the Track Record Period and up to the Latest Practicable Date, save for certain incidents set out in the section headed "Legal Compliance — Non-compliance", our PRC Legal Advisers confirm that we have obtained and maintained all material licences, permits and approvals required by PRC laws and regulations for our operation.

The table below sets out details of our material licences in full effect:

Licence/permit	Holder	Granting authority	Grant date	Expiry date
Automobile lease business licence (汽車租賃經營許可證)	Fujian Zyoocar	Ningde City Jiaocheng District Transportation Bureau* (寧德市蕉城區交通運輸局)	11 February 2022	13 February 2026
	XXF Group	Fuzhou City Jinan District Transportation Development Centre* (福州市道路運輸事業發展中心晉安分中心)	15 February 2022	14 February 2026
	Guoxin Zhonglian	Fuzhou City Jinan District Transportation Development Centre* (福州市道路運輸事業發展中心晉安分中心)	15 February 2022	14 February 2026
	Fujian Xidi	Fuzhou City Jinan District Traffic Administration Centre* (福州市晉安道路運輸管理所)	6 March 2020	5 March 2024

See "Regulatory Overview — Regulations on Finance Lease Industry and Regulations on Automobile Operating Industry" for further details on the requisite approvals, licences and permits.

LEGAL COMPLIANCE

Our Directors confirm that, to their best knowledge after making all reasonable enquiries, save for certain incidents of non-compliance set out below, we complied in all material aspects with the applicable PRC laws and regulations in relation to our business and operation during the Track Record Period and up to the Latest Practicable Date.

Non-compliance

The following table sets out the non-compliance incident our Group was involved in during the Track Record Period:

Particulars of non-compliance	Reasons for the non-compliance incident	Legal consequences and potential penalties	Rectification and preventive actions taken
Failure to register lease agreements with relevant PRC authorities			
As at the Latest Practicable Date, we had 151 leased properties located in Fuzhou, Suzhou, Xiamen and various cities in the PRC which serve as our sales outlets, staff dormitories, offices and car park. As at the Latest Practicable Date, 123 lease agreements had not been registered with the relevant regulatory authorities.	This non-compliance incident was primarily due to (i) the relevant lessors were not able to provide documents proving legal title of the properties, thus we were not able to file the relevant leases; and (ii) the relevant lessors did not cooperate in filing the lease agreements.	Pursuant to the Measures for Administration of Lease of Commodity Properties (《商品房屋租賃管理辦法》), registration of leases is required, and a fine will be imposed on the parties to a lease agreement for failure to register a lease (a range of RMB1,000 to RMB10,000 for entities and not more than RMB1,000 for individuals). As advised by our PRC Legal Advisers, the mere failure to register the lease agreements with the competent authorities by itself will not result in: (i) the agreements being deemed to be invalid or non-binding; or (ii) we being required to vacate the leased properties.	As at the Latest Practicable Date, we did not receive any rectification order, nor have we been subject to any fine or penalty in respect of the failure to register lease agreements. In view of our PRC Legal Advisers' advice, our Directors consider that such non-compliance, individually or in aggregate, would not have a material adverse effect on our Group. Accordingly, no provision was made in this regard. Further, Mr. Huang has undertaken to indemnify us for any unpaid amount, penalties, other monetary damages costs and expenses incurred from or in connection with our failure to register lease agreements with relevant PRC authorities in full amount prior to the **[REDACTED]**. With respect to the aforesaid leases, save as to the Fuxing Property which is our principal place of business and headquarter, our Directors confirmed that we are able to relocate the offices situated in 12 properties out of the 123 properties to our headquarter and subsidiaries, and accommodate 13 sales outlets out of the 123 properties in our local offices at no significant cost. Based on our market research and as advised by CIC, for 51 sales outlets out of the 123 properties, our Directors confirmed that there is sufficient supply of substitute properties available at reasonable market prices; for the remaining 47 properties out of the 123 properties which are mostly leased for the purposes of dormitories, car parks, and small-size sales outlets, each of a size of generally less than 120 sq.m., our Directors confirmed that there is sufficient supply of substitute properties available at reasonable market prices. According to CIC and our own market research, the overall potential costs (including removal costs and renovation costs) to relocate the 123 properties, if required, are estimated at approximately RMB140,000. As advised by our PRC Legal Advisers, our Group had not breached any lease agreement, therefore, no penalty is accounted for in the total cost estimation. Our Directors are of the view, with the support of CIC's advice, that substitute properties are available in the market and the relocation costs are not expected to be material. Meanwhile, we have been taking proactive steps to liaise with the landlords regarding registration of the lease agreements. In the event that we are required by competent authorities to rectify the non-compliance but are unable to rectify due to failure of cooperation by the landlords, we will consider terminating the non-compliant leases, finding alternative locations nearby and relocating without causing any material disturbances to our usual business operations.

Having considered the facts and circumstances leading to the non-compliance incident as disclosed in this section and our Group's internal control measures, our Directors are of the view, and the Sole Sponsor concurs that (i) we have adequate and effective internal control procedures in place in accordance with the requirements under the Listing Rules; and (ii) the past non-compliance incident will not affect the suitability of our Directors to act as directors of a listed issuer under Rules 3.08, 3.09 and 8.15 of the Listing Rules, and the suitability for **[REDACTED]** of our Company under Rule 8.04 of the Listing Rules.

LEGAL PROCEEDINGS

During the Track Record Period and up to the Latest Practicable Date, we had been involved in a number of claims, litigations and pending or threatened claims in our ordinary and usual course of business.

(i) Defendant in vehicle accident claims

Due to the nature of our business, it is inevitable and beyond our control that we may be joined as one of the defendants for car accident cases involving our customers as we are the legal owner of the automobiles during the lease term. As at the Latest Practicable Date, we were involved in a total of 79 outstanding proceedings with an aggregate claim amount of approximately RMB8.8 million.

According to Article 49 of the Law of the People's Republic of China on Tort Liability, when the owner and the user of the motor vehicle are not the same entity due to circumstances of leasing, it is the user of the motor vehicle whom will bear the liability for compensation. As we are the lessor of the automobiles leased and do not enjoy the right to use the automobiles, our PRC Legal Advisers are of the view that we do not need to bear the corresponding liability attracted by our customers when using the leased automobiles unless there is negligence on our part. Our Directors confirm that we had not committed any negligence in respect of the vehicle accident proceedings we were involved as defendant.

Taking into account our experience and track record in handling default payments or joint defendant claims, we do not anticipate any significant material adverse change to our results of operations if any of these legal proceedings are decided against us.

During the Track Record Period, we had paid a total of approximately RMB1.5 million as compensation for traffic accidents. Our risk exposure to vehicle accident claims was limited as the risks associated with traffic accidents are mostly borne by the car user customers legally according to our agreements with such customers. The compensation of approximately RMB1.5 million paid was related to our operating lease business where we provided chauffeured service. As at the Latest Practicable Date, we had no longer provided such chauffeured service, hence, the risk exposure to vehicle accident claims is minimal.

(ii) Plaintiff in recovery of overdue payment

We initiate legal proceedings from time to time in the ordinary course of our business, primarily to retrieve leased automobiles due to our customers' material breach of lease contracts or to recover amounts owed to us. As at the Latest Practicable Date, we had a total of 134 outstanding legal proceedings mainly against our customers for recovery of overdue payment with an aggregate claim amount of approximately RMB3.3 million. Relevant allowance for impairment of finance lease receivables were made in relation to the overdue payment of our customers by applying the simplified approach permitted by IFRS 9. See "Financial Information — Description of certain items of consolidated statement of financial position — Finance lease receivables" in this document for further details.

Our Directors believe that utilising legal proceedings will help us to preserve our automobile assets, to put pressure on our customers for figuring out a repayment schedule with us, or to identify additional assets that our customers can provide as collateral to secure the outstanding receivables. With the implementation of our extensive risk management system that effectively manages our exposure to credit risk, our Directors believe that the number of legal proceedings has been kept to a reasonable number which would not have a material impact on our financial condition.

OTHER INCIDENTS

(i) The Ganzhou incident

Prior to the Track Record Period, Ganzhou branch of XXF Group ("**XXF Group Ganzhou Branch**") was evaluated as unqualified (lost contact) on 29 October 2019 pursuant to the circular on the investigation of finance lease companies (《關於融資租賃公司梳理排查情況通報》) published by Financial Work Office of Ganzhou Municipal People's Government (贛州市人民政府金融工作辦公室) and on 18 December 2019, XXF Group Ganzhou Branch was required by Ganzhou Zhanggong District Finance Bureau (贛州市章貢區金融局) to (i) cease entering into new finance lease agreements and processing existing finance lease agreements properly; and (ii) remove "finance lease" from its business scope and submit a settlement plan on existing finance lease agreements (the "**Ganzhou Incident**").

To the best knowledge of our Directors, XXF Group Ganzhou Branch was classified as "lost contact" because (i) the employees of the XXF Group Ganzhou Branch were assigned to attend a store management seminar held in Nanchang and hence, no employee was in the office of XXF Group Ganzhou Branch on 13 June 2019 and 14 June 2019; and (ii) XXF Group Ganzhou Branch's office phone for external contact was out of order, which was inadvertently overlooked by XXF Group Ganzhou Branch until XXF Group Ganzhou Branch was notified of its inclusion on the lost contact list. On 20 December 2019, a settlement plan was submitted to the relevant PRC local government authority pursuant to which XXF Group Ganzhou Branch would perform the existing finance lease agreements until such contracts expire. In March 2020, the activity of engaging in "finance lease" was removed from the business scope of XXF Group Ganzhou Branch on its application and a renewed business licence was obtained. Our Directors confirmed that since January 2020 and up to the Latest Practicable Date, XXF Group Ganzhou Branch had not entered into new finance lease agreements and had not received further notices of correction or penalty (including fines) from relevant PRC local government authority.

According to the Administrative Measures on Supervision of Finance Lease Enterprise (《融資租賃企業監督管理辦法》) promulgated by MOFCOM on 18 September 2013 and became effective on 1 October 2013, it does not specify the loss contact of the finance lease enterprise or regard the loss contact as a non-compliant matter. According to 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》) promulgated by the China Banking and Insurance Regulatory Commission on 26 May 2020, the local financial regulatory authorities shall divide finance lease companies into three categories: normal operation, abnormal operation and operation in violation of laws and regulations. The category of abnormal operation mainly refers to "companies out of contact", "shell companies" and other finance lease companies that operate abnormally. One of the situations of "companies out of contact" refers to the finance lease company that cannot be contacted. Therefore, as advised by our PRC Legal Advisers, our Directors are of the view that the Ganzhou Incident does not constitute non-compliance of the applicable laws and regulations, considering that XXF Group Ganzhou branch was evaluated as unqualified (lost contact) because it could not be contacted by the PRC local government and was thus recognised as "abnormal operation" instead of "operation in violation of laws and regulations".

We implemented a management policy for screening of operational contact abnormality on 12 August 2022. An operational risk team was established pursuant to such policy and comprises of the heads of various departments. Designated personnel under the operational risk team is responsible for liaising with the government authorities, particularly such person acts as the primary contact point for the government authorities and cooperates with the government authorities for any investigations.

The above enhanced internal control policy was adopted following the recommendations of our internal control consultant to address the internal control deficiencies and weaknesses that may have led to the Ganzhou Incident. Our Directors confirmed that there had been no occurrence of similar incidents after the adoption of the enhanced internal control policy up to the Latest Practicable Date. As such, our Directors are of the view, and the Sole Sponsor concurs, that such enhanced internal control policy could avoid the occurrence of similar incidents.

As at the Latest Practicable Date, 19 contracts entered into by our Ganzhou Branch remained in effect. Given that (i) our PRC Legal Advisers do not consider the Ganzhou Incident constituting non-compliance of the applicable laws and regulations; (ii) the revenue contribution from XXF Group Ganzhou Branch for the years ended 31 December 2020, 2021 and 2022, only amounted to approximately RMB2.0 million, RMB0.9 million and RMB0.3 million, representing approximately 0.27%, 0.08% and 0.03% of the total revenue of our Group, respectively; and (iii) our Group's sales outlets in other cities in the vicinity of Ganzhou continue to be in operation to serve the customers from Ganzhou, our Directors consider that the operational and financial impacts of the Ganzhou incident to the Group were minimal.

(ii) The Xidi Blacklist Incident

On 4 May 2021, one of our e-hailing vehicles registered under the name of Fujian Xidi Guangzhou Branch was involved in a car accident, causing the death of a pedestrian. It was determined that the driver of the subject e-hailing vehicle, who was our customer, bore the equal liability as the deceased. Fujian Xidi Guangzhou Branch was subsequently notified of being listed on the “Transportation Companies’ Blacklist” issued by the PRC local government authority (the “**Xidi Blacklist Incident**”). The Guangzhou Haizhu District Road Traffic Accident Prevention Joint Force Office carried out a law enforcement inspection in September 2021 which led to a rectification report prepared by Fujian Xidi Guangzhou Branch.

We understand that the driver’s lack of traffic safety awareness led to the Xidi Blacklist Incident. Accordingly we implemented an e-hailing vehicle drivers management policy on 12 August 2022 with the aim to reduce the e-hailing vehicle car accidents and the associated insurance costs. Under such policy, (i) a newly onboard e-hailing vehicle driver is required to attend training; (ii) a e-hailing vehicle driver involved in a car accident and insurance claim is required to return for another training; and (iii) the e-hailing vehicle driver who is involved in multiple car accidents and insurance claims within a period is recommended to quit operation.

The above enhanced internal control policy was adopted following the recommendations of our internal control consultant to address the internal control deficiencies and weaknesses that may have led to the Xidi Blacklist Incident. Our Directors confirmed that there had been no occurrence of similar incidents after the adoption of the enhanced internal control policy up to the Latest Practicable Date. Our Directors are of the view, and the Sole Sponsor concurs, that such enhanced internal control policy could raise the safety awareness of e-hailing vehicle drivers so as to avoid occurrence of similar incidents.

Since September 2021 and up to the Latest Practicable Date, Fujian Xidi Guangzhou Branch had not received further notices of correction or penalty (including fines) from the relevant PRC local government authority or been listed on the “Transportation Companies Blacklist” again, as confirmed by our Directors. As advised by our PRC Legal Advisers, the “Transportation Companies’ Blacklist”, updated monthly, is published by the PRC local government authority to warn relevant enterprises involved in serious traffic accidents, which is not an administrative penalty. As Fujian Xidi Guangzhou Branch has taken corrective measures, our Directors confirm that, it has not been blacklisted since then. Our Directors are of the view that such incident did not and will not have any material adverse impact on the Group’s businesses.

(iii) Labour dispute proceeding

In or around May 2021, due to a labour dispute between Taoqi Internet and its former employee led to a legal proceeding. The labour dispute was due to disagreement of an unsatisfactory employee performance review which Taoqi Internet and this former employee terminated the labour contract in May 2021. However this former employee held belief that he was laid off unfairly where as Taoqi Internet believed this former employee had voluntarily terminated the labour contract in May 2021. Such disagreement led to the legal proceeding. According to the final judgment of the legal proceeding, Taoqi Internet was ordered to pay its former employee an aggregate amount of RMB119,814, such judgement debt was settled on 28 November 2022. On 6 December 2022, the People's Court of Jinan District, Fuzhou issued a case-closing certificate (No.4935) ((2022) 閩0111執4935號結案證明), according to which Taoqi Internet had performed its payment obligations under the judgment. Our PRC Legal Advisers confirm that such case-closing certificate indicates that the enforcement action against Taoqi Internet has been fully resolved and settled.

To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, the Group was not subject to any outstanding enforcement action as at the Latest Practicable Date, save as to the above. Pursuant to the search performed by our PRC Legal Advisers on the China enforcement information publication website (http://zxgk.court.gov.cn/) (中國執行信息公開網), the Group was not subject to any enforcement action as at the Latest Practicable Date, save as to the above.

We have adopted a set of staff promotion/demotion management policy on 19 March 2021 which specifies the result of performance appraisal as the basis for promotion, demotion and change of position. Performance appraisal is generally carried out semi-annually or annually. The result of the performance appraisal is documented in the performance appraisal form. Both the appraiser and appraisee sign on the performance appraisal form as confirmation of the result of the performance appraisal. The salary is adjusted according to the Group's policy.

The policy stipulates detailed procedures and approving authority for promotion and demotion of employees. In the cases of demotion, the policy requires communication with written record and appeal can be filed with the human resources department.

The policy also sets out clear criteria for promotion and demotion. The circumstances for demotion include employee's serious disciplinary breach with adverse impact on or causing loss to the Group.

A confirmation for change of employment terms was adopted by the Group on 1 April 2022. The pre- and post-adjustment job titles and salaries and the relevant effective date will be recorded on such confirmation. The relevant employee is required to sign on such confirmation to acknowledge and agree to the adjustment.

We have updated the Work Manual of Legal Department ("**司法組工作手冊**"). The Work Manual of Legal Department states that when judgment of the legal proceeding is effective and the Company has a payment obligation, the Group should execute the relevant payment obligation on a timely basis except for the judgment which the Group was decided to apply for appeal. The relevant judgment of the legal proceeding, time limit and the action of execution should be recorded on the Litigation Summary ("**訴訟表**"). The Litigation Summary should be reviewed by the Deputy Director of Legal Department ("**法務部副總**") on a regular basis. The updated Work Manual of Legal Department has been effective since 31 December 2022.

The above enhanced internal control policy was adopted following the recommendations of our internal control consultant to address the internal control deficiencies that may have led to the labour dispute and the enforcement action. Our Directors confirmed that there had been no occurrence of similar incidents after the adoption of the enhanced internal measure and up to the Latest Practicable Date. Our Directors are of the view, and the Sole Sponsor concurs, that such enhanced internal control policy that sets out specific guidelines, procedures and practices could avoid labour disputes.

Our Directors confirm that save for the incidents disclosed above under "Other Incidents", there are no other incidents that need to be disclosed and brought to the Stock Exchange's attention, no litigation or claim of material importance is known to our Directors to be pending or threatened against any member of our Group or any of our Directors that would have a material adverse effect on our results of operations or financial condition as at the Latest Practicable Date.

IMPACT OF COVID-19 OUTBREAK ON OUR BUSINESS

In 2020, the outbreak of a novel coronavirus (COVID-19) materially and adversely affected the global economy. In response to the spread of COVID-19 in the PRC in 2020, the PRC government has imposed quarantine measures across China, and local governments have also imposed temporary mobility restrictions or travel bans to control the spread of COVID-19 in the PRC in 2020. As a result, normal economic activities throughout China has been significantly curtailed due to the outbreak of COVID-19 in the PRC in 2020.

We have taken a series of measures in response to the COVID-19 outbreak in the PRC in 2020, including, among others, remote working arrangements for some of our employees, temporary closure of some of our sales outlets, reduction in advertising spending, headcount freeze, and reduction of purchase of new automobiles.

There has been a significant decrease in the number of existing confirmed COVID-19 cases in PRC since the second quarter of 2020. The PRC government has gradually lifted domestic travel restrictions and other quarantine measures, and economic activities have begun to recover and return to normal since the second half of 2020.

In 2021, our business was recovered. The number of newly signed finance lease increased by 43.9% from 7,859 agreements for the year ended 31 December 2020 to 11,308 agreements for the year ended 31 December 2021. The average occupancy rate for e-hailing operating lease increased from 78.8% for the year ended 31 December 2020 to 90.7% for the year ended 31 December 2021.

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.

On 11 November 2022, the PRC government released a circular on further optimising the COVID-19 responses, the "Notice on Further Optimizing and Implementing Measures for Prevention and Control of the COVID-19 Pandemic", announcing 20 prevention and control measures, followed by ten new COVID-19 easing measures on 7 December 2022. The ten new measures were introduced based on the latest epidemic situation and mutation of the virus to contain the epidemic in a more science-based and targeted manner, according to the circular issued by the Joint Prevention and Control Mechanism of the State Council. Further on 27 December 2022, the PRC government announced China will manage COVID-19 with measures against Class B infectious diseases, instead of Class A infectious diseases, in a major shift of its epidemic response policies. Local authorities will drop quarantine measures against people infected with novel coronavirus and stop identifying close contacts or designating high-risk and low-risk areas. Following the adjustment, China's COVID-19 prevention and control efforts will focus on protecting health and preventing severe cases. Such measures will be rolled out to protect people's lives and health to the utmost and minimize the impact of the epidemic on economic and social development. According to CIC, the sales volume of new automobiles in the PRC decreased by 7% for the first quarter of 2023 as compared to the same period of 2022, principally resulting from the gradual expiration of purchase tax benefit for passenger vehicles with a displacement up to 2.0 liters with price lower than RMB300,000 per unit by the end of 2022. For the e-hailing industry, according to CIC, due to the lock down measures in several cities in the first three quarters of 2022 including some higher tier cities such as Shanghai, Beijing and Shenzhen and national wide infection of COVID-19 in the fourth quarter of 2022, the total travel demand of consumers have decreased month by month since the beginning of 2022, resulting in the decrease of the total number of e-hailing rides in 2022. With China announcing to optimise epidemic prevention and control at the end of 2022, the total number of e-hailing rides had gradually recovered. In January 2023, February 2023 and March 2023, the total number of e-hailing rides had increased by 14.1%, 13.3% and 9.7% as compared to December 2022, January 2023 and February 2023, respectively. With the gradually recovery of China's economy and the travel demand of consumers, the total number of e-hailing rides is expected to improve. For our recent operation performance, please refer to the section "Summary — Recent Development and No Material Adverse Change — Recent Development" for details.