
RELATIONSHIP WITH OUR SINGLE LARGEST SHAREHOLDER

OVERVIEW

As at the Latest Practicable Date, Glorypearl Capital, Precious Luck, Happy Gain and Southern Fortune, all of which were controlled by Mr. Huang, held in aggregate approximately 31.18% of our issued share capital. Immediately upon completion of the [REDACTED] and the [REDACTED], Mr. Huang will, through Glorypearl Capital, Precious Luck, Happy Gain and Southern Fortune, hold approximately [REDACTED]% of the issued share capital of our Company without taking into account of Shares which may be issued pursuant to the exercise of the [REDACTED] or options granted under the [REDACTED] Share Option Scheme or options which may be granted under the Share Option Scheme. Glorypearl Capital is wholly owned by Mr. Huang. Precious Luck is wholly owned by Shanghai Boyu, a limited partnership controlled by Weichuang Hongjing as the executive partner and general partner, which is owned as to 99% by Mr. Huang and 1% by Fuzhou Zhitong. The executive partner and general partner of Fuzhou Zhitong is Mr. Huang. Happy Gain is wholly owned by Shanghai Bo Yu, a limited partnership controlled by Weichuang Xingsheng as the executive partner and general partner, which is wholly owned by Mr. Huang. Southern Fortune is wholly owned by Shanghai Boyun, a limited partnership controlled by Fujian Fuyuan as the executive partner and general partner, which is in turn controlled by Mr. Huang as the executive partner and general partner. For Mr. Huang’s background, please refer to the section headed “Directors and Senior Management” in this document.

INDEPENDENCE FROM OUR SINGLE LARGEST SHAREHOLDER

We believe that our Group is capable of carrying on its business independently of Mr. Huang and his close associates after [REDACTED] for the following reasons:

Management Independence

Our Board currently comprises three executive Directors, two non-executive Directors and three independent non-executive Directors. Mr. Huang is one of our executive Directors and the Chairman of our Board. We believe all of our Directors, including the independent non-executive Directors, have the requisite qualifications, integrity and experience to maintain an effective board and observe their fiduciary duties in the event of a conflict of interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant Board meetings of our Company in respect of such transactions and shall not be counted towards the quorum. Further, our Company’s three independent non-executive Directors will bring independent judgement to the decision-making process of the Board.

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from Mr. Huang and his close associates following the completion of the [REDACTED].

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Operational Independence

We operate independently from Mr. Huang and his close associates. We have independent access to our customers and suppliers and are also in possession of all relevant licences necessary to carry on and operate our business and we have sufficient operational capacity in terms of capital and employees to operate independently from our single largest Shareholder.

Although we have entered into certain continuing connected transactions with Mr. Huang and his close associate(s) which will continue after [REDACTED], such transactions have been entered into and will continue to be entered into on normal commercial terms or better and in the ordinary course of business of our Company. The details of the connected transactions that will continue after [REDACTED] are set out in the section headed “Connected Transactions” in this document.

Financial Independence

We have our own internal control and accounting systems, accounting and finance department, independent treasury function for cash receipts and payment which are independent from our single largest Shareholder. We have an independent financial system and make financial decisions according to our Group’s own business needs.

Mr. Huang, his spouse Ms. Xie Xiaohui and Mr. Ye Fuwei, our executive Director, have jointly and/or individually provided personal guarantees in favour of our Group in respect of certain financing arrangements (the “**Debt Financing**”) including finance lease or loans entered into by our Group with Independent Third Party creditors, which have been mainly used to finance our automobile retail and finance business and automobile operating lease business. The terms and conditions of the Debt Financing were negotiated on an arm’s length basis between the Independent Third Party creditors, Mr. Huang, his close associate, Mr. Ye Fuwei and our Group with reference to the normal prevailing commercial practice. According to CIC, the retail automobile finance lease industry is capital intensive in nature and debt financing is a common practice for retail automobile finance lease service providers in the retail automobile finance lease industry. Details of the Debt Financing which were subsisting as at the Latest Practicable Date and are expected to continue after [REDACTED] are set out below:

No.	Member of our Group (as borrower)	Creditor	Maturity date	Annual Interest rate	Balance as at the Latest Practicable Date	Guarantor(s)	Securities
					(RMB’000)		
1.	XXF Group	Beijing Chesheng ^(Note)	30 June 2023	8.59%	52,790	Mr. Huang	Charge of 50% equity interest in Fujian Xidi held by XXF Group
2.	XXF Group	Creditor A	1 June 2024	7.12%	2,940	Mr. Huang	Pledge of automobiles
3.	XXF Group	Creditor B	15 October 2023	9.63%	2,777	Mr. Huang and Ms. Xie Xiaohui	Pledge of automobiles
4.	XXF Group	Creditor C	29 November 2023 or 9 December 2023	8.70% to 8.73%	4,753	Mr. Huang and XXF Group	Pledge of automobiles

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No.	Member of our Group (as borrower)	Creditor	Maturity date	Annual Interest rate	Balance as at the Latest Practicable Date (RMB'000)	Guarantor(s)	Securities
5.	XXF Group	Creditor D	25 December 2023, 11 January 2024 or 11 February 2024	10.00%	8,409	Mr. Huang, Ms. Xie Xiaohui and Mr. Ye Fuwei	Charge of 10% of equity interest in XXF Group held by XXF HK and mortgage of real estate
6.	XXF Group	Creditor E	15 January 2025, 22 January 2025, 24 April 2025, 31 May 2025 or 1 June 2025	9.97% to 10.02%	22,840	Mr. Huang	Pledge of automobiles
7.	XXF Group	Creditor E	15 November 2025, 16 December 2025, 17 December 2025, 11 January 2026, 14 January 2026, 21 January 2026, 7 April 2026 or 13 May 2026	9.99% to 10.01% or 13.00% to 13.01%	13,405	Mr. Huang and Ms. Xie Xiaohui	Pledge of automobiles
8.	XXF Group	Creditor F	19 January 2025, 21 July 2025, 20 August 2025, 16 September 2025, 24 October 2025, 28 October 2025, 18 November 2025, 15 December 2025, 27 January 2026, 11 March 2026, 31 March 2026, 11 May 2026, 2 June 2026, 21 June 2026, 9 August 2026, 11 August 2026, 23 September 2026 or 12 October 2026	10.00%	34,552	Mr. Huang	Pledge of automobiles
9.	Fujian Xidi	Creditor F	5 November 2023 or 11 November 2023	9.00%	1,623	Mr. Huang and XXF Group	Pledge of automobiles and finance lease receivables
10.	Fujian Xidi	Creditor F	26 April 2027	7.50%	21,552	Mr. Huang	Pledge of automobiles
11.	Fujian Qoocar	Creditor G	12 May 2023	12.60%	48	Mr. Huang	N/A
12.	Fujian Qoocar	Creditor H	12 May 2023, 25 March 2024 or 17 August 2024	9.46%, 11.34% or 12.60%	925	Mr. Huang	N/A
13.	Guoxin Zhonglian	Creditor H	25 March 2024	11.34%	257	Mr. Huang	N/A
14.	Guoxin Zhonglian	Creditor I	19 May 2023 or 19 May 2024	9.94% or 12.60%	297	Mr. Huang	N/A
15.	Fujian Xiqi	Creditor I	10 December 2023, 12 April 2024 or 15 September 2024	8.45%, 9.50% or 13.24%	1,013	Mr. Huang	N/A
16.	Fujian Qoocar	Creditor I	19 May 2023 or 12 June 2024	9.79% or 12.60%	311	Mr. Huang	N/A
17.	Fujian Xiqi	Creditor J	12 April 2024 or 15 September 2024	8.45% or 9.50%	894	Mr. Huang	N/A
18.	Fujian Xidi	Creditor K	12 May 2024	12.09%	1,737	Mr. Huang and XXF Group	Pledge of automobiles

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No.	Member of our Group (as borrower)	Creditor	Maturity date	Annual Interest rate	Balance as at the Latest Practicable Date (RMB'000)	Guarantor(s)	Securities
19.	Fujian Xidi	Creditor L	21 June 2025, 16 September 2025, 28 September 2025, 14 October 2025, 20 October 2025, 25 October 2025, 31 October 2025 or 9 November 2025	7.35%	57,053	Mr. Huang and XXF Group	Pledge of automobiles
20.	Fujian Xidi	Creditor M	8 February 2025	11.46%	2,035	Mr. Huang, Ms. Xie Xiaohui and XXF Group	Pledge of automobiles
21.	XXF Group	Creditor N	31 August 2024, 30 September 2024, 24 November 2024 or 17 March 2026	8.96%, 9.18%, 9.19% or 9.24%	11,790	Mr. Huang, Ms. Xie Xiaohui and an Independent Third Party	Pledge of automobiles
22.	XXF Group	Creditor O	12 August 2025, 7 September 2025, 27 September 2025 or 24 November 2025	9.08%, 9.23%, 9.35% or 9.39%	7,218	Mr. Huang, Ms. Xie Xiaohui and an Independent Third Party	Pledge of automobiles
23.	Fujian Xidi	Creditor P	29 September 2024 or 30 November 2024	7.79%	39,973	Mr. Huang and XXF Group	Pledge of automobiles
24.	XXF Group	Creditor Q	10 November 2025, 30 November 2025, 5 December 2025, 8 December 2025, 15 December 2025 or 16 December 2025	10.49%	3,970	Mr. Huang	Pledge of automobiles
25.	XXF Group	Creditor R	15 November 2026, 14 December 2026, 28 December 2026, 23 March 2027 or 23 April 2027	8.25% or 8.99%	14,932	Mr. Huang	Pledge of automobiles
26.	XXF Group	Creditor R	23 April 2027	8.99%	1,708	Mr. Huang	Pledge of automobiles and rental income receivables
27.	Fujian Xidi	Creditor R	21 September 2026, 14 October 2026, 28 October 2026 or 25 April 2027	7.49%, 8.25% or 8.99%	41,308	Mr. Huang	Pledge of automobiles
28.	Fujian Xidi	Creditor R	17 January 2027 or 2 March 2027	8.99%	49,021	Mr. Huang and XXF Group	Pledge of automobiles
29.	XXF Group	Creditor S	8 February 2026	9.00%	3,099	Mr. Huang	Pledge of automobiles
30.	XXF Group	Creditor T	23 December 2023	6.25%	10,000	Mr. Huang, Ms. Xie Xiaohui and Fujian Xidi	Mortgage of property
31.	XXF Group	Creditor U	17 March 2027, 30 March 2027, 31 March 2027, or 20 April 2027	9.00%	16,588	Mr. Huang, Ms. Xie Xiaohui, Mr. Ye Fuwei and Fujian Xidi	Pledge of automobiles
32.	Fujian Xidi	Creditor V	15 March 2025	7.28%	36,410	Mr. Huang, Ms. Xie Xiaohui and XXF Group	Pledge of automobiles
Total					<u>466,228</u>		

Note: See “History, Reorganisation and Corporate Development — [REDACTED] Investments — The convertible bond” for further details.

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The reasons for not releasing before the [REDACTED]

Given that (i) it would not be in our commercial interest to refinance the Debt Financing before the maturity dates as it would result in unnecessary additional costs, expenses and time; and (ii) we did not manage to obtain positive feedback from the relevant creditors for early release of the guarantees, it would be highly difficult and impractical for our Group to release the guarantees under the Debt Financing without such consent, waiver and/or assistance. Taking into account the following circumstances and measures taken by our Group, we believe that the continuation of the Debt Financing after [REDACTED] will not significantly impact our ability to operate independently from Mr. Huang and his close associates:

- (a) the Debt Financing does not account for a significant portion of our total indebtedness, and will be our only debt instruments with guarantees provided by Mr. Huang or his close associates upon [REDACTED]. As at the Latest Practicable Date, the outstanding balance of the Debt Financing that we expected to continue after [REDACTED] amounted to approximately RMB466.2 million, representing approximately 22.8% of the total indebtedness of our Group;
- (b) we are able to obtain financing from independent financial institutions without financial assistance from Mr. Huang and his close associates. Subsequent to the Track Record Period and up to the Latest Practicable Date, we had obtained loan and other financing facilities in an aggregate principal amount of approximately RMB295.6 million without any security or guarantee from any of Mr. Huang or his close associates from independent financial institutions; and
- (c) not all of our borrowings are secured or guaranteed by Mr. Huang or his close associates. As at the Latest Practicable Date, we had unutilised financing facilities of approximately RMB3,566.3 million which are and will not be secured or guaranteed by Mr. Huang or his close associates after [REDACTED].

All amounts due from or due to Mr. Huang and his close associates not arising out of the ordinary course of business will be fully settled before [REDACTED]. Save for the guarantees provided under the Debt Financing disclosed above, all share pledges and guarantees provided by Mr. Huang and his close associates on our Group’s borrowing or by us on borrowings of Mr. Huang and his close associates will be released upon [REDACTED].

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CORPORATE GOVERNANCE MEASURES

Our Directors believe that there are adequate corporate governance measures in place to manage existing and potential conflicts of interest. In order to further avoid potential conflicts of interest, we have implemented the following measures:

- (a) as part of our preparation for the [REDACTED], we have amended our Articles to comply with the Listing Rules. In particular, our Articles provide that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her close associates has a material interest nor shall such Director be counted in the quorum for the voting;
- (b) a Director with himself/herself or his/her close associates having material interests shall make full disclosure at the meeting of the Board in respect of such interest and unless permitted under the Articles, shall abstain from voting on such matters and not be counted in the quorum;
- (c) we are committed that our Board should include a balanced composition of executive and independent non-executive Directors. We [have appointed] three independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgement and will be able to provide an impartial, external opinion to protect the interests of our public Shareholders. Details of our independent non-executive Directors are set out in the section headed “Directors and Senior Management — Board of Directors — Independent non-executive Directors” in this document; and
- (d) 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, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors’ duties and corporate governance.