Application Proof of

XXF Group Holdings Limited

(A company incorporated in the Cayman Islands with limited liability)

(the "**Company**")

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XXF Group Holdings Limited
喜相逢集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

[REDACTED]

Number of [REDACTED] under the [REDACTED]	**:**	**[REDACTED] Shares (subject to the [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to reallocation)**
Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to reallocation and the [REDACTED])**
[REDACTED]	**:**	**HK$[REDACTED] per [REDACTED], plus brokerage of 1%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015% (payable in full on application in Hong Kong Dollars and subject to refund)**
Nominal value	**:**	**HK$0.01 each**
[REDACTED]	**:**	**[REDACTED]**

Sole Sponsor

華富建業企業融資
QUAM CAPITAL

[REDACTED], [REDACTED], [REDACTED] and [REDACTED]

[REDACTED]

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The **[REDACTED]** will be HK$**[REDACTED]** per **[REDACTED]**. Applicants for **[REDACTED]** are required to pay, on application, the **[REDACTED]** of HK$**[REDACTED]** for each **[REDACTED]** together with a brokerage fee of 1.0%, a SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%.

Prior to making an investment decision, prospective investors should consider carefully all of the information contained in this document, including the risk factors set out in "Risk Factors".

The [REDACTED] may, with our consent, reduce the number of [REDACTED] being [REDACTED] under the [REDACTED] and/or the [REDACTED] at any time on or prior to the morning of the last day for lodging applications under the [REDACTED]. In such case, an announcement will be published on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.xxfqc.com not later than the morning of the day which is the last day for lodging applications under the [REDACTED]. Details of the arrangement will then be announced by us as soon as practicable. For further details, please see "Structure and Conditions of the [REDACTED]" and "How to Apply for [REDACTED]".

The obligations of the **[REDACTED]** under the **[REDACTED]** are subject to termination by the **[REDACTED]** (for itself and on behalf of the **[REDACTED]**) if certain grounds arise prior to 8:00 a.m. on the **[REDACTED]**. For further details, please see "**[REDACTED]** — **[REDACTED]** Arrangements and Expenses — **[REDACTED]** — Grounds for termination".

[REDACTED]

IMPORTANT

[REDACTED]

IMPORTANT

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

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This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this document. You should read the whole document including the appendices hereto, which constitute an integral part of this document, before you decide to invest in our ***[REDACTED]****. There are risks associated with any investment. Some of the particular risks in investing in our* ***[REDACTED]*** *are set out in "Risk Factors". You should read that section carefully before you decide to invest in our* ***[REDACTED]****.*

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 had a market share of approximately 4.1% and 19th in terms of transaction volume of retail automobile finance lease among all RAFLCs and had a market share of approximately 0.7% in the PRC in 2022.

Prior to 2012, we primarily engaged in the provision of automobile rental services by way of operating lease. Since 2012, we have sold automobiles by way of direct finance lease. In late 2018, we started to provide our automobile lease solutions to individual e-hailing drivers. Automobile retail and finance business was our principal revenue generator during the Track Record Period. Our revenue from sales of automobile under direct finance lease accounted for almost all of the revenue from our automobile retail and finance business during the Track Record Period.

Our customers of automobile retail and finance business are mainly individuals in the PRC's tier two, and tier three and below cities looking for non-luxury automobile models. We offered non-luxury automobiles of over 50 brands during the Track Record Period. Our customers of operating lease business are primarily individual customers looking for automobile rental service and e-hailing drivers looking to rent e-hailing vehicles. 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 BUSINESS MODEL

Our business involves (i) automobile retail and finance; and (ii) automobile-related services in the PRC. The following table sets out the 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[(Note 1)]	362,934	48.4	777,856	66.4	734,600	64.4
Finance lease income[(Note 2)]	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

Notes:

1 Revenue generated from the sales of new automobiles.

2 Revenue generated from the provision of finance lease for automobiles to customers.

Automobile Retail and Finance

As shown above, automobile retail and finance business is our major revenue contributor, which accounted for 79.7%, 86.4% and 87.4% of our total revenue for the years ended 31 December 2020, 2021 and 2022. We sell our automobiles to customers primarily under direct finance lease. We principally sell automobiles through our self-operated sales outlets.

The following table sets out the breakdown of revenue generated from automobile retail and finance business by geographical location for the years indicated:

	Year ended 31 December					
	2020		2021		2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Eastern PRC	241,828	40.5	395,627	39.1	409,689	41.1
Southern PRC	100,895	16.9	193,048	19.1	194,667	19.5
Southwestern PRC	105,305	17.6	156,951	15.5	137,979	13.8
Central PRC	62,601	10.5	121,023	12.0	108,738	10.9
Northern PRC	47,728	8.0	86,661	8.6	77,476	7.8
Northwestern PRC	28,027	4.6	49,272	4.7	52,867	5.3
Northeastern PRC	11,255	1.9	9,835	1.0	15,682	1.6
Total	597,639	100.0	1,012,417	100.0	997,098	100.0

The following table sets out the breakdown of revenue generated from automobile retail and finance business by city tier for the years indicated:

	Year ended 31 December					
	2020		2021		2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Tier one city	2,278	0.4	669	0.1	5,470	0.5
Tier two cities	506,884	84.8	879,744	86.9	844,925	84.7
Tier three and below cities	88,477	14.8	132,004	13.0	146,703	14.8
Total	597,639	100.0	1,012,417	100.0	997,098	100.0

Automobile-related Services

Under our automobile-related services, we generated revenue from automobile operating lease and other automobile-related services during the Track Record Period.

Our automobile operating lease business principally involves: (i) e-hailing operating lease; (ii) new energy car-sharing; and (iii) other operating lease. Automobile operating lease business accounted for 87.2%, 90.8% and 87.3% of our revenue from the automobile-related services segment for the years ended 31 December 2020, 2021 and 2022, respectively.

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.

CUSTOMERS, SALES AND MARKETING

For our automobile retail and finance business, our customers are mainly individuals in the PRC's tier two, and tier three and below cities within the age group of 20 to 40 years looking for non-luxury automobile. For our automobile operating lease business, our customers are mainly e-hailing drivers. For other automobile-related services, our customers are business-end customers, including third party insurance providers and third party automobile aftermarket service providers mainly, where we promote our business-end customers' insurance service and automobile after-market service to our car-user customers.

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.

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.

PROCUREMENT AND SUPPLIERS

For the years ended 31 December 2020, 2021 and 2022, our cost of inventories amounted to RMB305.9 million, RMB633.4 million and RMB595.6 million, representing 68.6%, 78.2% and 77.6% of our total cost of revenue for the corresponding year, respectively.

We also procure automobiles for our operating lease business. Such automobiles are included in property and equipment.

Our suppliers mainly consist of (i) auto dealers which supply us with automobiles for our finance lease 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.

For the years ended 31 December 2020, 2021 and 2022, transactions 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 automobile suppliers respectively, and transactions with our largest supplier amounted to RMB80.2 million, RMB108.0 million and RMB162.5 million, representing 21.4%, 16.2% and 20.2% of our total transaction amount with automobile suppliers, respectively.

OUR RISK MANAGEMENT SYSTEM

We have developed a risk management and internal control systems to address the risks we are subject to. In particular, we have developed an automobile monitoring platform based on our understanding of the management characteristics 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 continue to develop proprietary algorithms and data analytics capabilities to enhance our risk management system. As a result of our risk management system, we have managed to maintain relatively low credit losses during the Track Record Period. Please see the section headed "Risk Management and Operations" for further details.

MARKET

Along with the rollout of favourable policies and regulations by the Chinese government, and the steady increase in the disposable income of consumers, the total sales volume of non-luxury automobiles is estimated to reach 25.8 million units in 2027, representing a CAGR of 4.6% in 2022 to 2027.

In 2022, 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 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. As of 31 December 2021, the top 20 companies in China's retail automobile finance lease market had a market share of approximately 81.1%, and the top 10 companies in China's third-party retail automobile finance lease market in terms of total number of loan volume disbursed by third party RAFLCs had a market share of approximately 69.5%.

The PRC's direct finance lease market experienced rapid 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 2022 to 2027.

The automobile operating lease 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.

The information above is based on the CIC Report. For details of CIC Report, please see the section headed "Industry Overview".

OUR COMPETITIVE STRENGTHS

We believe we possess the following competitive strengths:

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

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

(iii) we have an established and 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.

OUR BUSINESS STRATEGIES

Our key business strategies include:

(i) capturing the potential growth in the direct finance lease market and the automobile operating lease market;

(ii) expanding our sales network to increase our market penetration;

(iii) continuing to incorporate new technologies and upgrade our automobile-related software and mobile applications; and

(iv) continuing to enhance our risk management capabilities.

FUTURE PLANS AND [REDACTED]

The estimated **[REDACTED]** of the **[REDACTED]**, after deducting **[REDACTED]** fees and estimated total expenses paid and payable by us in connection with the **[REDACTED]**, are estimated to be HK$**[REDACTED]** million (equivalent to RMB**[REDACTED]** million) before any exercise of the **[REDACTED]**, at the **[REDACTED]** of HK$**[REDACTED]** per Share. We intend to use the **[REDACTED]** of the **[REDACTED]** for the following purposes:

- HK$**[REDACTED]** million (equivalent to RMB**[REDACTED]** million or approximately **[REDACTED]**% of our estimated **[REDACTED]**) for purchasing more vehicles, so as to increase our revenue; and

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

Please see the section headed "Future Plans and **[REDACTED]**" for further details.

SUMMARY FINANCIAL INFORMATION AND OPERATING DATA

Summary of Results of Operations

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	749,761	1,171,262	1,141,526
Gross profit	303,598	361,756	374,447
Operating profit	130,141	160,831	234,791
Profit before income tax	20,969	43,010	91,773
Profit for the year	10,253	30,687	77,082
Profit attributable to:			
— Owners of our Company	12,341	34,112	78,913
— Non-controlling interests	(2,088)	(3,425)	(1,831)
	10,253	30,687	77,082

Non-IFRS Measures

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

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

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

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Profit for the year	10,253	30,687	77,082
Add:			
[REDACTED] expenses, net of tax	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Fair value loss/(gain) on ordinary shares with redemption right	6,932	4,153	(47,251)
Adjusted net profit (Non-IFRS measures)	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Adjusted net profit margin (Non-IFRS measures)*(Note)*	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

Note: Adjusted net profit margin (Non-IFRS measures) is calculated based on the adjusted net profit (Non-IFRS measures) for the year divided by revenue for the respective year.

Our financial results for the year ended 31 December 2020 were adversely affected by the impacts caused by the outbreak of COVID-19 in the PRC in 2020. Our financial results for the year ended 31 December 2021 demonstrated a strong recovery. Our revenue increased by approximately 56.2% to approximately RMB1,171.3 million for the year ended 31 December 2021, as compared to the year ended 31 December 2020, mainly driven by our growth in revenue from sales of automobile under finance lease from RMB362.9 million for the year ended 31 December 2020 to RMB777.9 million for the year ended 31 December 2021, as our business recovered from the adverse impact of COVID-19 in 2020. Our revenue for the year ended 31 December 2022 decreased by approximately 2.5%, as compared to the year ended 31 December 2021, primarily due to the regional outbreaks of COVID-19 variants in the PRC in 2022, our revenue from sales of automobile under finance lease and our e-hailing operating lease declined in certain regions in 2022.

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

Government grants primarily consist of the fiscal support that local governments offer to the Group entities engaged in the finance leasing business in the PRC. There are no unfulfilled conditions or other contingencies attaching to these grants.

The government grants decreased from RMB24.4 million for the year ended 31 December 2020 to RMB16.7 million for the year ended 31 December 2021, as the decrease in VAT refund for the year ended 31 December 2021, then increased to RMB22.6 million for the year ended 31 December 2022, primarily due to the increase in VAT refund. For details of VAT refund, please refer to "Financial Information-Description of Selected Items in Consolidated Statements of Comprehensive Income-Other income, net-(a) VAT related tax benefits"

Key Operating Data

The following table sets out selective key operating data for the years indicated.

	Year ended 31 December		
	2020	**2021**	**2022**
Newly entered finance lease agreements:			
Number of newly entered finance lease agreements	7,859	11,308	12,754
Average principal amount of newly entered finance lease agreements *(RMB'000)*	83.1	94.2	90.6
Average effective interest rate charged for newly entered finance lease agreements *(Note 1)*	20.5%	19.4%	18.5%
Net interest spread and net interest margin:			
Average yield of finance lease receivables *(Note 2)*	22.3%	20.4%	19.0%
Average cost of borrowings *(Note 3)*	8.0%	8.6%	8.5%
Weighted average effective interest rate of borrowings *(Note 4)*	8.5%	8.5%	8.6%
Net interest spread *(Note 5)*	14.3%	11.8%	10.5%
Net interest margin *(Note 6)*	12.9%	10.9%	9.5%
Occupancy rate of e-hailing vehicles:			
Occupancy rate of e-hailing vehicles under operating lease *(Note 7)*	78.8%	90.7%	85.0%

Notes:

(1) Calculated by dividing sum of effective interest rate of newly entered finance lease agreements by the total number of newly entered finance lease agreements entered for the relevant year.

(2) Calculated by dividing finance lease income for the relevant year by the average balance of finance lease receivables.

(3) Calculated by dividing cost of funding for the relevant year by the average balance of borrowings.

(4) Calculated by multiplying the effective interest rate of each borrowings by the corresponding ending balance and dividing by the total ending balance of the borrowings as at each year end.

(5) Calculated as the difference between average yield of finance lease receivables and average cost of borrowings (including bank borrowings and other borrowings).

(6) Calculated by dividing net interest income for the relevant year by the average balance of finance lease receivables.

(7) Calculated by 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.

During the Track Record Period, the decrease in the average yield of finance lease receivables was primarily due to the completion of relatively higher average yield finance lease agreements entered into prior to 2019 which generally had a term ranging from two to four years. According to CIC, the industry average yield of interest-earning assets before 2019 was relatively higher than during the Track Record Period due to higher average effective interest rate per annum charged by RAFLCs prior to 2019. We enjoyed first-mover advantage by operating finance lease business since 2012 ahead of other major third-party RAFLCs. The competition in the RAFLC market in China intensified during 2018 and 2019 with some Internet-backed RAFLCs adopted competitive pricing in order to win more customers, and it was followed by more RAFLCs in order to sustain market share, leading to a downward adjustment of the industry range of the average effective interest rate per annum for finance lease agreements in 2018 and 2019. Our new automobiles have been sold on finance lease generally with a term of two to four years. As such, our sales of automobile under finance lease entered into prior to 2019 with higher average effective interest rate will last through the subsequent two to four years. While we also entered into new sales of automobile under finance lease with lower average effective interest rate subsequent to 2019, hence our average yield of interest-earning assets was lower than prior to 2019. According to CIC, we were able to charge higher average interest rates for the finance lease agreements than other RAFLCs, because of our flexible product offerings, strong offline capability and developed risk management system to expand customer reach and control asset quality. According to CIC, there was no major issue which may exert significant downward pressure on effective interest rates charged by industry players as 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.

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

During the Track Record Period, our average cost of borrowings was 8.0%, 8.6% and 8.5%, respectively. The average cost of borrowings is calculated by dividing the cost of funding for the relevant year by the average balance of borrowings. The average balance of borrowings is the average of the beginning balance and the ending balance of borrowings for the relevant year.

The lower average cost of borrowings for the year ended 31 December 2020 was mainly attributable to we had 46% of new borrowings in 2020 draw down in November and December 2020, hence the cost of which had less impact on total cost of funding for the whole year of 2020. In comparison, for the years ended 31 December 2021 and 2022, we had 26% and 32% of new borrowings drawn down in November and December 2021 and 2022 for the corresponding year.

During the Track Record Period, our weighted average effective interest rate of borrowings remained relatively stable.

The decrease in net interest spread from 14.3% for the year ended 31 December 2020 to 11.8% for the year ended 31 December 2021, then remained relatively stable at 10.5% for the year ended 31 December 2022, were primarily due to the decrease in the average yield of finance lease receivables from 22.3% for the year ended 31 December 2020 to 20.4% for the year ended 31 December 2021, then further decreased to 19.0% for the year ended 31 December 2022, while the average cost of borrowings increased from 8.0% for the year ended 31 December 2020 to 8.6% for the year ended 31 December 2021, then remained relatively stable at 8.5% for the year ended 31 December 2022.

The decrease in our net interest margin from 12.9% for the year ended 31 December 2020 to 10.9% for the year ended 31 December 2021, then further decreased to 9.5% for the year ended 31 December 2022, primarily due to the increase in our finance cost during the Track Record Period, driven by our increased borrowings to support our business growth.

Summary of Consolidated Statements of Financial Position

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Current assets	793,854	947,498	1,241,300
Current liabilities	(851,549)	(1,094,723)	(1,199,532)
Net current assets/(liabilities)	(57,695)	(147,225)	41,768
Non-current assets	1,103,875	1,255,480	1,357,457
Non-current liabilities	(638,008)	(664,743)	(892,611)
Net assets	408,172	443,512	506,614
Non-controlling interests	11,633	8,208	6,377

Our non-current assets are primarily finance lease receivables and automobiles for operating lease.

Our current assets are mainly finance lease receivables, automobiles for automobile retail and finance, and prepayment, deposit and other receivables.

Our net assets increased from RMB408.2 million as at 31 December 2020 to RMB443.5 million as at 31 December 2021, mainly due to profit for the year of approximately RMB30.7 million. Our net assets further increased to RMB506.6 million as at 31 December 2022, due to (i) the increase in our profit for the year of approximately RMB77.1 million; (ii) changes in fair value of ordinary share with redemption right due to own credit risk of approximately RMB2.4 million; and offset by (iii) exchange difference arising from translation of functional currency of approximately RMB16.4 million. Please refer to "Accountant's Report — Consolidated Statements of Changes in Equity" for details.

Both of our current liabilities and non-current liabilities are mainly borrowings and ordinary shares with redemption right.

Our net current liabilities increased from RMB57.7 million as at 31 December 2020 to RMB147.2 million as at 31 December 2021, mainly due to the inclusion of ordinary shares with redemption right in the current liabilities of approximately RMB196.6 million for the year ended 31 December 2021 whereas the ordinary shares with redemption right was included in the non-current liabilities for the year ended 31 December 2020. The Company has issued ordinary shares with redemption right to certain **[REDACTED]** investors, which were classified as financial liabilities due to the redemption feature given to the holders and would be converted to equity upon the **[REDACTED]**. Such redemption right was no longer exercisable upon the filing of the **[REDACTED]** application and will be terminated upon **[REDACTED]**. We recorded net current assets of RMB41.8 million as at 31 December 2022, as compared to net current liabilities of RMB147.2 million as at 31 December 2021, primarily due to the increase in our cash and cash equivalents of approximately RMB121.7 million, the increase in finance lease receivables of approximately RMB95.7 million and the increase in inventories of approximately RMB51.8 million, and partially offset by the increase in our borrowings of approximately RMB102.0 million as at 31 December 2022, as compared to that as at 31 December 2021. Under current liabilities, ordinary shares with redemption right amounted to RMB196.6 million and RMB163.1 million as at 31 December 2021 and 2022, respectively.

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. 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. Please see the sections headed "Business — Inventory Management" and "Financial Information — Description of Certain Items of Consolidated Statements of Financial Position — Inventories" for more details.

Summary of Consolidated Statements of Cash Flows

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Net cash (used in)/generated from operating activities	229,881	(77,409)	(74,000)
Net cash used in investing activities	(171,219)	(58,172)	(119,133)
Net cash generated from/ (used in) financing activities	(163,009)	203,073	314,827
Net (decrease)/increase in cash and cash equivalents	(104,347)	67,493	121,694
Cash and cash equivalents at beginning of year	119,160	11,880	79,373
Effect on foreign exchange rate difference	(2,933)	—	11
Cash and cash equivalents at end of year	11,880	79,373	201,078

Our automobile retail and finance business generally required to purchase automobiles first, then sell the automobiles to customers through finance lease. Payments related to automobile purchases are cash outflow and finance lease income from customers are cash inflow from operating activities. The automobile purchase and related expenses need to be paid in full within a relatively short period of time. For automobile finance lease receivables, customers pay us in monthly installments according to the lease term, which is generally two to four years. Our new automobile purchases are usually funded by debt financing arrangements, which is under the cash flow from our financing activities.

Our cash flow from operating activities for the year ended 31 December 2020 was positive, mainly due to the decrease in the sales of new automobiles caused by the outbreaks of COVID-19 in 2020, which corresponded to a reduction in the payment for automobile purchases, while the existing finance lease agreements continue to generate cash inflow, resulting in a positive cash flow from operating activities for the year ended 31 December 2020.

For the years ended 31 December 2021 and 2022, the net cash used in operating activities, mainly due to the increase in the number of new automobiles sold and the increase in the number of new finance lease agreements entered where the corresponding purchase of new automobiles and related purchase taxes, insurance and other expenses have increased, which were fully paid in a relatively short period of time, usually within three months, exceeded the amount of the monthly repayment of finance lease agreements and the operating lease rentals, resulting in cash outflows for the years ended 31 December 2021 and 2022. See the sub-section headed "Financial Information — Liquidity and Capital Resources — Cash Flow" for further details of cash flow.

We experienced the net cash used in operating activities for business growth during the Track Record Period. This was mainly due to the fact that our new automobile purchases are mainly financed by debt financings, such debt financings are included in another cash flow category, namely net cash generated from financing activities.

KEY FINANCIAL RATIOS

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

	For the year ended 31 December		
	2020	**2021**	**2022**
Gross profit margin (%)	40.5	30.9	32.8
Net profit margin (%)	1.4	2.6	6.8
Return on equity (%)	2.5	6.9	15.2
Return on total assets (%)	0.5	1.4	3.0

	As at 31 December		
	2020	**2021**	**2022**
Current ratio (times)	0.9	0.9	1.0
Quick ratio (times)	0.8	0.7	0.9
Gearing ratio (%) *(Note 1)*	74.0	74.8	75.1
Risk assets to equity ratio (times) *(Note 2)*	4.6	4.8	4.8
Non-performing asset ratio (%)	0.7	0.7	0.7
Allowance coverage ratio for non-performing assets (%)	134.3	126.5	127.5
Ratio of allowance for impairment losses to net finance lease receivables (%)	0.9	0.8	0.9

Notes:

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

(2) On 26 May 2020, the CBIRC promulgated the Interim Measures for the Supervision and Administration of Finance Lease Companies (《融資租賃公司監督管理暫行辦法》) (the "**Interim Measures**") with the immediate effect, which made supplement and further requirements for finance lease enterprises on the basis of Measures for Finance Lease Enterprises. Under the Interim Measures, the total amount of risk assets of finance lease companies shall not exceed eight times of their net assets (total equity). Risk assets to equity ratio represents risk assets divided by total equity as at the respective dates. Risk assets are the total amount of residual assets determined by deducting cash, bank deposit, PRC treasury securities and entrusted leased assets from the total assets.

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

	Year ended 31 December					
	2020		2021		2022	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Automobile retail and finance	257,905	43.2	328,527	32.4	340,910	34.2
Other automobile-related services	45,693	30.0	33,229	20.9	33,537	19.9
Total	303,598	40.5	361,756	30.9	374,447	32.8

As each of the existing or new services and products often carries a different cost structure and gross profit margin, our product and service mix will impact our overall cost structure and gross profit margin. Thus, our results of operation may vary from period to period as a result of the change in the composition of our revenue from different product and service mix. During the Track Record Period, sales of automobile under finance lease was the largest component of our total revenue, which contributed 48.4%, 66.4% and 64.4% of our total revenue for the years ended 31 December 2020, 2021 and 2022, respectively.

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

Our gross profit margin for the automobile-related services decreased from 30.0% for the year ended 31 December 2020 to 20.9% for the year ended 31 December 2021, primarily due to the change in revenue mix of the automobile-related services, mainly resulted from the increase in revenue from the automobile operating lease, which has a lower gross profit margin than our other automobile-related services. Our gross profit margin for the automobile-related services increased to 23.2% for the year ended 31 December 2022, as compared to 20.9% for the year ended 31 December 2021, mainly due to the decrease in revenue from the automobile operating lease.

For details of our gross profit and gross profit margin analysis, please see the sub-section headed "Financial Information — Gross profit and gross profit margin".

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 non-performing asset ratios as at 31 December 2021 and 2022 were 1.5% and 1.5%, respectively. As such, our non-performing asset ratios as at 31 December 2021 and 2022 were lower than the industry average.

[REDACTED] EXPENSES

Our **[REDACTED]** expenses mainly comprise professional fees paid and payable to the professional parties for their services rendered in relation to the **[REDACTED]** and the **[REDACTED]**. We estimate that total expenses in relation to the **[REDACTED]** (assuming an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]** and no exercise of the **[REDACTED]**) will be RMB**[REDACTED]** million, comprising (a) **[REDACTED]** of approximately RMB**[REDACTED]** million; (b) sponsor fees of approximately RMB**[REDACTED]** million; and (c) non-**[REDACTED]** related expenses of approximately RMB**[REDACTED]** million, including (1) fees and expenses of legal advisers and the Reporting Accountant of approximately RMB**[REDACTED]** million; and (2) other fees and expenses of approximately RMB**[REDACTED]** million, representing approximately **[REDACTED]**% of the gross **[REDACTED]** of the **[REDACTED]** (assuming an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]** and no exercise of the **[REDACTED]**). Up to 31 December 2022, we incurred **[REDACTED]** expenses of RMB**[REDACTED]** million, of which (a) RMB**[REDACTED]** million was charged to our administrative expenses during the Track Record Period; (b) RMB**[REDACTED]** million was charged to our administrative expenses prior to the Track Record Period; and (c) RMB**[REDACTED]** million will be deducted from equity upon **[REDACTED]**. We expect to incur additional **[REDACTED]** expenses of RMB**[REDACTED]** million, of which RMB**[REDACTED]** million expected to be recognised as administrative expenses and RMB**[REDACTED]** million (together with the previously incurred **[REDACTED]** expenses recorded as prepayment) expected to be recognised as a deduction in equity for the year ending 31 December 2023. The **[REDACTED]** expenses directly attributable to the issue of our shares will be deducted from equity upon **[REDACTED]**. The above total **[REDACTED]** expenses are the latest practicable estimates for reference only, and the final amount to be recognised may differ from these estimates.

IMPACT OF COVID-19 OUTBREAK ON OUR BUSINESS

In response to the outbreak 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. As a result, normal economic activities throughout China have 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 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. Our business started to recover in the fourth quarter of 2020.

In 2021, our business was fully recovered as illustrated below. 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.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Recent Development

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 the data released by China's Center for Disease Control and Prevention on 18 February 2023, since early December 2022, the number of reported COVID-19 positive cases in China has fluctuated, with a peak in mid-December 2022, followed by a decreasing trend. 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. 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 have 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.

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 first quarter of 2023 as compared to the same period of 2022, the number of new automobiles sold increased by 5.5%, mainly due to our pricing strategy by passing the purchase tax benefit to our finance lease customers from the automobiles we purchased in fourth quarter of 2022, before the purchase tax benefit expired as at 31 December 2022. Our e-hailing occupancy rate decreased from 89.0% for the first quarter of 2022 to 68.3% for the same period of 2023, mainly due to the fact that 666 units of our 897 units of new automobiles for e-hailing operating lease newly purchased in November and December 2022 have not completed the application and obtained the E-Hailing Transport Certificate as at 1 January 2023 and were not put into operation fully for the first quarter of 2023.

No Material Adverse Change

Our Directors confirm that after performing all the due diligence work which our Directors consider appropriate, there had been no material adverse change in our financial or trading position or prospects since 31 December 2022 and up to the date of this document, and that there has been no event since 31 December 2022 which would materially affect the information shown in the Accountant's Report, the text of which as set out in Appendix I to this document. Our Directors also confirm that there has not been any material change in our indebtedness and contingent liabilities since 31 December 2022.

CERTAIN PRC LAWS AND REGULATIONS

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**"), the revised 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 public listing abroad 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. Our Directors confirm, 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 as advised by our PRC Legal advisers, 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 one million, our 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 clarification. The interviewee opined that the cybersecurity review will not apply to enterprises seeking public listings in Hong Kong.

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. Our Director confirmed that our Group's relevant internet data protection mechanism has been established. Our Directors confirmed that 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 in the future, 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; (ii) the Cybersecurity Regulations would not have any material adverse impact on our business operations; 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 and the Sole Sponsor concur with the aforesaid view of our PRC Legal Advisers.

Laws and Regulations on e-hailing services

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 confirmed 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 vehicles, 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, the below regulations on e-hailing industry published recently mainly regulate online e-hailing platform enterprises and are not applicable to our Group's businesses, and do not have any bearing on our Group's business and operation. 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 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**"), 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》), the 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》), 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前事中事後全鏈條聯合監管有關工作的通知》), and the Measures for the Administration of the Operation of Regulatory Information Interactive Platforms for E-hailing (the "**Regulatory Information Interactive Platforms Measures**") (《網絡預約出租汽車監管信息交互平台運行管理辦法》), please refer to "Regulatory Overview- Laws and Regulations on e-hailing Services".

Regulations Related to Overseas Listings

On 17 February 2023, CSRC issued the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "**Trial Administrative Measures**") and five items of supporting guidelines, which mainly standardise activities relating to direct or indirect overseas issuance and listings of securities by domestic enterprises and became effective on 31 March 2023. According to the Trial Administrative Measures, a domestic company that seeks to offer and list securities in overseas markets shall fulfill the filing procedure with the CSRC as per requirement of the Measures, submit relevant materials that contain a filing report and a legal opinion, and provide truthful, accurate and complete information on the shareholders and disclose other required information. Any overseas offering and listing made by an issuer that meets both the following conditions will be determined as indirect:

(1) 50% or more of the issuer's operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements for the most recent accounting year is accounted for by domestic companies; and

(2) the main parts of the issuer's business activities are conducted in the Mainland China, or its main places of business are located in the Mainland China, or the senior managers in charge of its business operation and management are mostly Chinese citizens or domiciled in the Mainland China.

In the meanwhile, it is stipulated that under any of the following circumstances, an overseas listing shall not be allowed: (1) there are circumstances in which national laws, regulations and relevant provisions explicitly prohibit listing and financing; (2) the overseas issuance or listing threatens or endangers national security as reviewed and determined by the relevant competent departments of the State Council in accordance with the law; (3) the domestic enterprise and its controlling shareholder or actual controller have committed corruption, bribery, embezzlement of property, misappropriation of property or disruption of the socialist market economic order in the recent three years; (4) the domestic enterprise is being investigated by judiciary for suspected crimes or are being investigated for major violations of laws and regulations and no definite conclusions have been reached; (5) there are major ownership disputes over equity rights held by the controlling shareholder or the shareholder governed by the controlling shareholder or the actual controller.

The Notice on Administrative Arrangements for Filing of Domestic Enterprises' Overseas Issuance and Listing (《關於境內企業境外發行上市備案管理安排的通知》) was promulgated by CSRC on 17 February 2023 and became effective on 31 March 2023.

Since all of our operating revenue and total assets are accounted for by domestic companies and all of our business are conducted in the Mainland China, we are subject to the Trial Administrative Measures, as advised by our PRC Legal Advisers. We submitted the filing documents for record as required by the Trial Administrative Measures on 31 March 2023. Our PRC Legal advisers advised, our Directors concur, that we have complied with the Trial Administrative Measures by submitting filings with CSRC for record after its effectiveness. The PRC legal advisers to the Sole Sponsor and the Sole Sponsor concur with the aforesaid view of our PRC Legal Advisers.

For details regarding the regulations on the overseas listings, please refer to "Regulatory Overview — M&A Rules and Overseas Listings".

STATISTICS OF THE [REDACTED][1]

	Based on [REDACTED] of HK$[REDACTED]
Market capitalisation of our Shares[2]	HK$**[REDACTED]** million
Unaudited pro forma adjusted net tangible asset per Share[3]	HK$**[REDACTED]**

Notes:

(1) All statistics in this table are based on the assumption that the **[REDACTED]** is not exercised and takes no account of any Shares which may be issued upon the exercise of options granted under the **[REDACTED]** Share Option Scheme and any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme.

(2) The calculation of market capitalisation is based on **[REDACTED]** Shares in issue immediately following the completion of the **[REDACTED]** and **[REDACTED]**.

(3) The unaudited pro forma adjusted net tangible asset value per Share has been arrived at after adjustments referred to in the section headed "Appendix II — Unaudited Pro Forma Financial Information" and on the basis that **[REDACTED]** Shares were in issue assuming that the **[REDACTED]** and the **[REDACTED]** have been completed on 31 December 2022 but takes no account of any Shares which may be issued upon the exercise of options granted under the **[REDACTED]** Share Option Scheme, any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme, any Shares which may be issued upon the exercise of the **[REDACTED]** or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandate to issue Shares and general mandate to repurchase Shares as described in the section headed "Share Capital" in this document.

SHAREHOLDERS' INFORMATION

Our Single Largest Shareholder

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 be interested in approximately **[REDACTED]**% of the issued share capital of our Company, taking no account of Shares which may be issued pursuant to the exercise of the **[REDACTED]** or Shares which may be issued upon the exercise of options granted under the **[REDACTED]** Share Option Scheme and options which may be granted under the Share Option Scheme. See "Relationship with Our Single Largest Shareholder" for further details.

[REDACTED] Investments

We have concluded **[REDACTED]** investments with certain investors, including Beijing Chesheng, Zhuhai Wanhe, Ms. Yang Yufen (楊豫芬), Ms. Mao Lin (毛琳), Fuzhou Shenghui, Fuzhou Bojia, Mr. Guo Hongzhi (郭洪志) and Ms. Choo Beng Hiang (朱孟香).

[REDACTED] Share Option Scheme

We [have adopted] the **[REDACTED]** Share Option Scheme to incentivise and reward eligible participants for their contribution or potential contribution to our Group. As at the Latest Practicable Date, no options have been granted under the **[REDACTED]** Share Option Scheme. See "Statutory and General Information — D. Other Information — 2. **[REDACTED]** Share Option Scheme" in Appendix IV to this document for further details.

NEEQ LISTING OF XXF GROUP

The shares of XXF Group became quoted on NEEQ (stock code: 834499) on 11 December 2015, and were subsequently delisted from NEEQ on 15 December 2016, in light of the fact that a listing on a reputable and liquid equity market such as the Stock Exchange can raise the brand awareness, enhance the corporate image and strengthen the corporate governance as well as the minimal trading volume of its shares on NEEQ. For further details, please see "History, Reorganisation and Corporate Structure" in this document.

DIVIDENDS AND DIVIDEND POLICY

We did not declare any dividend during the years ended 31 December 2020, 2021 and 2022.

Our Directors may recommend a payment of dividends in the future after taking into account, among others, our operation and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, shareholders' interests and other factors which they may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Cayman Companies Act.

HIGHLIGHTS OF RISK FACTORS

The major risks relating to the business of our Group include: (i) we are subject to the credit risks of our customers and our credit risk management system may not be able to mitigate all our risk exposure; (ii) we may not be able to repossess the automobiles under our finance lease services in cases of delinquency or default by our customers; (iii) the residual value of the repossessed automobiles or the amount recovered from legal proceedings may not be adequate to cover the remaining amount of financing extended to our customers; (iv) our allowance for impairment on receivables (including finance lease receivables, trade receivables and other receivables) may not be adequate to cover potential credit losses; (v) any material mismatch in the maturity profile of our assets and liabilities may have material adverse impact on our liquidity and our ability to settle our outstanding liabilities; and (vi) we recorded negative cash flow from operating activities during the years ended 31 December 2021 and 2022. If we are unable to obtain additional financing in the future or there is any adverse movement in market interest rates, our business may be materially and adversely affected.

NON-COMPLIANT INCIDENTS

Our non-compliance with PRC laws and regulations during the Track Record Period was failure to register lease agreements with relevant PRC authorities primarily due to the lessors did not provide the necessary supporting documents for filing. See "Business — Legal Compliance" for further details of our non-compliance incidents.

DEFINITIONS

Unless the context otherwise requires, the following expressions have the following meanings in this document. Certain other terms are explained in the section headed "Glossary of Technical Terms".

"52 Car APP"	"52 Car (52車)" mobile application, which provides automobile aftermarket service platform for car users
"52 Car (Business Version) APP"	"52 Car — Business Version (52車 — 商家版)" mobile application, which provides automobile aftermarket service platform for business-end users
"AFRC"	Accounting and Financial Reporting Council
[REDACTED]	**[REDACTED]**
"Articles" or "Articles of Association"	the articles of association of our Company conditionally adopted on [•], which will become effective upon the **[REDACTED]**, as amended from time to time, a summary of which is set out in Appendix III to this document
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Beijing Chesheng"	Beijing Chesheng Technology Company Limited* (北京車勝科技有限公司), a company established under the laws of the PRC on 23 November 2017, one of our **[REDACTED]** Investors and an affiliate of Didi Group
"Board of Directors" or "Board"	the board of Directors
"Business Day"	a day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for normal banking business
"Buyback Mandate"	the general unconditional mandate given to the Directors by our Shareholders relating to the repurchase of Shares, as further described in "Statutory and General Information — A. Further Information about our Group — 3. Resolutions in writing of the Shareholders of our company passed on [•]" in Appendix IV to this document
"BVI"	British Virgin Islands
"CAC"	Cyberspace Administration of China (中華人民共和國國家互聯網信息辦公室)

DEFINITIONS

[REDACTED]	**[REDACTED]**
"Cayman Companies Act"	the Companies Act (As Revised) of the Cayman Islands
"CBIRC"	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
"CBRC"	China Banking Regulatory Committee (now known as CBIRC) (中國銀行業監督管理委員會)
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**

[REDACTED]	**[REDACTED]**
"Celestial Bonanza"	Celestial Bonanza Group Limited (成天集團有限公司), a company incorporated in the BVI on 8 March 2019 and our direct wholly-owned subsidiary
"Chinese government" or "PRC government"	the central government of PRC, including all government subdivisions (including provincial, municipal or other regional or local government entities) and instrumentalities
"CIC"	China Insights Industry Consultancy Limited, a market research and consulting company, an Independent Third Party
"CIC Report"	a market research report commissioned by us and prepared by CIC, the content of which is quoted in this document
"close associate(s)"	has the meaning ascribed to it under the Listing Rules
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	XXF Group Holdings Limited (喜相逢集團控股有限公司), an exempted company with limited liability incorporated in the Cayman Islands on 29 March 2019
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules
"core connected person(s)"	has the meaning ascribed to it under the Listing Rules
"COVID-19"	Coronavirus Disease 2019 (COVID-19), also known as novel coronavirus pneumonia, an infectious respiratory disease that was first reported in December 2019
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)

"Deed of Indemnity"	the deed of indemnity dated [•] entered into by Mr. Huang in favour of our Company (for itself and as trustee for and on behalf of its subsidiaries), particulars of which are set out in the paragraph headed "Statutory and General Information — D. Other information — 3. Tax and other indemnities" in Appendix IV to this document
"Didi Group"	Beijing Xiaoju Science and Technology Co., Ltd.* (北京小桔科技有限公司) and its subsidiaries, which operate leading mobile transportation platforms in the PRC
"Director(s)"	the director(s) of our Company
"EDI Licence"	Electronic data interchange licence, a licence issued by the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部) for the provision of online data processing and transaction processing services
"ESG"	environmental, social and corporate governance
"Extreme Conditions"	extreme conditions including but not limited to serious disruption of public transport services, extensive flooding, major landslides or large-scale power outage after super typhoons as announced by the government of Hong Kong
"Fujian Anxin"	Fujian Anxin Second-hand Car Market Co., Ltd.* (福建安信二手車交易市場有限公司), a company established under the laws of the PRC on 21 October 2016 which was our indirect wholly-owned subsidiary and was deregistered on 9 July 2020
"Fuzhou Bojia"	Fuzhou Bojia Investment Co., Ltd.* (福州博嘉投資有限公司), a company established under the laws of the PRC on 30 March 2018 and an Independent Third Party, which was deregistered on 7 February 2021
"Fujian Heqi"	Fujian Heqi Technology Co., Ltd.* (福建禾汽科技有限公司) (formerly known as Fujian Heqi Automobile Insurance Agency Co., Ltd.* (福建禾汽汽車保險代理有限公司)), a company established under the laws of the PRC on 22 June 2016 and our indirect wholly-owned subsidiary
"Fujian Lvyi"	Fujian Lvyi Information Technology Co., Ltd.* (福建綠蟻信息科技有限公司), a company established under the laws of the PRC on 14 November 2017 and our indirect wholly-owned subsidiary
"Fujian Qoocar"	Fujian Qoocar Information Technology Co., Ltd.* (福建汽致信息科技有限公司), a company established under the laws of the PRC on 14 July 2017 and our indirect wholly-owned subsidiary

"Fuzhou Shenghui"	Fuzhou Shenghui Investment Co., Ltd.* (福州盛輝投資有限公司), a company established under the laws of the PRC on 14 August 2013 and owned as to approximately 4.48% by Mr. Liu Wei, our non-executive Director, and approximately 95.52% by Mr. Liu Yonghui, father of Mr. Liu Wei
"Fujian Shenqi"	Fujian Shenqi Financial Lease Co., Ltd.* (福建神汽融資租賃有限公司), a company established under the laws of the PRC on 24 May 2016 and our indirect wholly-owned subsidiary
"Fujian Xidi"	Fujian Xidi Automobile Service Co., Ltd.* (福建喜滴汽車服務有限公司), a company established under the laws of the PRC on 14 September 2018 and our indirect wholly-owned subsidiary
"Fujian Xidun"	Fujian Xidun Automobile Service Co., Ltd.* (福建喜盾汽車服務有限公司), a company established under the laws of the PRC on 23 May 2018 and our indirect wholly-owned subsidiary
"Fujian Xiqi"	Fujian Xiqi Automobile Sale Co., Ltd.* (福建喜汽汽車銷售有限公司), a company established under the laws of the PRC on 22 June 2016 and our indirect wholly-owned subsidiary
"Fujian Xitu"	Fujian Xitu Technology Co., Ltd.* (福建喜途科技有限公司), a company established under the laws of the PRC on 29 October 2021 and our indirect wholly-owned subsidiary
"Fujian Xiyun"	Fujian Xiyun New Energy Technology Co., Ltd.* (福建喜雲新能源科技有限公司), a company established under the laws of the PRC on 9 March 2021 which was our indirect subsidiary owned as to 60% by XXF Group and 40% by Fujian Nebula Electronics Co., Ltd.* (福建星雲電子股份有限公司), an Independent Third Party (by virtue of Fujian Xiyun being an insignificant subsidiary of our Company as defined under the Listing Rules) and was deregistered on 31 March 2022
"Fujian ZyooCar"	Fujian ZyooCar Technology Co., Ltd.* (福建自在出行科技有限公司), a company established under the laws of the PRC on 30 November 2017 and our indirect subsidiary owned as to 51% by XXF Group and 49% by Ningde Transport Investment Group Co., Ltd.* (寧德市交通投資集團有限公司), an Independent Third Party (by virtue of Fujian ZyooCar being an insignificant subsidiary of our Company as defined under the Listing Rules)
"Fuxing Property"	Building No. 3, C1 Land Lot, Fuxing Economic Development Area, Fuzhou, PRC (福州福興經濟開發區C1地塊上的3號樓)
[REDACTED]	**[REDACTED]**

DEFINITIONS

"Glorypearl Capital"	Glorypearl Capital Resources Company Limited (明珠資本資源有限公司), a company incorporated in the BVI with limited liability on 26 March 2019, one of our substantial Shareholders, and wholly owned by Mr. Huang
"Go Ziyou APP"	"Go Ziyou (GO自游)" mobile application, which allows the customers to rent our new energy vehicles for a short term.
"Group", "our Group", "we", "our" and "us"	our Company, our subsidiaries from time to time, or where the context so requires, in respect of the period from our Company became the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
"Guangdong Minyue"	Guangdong Minyue Automobile Service Co., Ltd.* (廣東閩越汽車服務有限公司), a company established under the laws of the PRC on 18 May 2022 and our indirect wholly-owned subsidiary
"Guoxin Zhonglian"	Guoxin Zhonglian (Fuzhou) Automobile Service Co., Ltd.* (國信中聯(福州)汽車服務有限公司), a company established under the laws of the PRC on 6 March 2012 and our indirect wholly-owned subsidiary
"Happy Gain"	Happy Gain Business Developments Limited, a company incorporated in the BVI with limited liability on 4 September 2019 and indirectly wholly owned by Mr. Huang
"HKSCC"	the Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	the HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"HK$" or "Hong Kong dollar(s)"	Hong Kong dollar(s) and cent(s) respectively, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
[REDACTED]	**[REDACTED]**

DEFINITIONS

[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
"IASB"	International Accounting Standards Board
"Ideal Stand"	Ideal Stand Ventures Management Limited, a company incorporated in the BVI with limited liability on 4 September 2019 and one of our substantial Shareholders
"IFRS"	International Financial Reporting Standards issued by IASB
"Independent Third Party(ies)"	individual(s) or company(ies) who/which, to the best knowledge of our Directors having made due and careful enquiries, is (are) not a connected person(s) of our Company within the meaning ascribed under the Listing Rules
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**

[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
"Latest Practicable Date"	30 April 2023, being the latest practicable date prior to the printing of this document for the purpose of ascertaining certain information contained in this document
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
"Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with GEM of the Stock Exchange
"Memorandum" or "Memorandum of Association"	the memorandum of association of our Company conditionally adopted on [•], as amended from time to time, a summary of which is set out in Appendix III to this document
"MOF"	Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部)
"Mr. Huang"	Mr. Huang Wei (黃偉), our founder, chairman, executive Director and one of our substantial shareholders
"M&A Rules"	the laws and rules regulating mergers and acquisition in the PRC collectively
"Nanning Xidi"	Nanning Xidi Automobile Hailing Operation Service Co., Ltd.* (南寧喜滴網約車運營服務有限公司), a company established under the laws of the PRC on 31 October 2022 and our indirect wholly-owned subsidiary

DEFINITIONS

"NDRC"	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"NEEQ"	the National Equities Exchange and Quotations (全國中小企業股份轉讓系統), a PRC over-the-counter system for trading shares of public companies
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
"PBOC"	People's Bank of China (中國人民銀行)
"PRC" or "China"	the People's Republic of China, which for the purpose of this document and for geographical reference only, excludes Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"PRC Legal Advisers"	Dentons Law Offices, our Group's legal advisers as to PRC laws
"Precious Luck"	Precious Luck Developments Management Limited, a company incorporated in the BVI with limited liability on 8 August 2019 and indirectly controlled by Mr. Huang
"**[REDACTED]** Investors"	as defined in "History, Reorganisation and Corporate Structure — **[REDACTED]** Investments — Summary of **[REDACTED]** Investments"

"**[REDACTED]** Share Option Scheme"	the **[REDACTED]** share option scheme adopted by our Company on [•], the principal terms of which are summarised under the paragraph headed "Statutory and General Information — D. Other Information — 2. **[REDACTED]** Share Option Scheme" in Appendix IV to this document
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
"Prosperous Splendor"	Prosperous Splendor Investment Holding Limited (盛輝投資控股有限公司), a company incorporated in the BVI on 25 June 2019 and owned as to 4.48% by Mr. Liu Wei, our non-executive Director, and 95.52% by Mr. Liu Yonghui, father of Mr. Liu Wei
"Regulation S"	Regulation S under the U.S. Securities Act
"Remuneration Committee"	the remuneration committee of the Board
"Reorganisation"	the reorganisation arrangements undertaken by our Group in preparation for the **[REDACTED]**, which are described in more detail in the section headed "History, Reorganisation and Corporate Structure" and Appendix IV to this document
"RMB"	Renminbi, the lawful currency of the PRC
"SAFE"	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAT"	State Taxation Administration of the PRC (中華人民共和國國家稅務總局)
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO" or "Securities and Futures Ordinance"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shanghai Boyu"	Shanghai Boyu Enterprise Management Partnership (Limited Partnership)* (上海渤鈺企業管理合夥企業(有限合夥)), a limited liability partnership established in the PRC on 5 June 2019 and indirectly controlled by Mr. Huang

DEFINITIONS

"Shanghai Bo Yu"	Shanghai Bo Yu Enterprise Management Partnership (Limited Partnership)* (上海渤毓企業管理合夥企業(有限合夥)), a limited liability partnership established in the PRC on 15 July 2019 and indirectly controlled by Mr. Huang
"Shanghai Boyun"	Shanghai Boyun Enterprise Management Partnership (Limited Partnership)* (上海渤鋆企業管理合夥企業(有限合夥)), a limited liability partnership established in the PRC on 6 June 2019 and indirectly controlled by Mr. Huang
"Shanghai Xuante"	Shanghai Xuante Enterprise Management Co. Ltd.* (上海煊特企業管理有限公司), a company established under the laws of the PRC on 5 July 2019 and owned as to approximately 47.18% by Ms. Qiu Hui, 32.27% by Mr. Lin Dachun, 10.96% by Mr. Huang Jianqing and 9.59% by Mr. Wang Yueren as at the Latest Practicable Date, all being Independent Third Parties
"Shanxi Zhonghong"	Shanxi Zhonghong Automobile Service Co., Ltd.* (山西眾弘汽車服務有限公司), a company established under the laws of the PRC on 17 May 2022 and our indirect wholly-owned subsidiary
"Shaoxing Xidi"	Shaoxing Xidi Automobile Service Co., Ltd.* (紹興喜滴汽車服務有限公司), a company established under the laws of the PRC on 24 November 2022 and our indirect wholly-owned subsidiary
"Share(s)"	ordinary share(s) having a par value of HK$0.01 each in the capital of our Company
"Shareholder(s)"	holder(s) of Shares
"Share Option Scheme"	the share option scheme conditionally adopted by our Company on [•] and effective upon the **[REDACTED]**, the principal terms of which are summarised under the paragraph headed "Statutory and General Information — D. Other Information — 1. Share Option Scheme" in Appendix IV to this document
[REDACTED]	**[REDACTED]**

DEFINITIONS

"Sole Sponsor"	Quam Capital Limited (previously known as China Tonghai Capital Limited), a corporation licensed by the SFC to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
"Southern Fortune"	Southern Fortune Enterprises Management Limited, a company incorporated in the BVI with limited liability on 4 September 2019 and indirectly controlled by Mr. Huang
"sq.m."	square metre
[REDACTED]	**[REDACTED]**
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Taizhou Xidi"	Taizhou Xidi Automobile Service Co., Ltd.* (台州喜滴汽車服務有限公司), a company established under the laws of the PRC on 21 November 2022 and our indirect wholly-owned subsidiary
"Takeovers Code"	The Code on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Taoqi APP"	"Taoqi (淘汽)" mobile application, which is an online channel for our automobile retail and finance business
"Taoqi Internet"	Fujian Taoqi Internet Technology Co., Ltd.* (福建淘汽互聯科技有限公司), a company established under the laws of the PRC on 29 June 2015 and our indirect wholly-owned subsidiary
"Taoqi Yuncar"	Fujian Taoqi Yuncar Information Consultancy Co., Ltd.* (福建淘汽雲車信息諮詢有限公司), a company established under the laws of the PRC on 1 February 2019 and our indirect wholly-owned subsidiary
"Tengxin Investment"	Tengxin Investment Company Limited* (騰新投資有限公司), a company established under the laws of the PRC on 2 March 2015 which indirectly holds 100% interest in Ideal Stand
"Tianjin Xidi"	Tianjin Xidi Automobile Service Co., Ltd.* (天津喜滴汽車服務有限公司), a company established under the laws of the PRC on 15 July 2022 and our indirect wholly-owned subsidiary

"Track Record Period"	the financial years ended 31 December 2020, 2021 and 2022
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$" or "US dollars"	United States dollars, the lawful currency of the United States
"U.S. Securities Act"	U.S. Securities Act of 1933, as amended, supplemented or otherwise modified from time to time
"VAT"	value-added tax
"Weichuang Hongjing"	Fuzhou Weichuang Hongjing Enterprise Management Co., Ltd.* (福州偉創宏景企業管理有限公司), a company established under the laws of the PRC on 12 April 2019 and indirectly controlled by Mr. Huang
"Weichuang Xingsheng"	Fuzhou Weichuang Xingsheng Enterprise Management Co., Ltd.* (福州偉創興晟企業管理有限公司), a company established under the laws of the PRC on 12 April 2019 and wholly owned by Mr. Huang
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
"Xiamen Xixiangfeng"	Xixiangfeng (Xiamen) Automobile Service Co., Ltd.* (喜相逢(廈門)汽車服務有限公司), a company established under the laws of the PRC on 3 November 2014 and our indirect wholly-owned subsidiary
"XXF Group"	Xixiangfeng Finance Lease Group Co., Ltd.* (喜相逢融資租賃集團有限公司) (formerly known as Fujian Xixiangfeng Automobile Service Co., Ltd.* (福建喜相逢汽車服務股份有限公司) and Xixiangfeng Group Co., Ltd* (喜相逢集團有限公司)), a company established under the laws of the PRC on 7 September 2007 and our indirect wholly-owned subsidiary

DEFINITIONS

"XXF HK"	XXF Group (Hong Kong) Limited (喜相逢集團(香港)有限公司), a company incorporated in Hong Kong on 2 May 2019 and our indirect wholly-owned subsidiary
"Zhongshan Xidi"	Zhongshan Xidi Automobile Service Co., Ltd.* (中山喜滴汽車服務有限公司), a company established under the laws of the PRC on 28 September 2022 and our indirect wholly-owned subsidiary
"Zhuhai Wanhe"	Zhuhai Wanhe Xingsheng Investment Management Center (Limited Partnership)* (珠海萬和興盛投資管理中心(有限合夥)), a limited liability partnership established in the PRC on 3 January 2017 and an Independent Third Party
"%"	per cent.

In this document:

1. *Unless expressly stated or otherwise required by the context, all data are as at the Latest Practicable Date.*

2. *Unless otherwise specified, all references to any shareholdings in our Company assume no exercise of the **[REDACTED]**, any options granted under the **[REDACTED]** Share Option Scheme and any options which may be granted under the Share Option Scheme.*

3. *The English names of the PRC entities, the PRC laws or regulations or the PRC government authorities mentioned in this document and marked with "*" are translation or transliteration from their Chinese names and are for identification purposes only. If there is any inconsistency, the Chinese names shall prevail.*

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain terms used in this document that relate to our business and the industry in which we operate. These terms and their meanings may not always correspond to standard industry definitions or usage of these terms.

"4S Store"	a store that is designed to provide a suite of services regarding sales, service, spare parts and surveys to receive customer feedbacks, and its operation is generally based on the authorization by automotive manufacturer
"automobile"	a passenger vehicle, other than a motor cycle, which is intended for the carriage of passengers and designed to transport no more than nine persons (including the driver)
"automobile transaction"	a transaction where the title of an automobile will be transferred or may be transferred upon exercise of an option to purchase through payment using cash or auto finance solutions including loans, financing leases or personal contract purchases
"CAGR"	compound annual growth rate
"car parc"	all registered vehicles within a defined geographic region
"Central PRC"	includes Henan, Hubei and Hunan Provinces of the PRC
"direct finance lease"	a type of retail automobile finance lease where the lessor purchases an automobile and then leases the automobile to the lessee for use, and the lessee will have the title to the automobile after the finance lease is repaid in full
"Eastern PRC"	includes Anhui, Fujian, Jiangsu, Jiangxi, Shandong and Zhejiang Provinces of the PRC
"GDP"	gross domestic product
"GMV"	gross merchandise volume
"GPS"	a global positioning system to provide (i) precise data on position and velocity and (ii) synchronise the global time for land, air and sea travel
"IT"	information technology
"loan volume"	the number of newly issued loans in a particular period of time
"luxury automobiles"	includes most of the models of automobiles which are generally sold at the manufacturer's suggested retail price of over RMB300,000 per vehicle in the PRC

GLOSSARY OF TECHNICAL TERMS

"non-luxury automobiles"	includes most of the models of automobiles which are generally sold at the manufacturer's suggested retail price of up to RMB300,000 per vehicle in the PRC
"non-performing asset"	finance lease receivables overdue for three months or more
"Northeastern PRC"	includes Heilongjiang, Jilin and Liaoning Provinces of the PRC
"Northern PRC"	includes Hebei, Inner Mongolia and Shanxi Provinces of the PRC
"Northwestern PRC"	includes Gansu and Shaanxi Provinces of the PRC
"RAFLC"	retail automobile finance lease company
"sale-leaseback"	a type of retail automobile finance lease where the lessee purchases an automobile using the lessor's financing, transfers its title to the lessor, the lessor then leases the automobile back to the lessee for use, and the lessee will have the tile to the automobile after the finance lease is repaid in full
"Southern PRC"	includes Guangdong Provinces and Guangxi Zhuang Autonomous Region of the PRC
"Southwestern PRC"	includes Guizhou, Sichuan, Yunnan Provinces and Chongqing City of the PRC
"tier one cities"	refers to Beijing, Shanghai, Guangzhou and Shenzhen of the PRC
"tier two cities"	refers to Hefei, Fuzhou, Quanzhou, Xiamen, Lanzhou, Dongguan, Foshan, Nanning, Guiyang, Shijiazhuang, Tangshan, Zhengzhou, Harbin, Wuhan, Changsha, Changchun, Changzhou, Nanjing, Nantong, Suzhou, Wuxi, Xuzhou, Nanchang, Dalian, Shenyang, Hohhot, Jinan, Qingdao, Yantai, Taiyuan, Xi'an, Chengdu, Tianjin, Urumqi, Kunming, Hangzhou, Ningbo, Wenzhou, Shaoxing and Chongqing of the PRC
"tier three and below cities"	refers to rest of the prefecture-level cities other than tier one and tier two cities in the PRC

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. The forward-looking statements are contained principally in the sections headed "Summary", "Risk Factors", "Industry Overview", "Business", "Financial Information" and "Future Plans and **[REDACTED]**" in this document. These statements relate to events that involve known and unknown risks, uncertainties and other factors, including those listed under the section headed "Risk Factors" in this document, which may cause our actual results, performance or achievements to be materially different from performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our business strategies, operating plans and our ability to implement such strategies;
- our capital expenditure, business opportunities and expansion plans;
- future events, developments, trends, conditions and the competitive environment in the industry and the markets in which we operate or into which we intend to expand;
- our ability to identify and successfully take advantage of new business development opportunities;
- our ability to control our credit risks and other risks inherent in our business;
- other statements in this document that are not historical facts;
- our dividend policy; and
- prospective financial information.

The words "aim", "continue", "target", "potential", "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "seek", "will", "would" and the negative of these terms and other similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of uncertainties and factors, including but not limited to:

- any changes in the laws, rules and regulations of the government relating to any aspect of our business or operations;
- general global economic, market and business conditions;
- inflationary pressures or changes or volatility in interest rates, foreign exchange rates or other rates or prices;
- various business opportunities that we may pursue; and

- the risk factors discussed in this document as well as other factors beyond our control.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this document might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this document are qualified by reference to the cautionary statements set out in this section as well as the risks and uncertainties discussed in the section headed "Risk Factors" in this document.

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

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

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

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

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

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

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

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

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

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

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

Net current liabilities may expose us to certain liability risks.

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

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

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

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

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

For the years ended 31 December 2021 and 2022, we recorded negative cash flow from operating activities of RMB77.4 million and RMB74.0 million, respectively. Our business operations, in particular, our automobile retail and finance lease business and automobile operating lease business, are capital intensive. We primarily finance our finance lease business through bank and other borrowings. For the years ended 31 December 2020, 2021 and 2022, our cost of funding amounted to RMB98.7 million, RMB108.8 million and RMB131.4 million, representing 42.0%, 46.4% and 50.1% of our finance lease income for the corresponding year, respectively. As such, our business is affected by adverse movements in market interest rates. For instance, an increase in market interest rates may not only have a negative impact on our ability to obtain additional funding at favourable interest rates, which we may not be able to pass on the increase of interest costs to our customers at a timely manner or at all, but also reduce the demand for our automobile finance lease services. As a result, any adverse movement in market interest rates may have a material adverse impact on our business, financial condition and results of operation.

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

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

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

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

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

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

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

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

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

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

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

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

We are exposed to the risk of inventories obsolescence.

As at 31 December 2020, 2021 and 2022, we had inventories of approximately RMB142.0 million, RMB141.9 million and RMB193.6 million, respectively. 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. The demand for automobiles is dependent on our customers' preferences and the economic condition, which are beyond our control. Any increase in inventory may adversely affect our working capital. If we cannot manage our inventory level efficiently in the future, our liquidity and cash flow may be adversely affected.

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

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

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

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

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

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

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

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

The fair value change of financial assets at fair value through profit or loss would have impact on the Group's financial performance.

During the Track Record Period, our financial assets at fair value through profit or loss consisted of asset-backed securities and our minority investment in a partnership. As at 31 December 2020, 2021 and 2022, such financial assets at fair value through profit or loss amounted to nil, RMB26.0 million and RMB21.6 million, respectively. The fair value gain through profit or loss from these financial assets was nil, loss of RMB33,000 and gain of RMB2.7 million during the Track Record Period. Any changes in the unobservable inputs will affect the estimated fair value of our financial assets at fair value through profit or loss, which lead to uncertainty in accounting estimation. A substantial decrease in the fair value of our financial assets at fair value through profit or loss may have an adverse effect on our financial position as well as our results of operations if we hold any financial assets at fair value through profit or loss in the future.

The markets we operate in are competitive.

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

We may fail to maintain or enlarge our consumer base.

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

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

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

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

We operate an automobile aftermarket service platform with our 52 Car APP where car-user customers were able to access over 500 automobile service locations operated by third party automobile aftermarket service providers in the PRC as at 31 December 2022. However, we have very limited control over the operation of these automobile aftermarket service providers as we do not send our staff to manage and operate their services. If these automobile aftermarket service providers fail to deliver reliable, effective and satisfactory services to our customers, our customers may associate these with our Group. As we expand to work with more automobile aftermarket service providers, it may be more difficult for us to monitor and ensure their service quality. Any poor or unsatisfactory services from these service providers to our car-user customers may harm our corporate image and materially and adversely affect our business and results of operations.

Our automobile finance lease business may subject us to regulatory risks, and uncertainties and/or changes of which may materially and adversely affect our results of operations, financial condition and growth prospects.

PRC laws and regulations concerning automobile finance lease business are evolving and the PRC government authorities may promulgate new laws and regulations in the future. If the operation of our finance lease and operating lease services were later deemed to violate PRC laws or regulations, our business model, results of operations, and financial condition would be materially and adversely affected. We cannot assure you that our business would not be deemed to violate any PRC laws and regulations to come into force. In the event that the regulatory policy on our business changes or stricter laws and regulations are promulgated and implemented, we may not be able to adjust our business accordingly. This could have a material adverse effect on our results of operations, financial condition and business prospects.

Furthermore, there can be no assurance that the PRC government will not amend or revise existing laws, rules or regulations to require additional approvals, licenses or permits, or to impose stricter requirements to obtain or maintain the necessary licenses to carry out our business. We also cannot predict whether the renewal application will attract significant opposition or whether the permitting process will be lengthened due to complexities, legal claims or appeals. In addition, if we fail to satisfy the conditions or comply with the restrictions imposed by governmental approvals and permits, or the restrictions imposed by any other statutory or regulatory requirements, we may be subject to regulatory enforcement action, fines, penalties or additional costs or revocation of such approvals or permits. The revocation of a permit or a license essential to our business, the imposition of impractical conditions upon renewal or the refusal to renew the licenses and permits currently in place could impair our ability to conduct our business.

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

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

We cannot predict changes in government policies on automobile purchases and ownership.

Pursuant to the Notice on the Reduction of Vehicle Purchase Tax for Passenger Vehicles up to 1.6 litres (《關於減徵1.6升及以下排量乘用車車輛購置稅的通知》) promulgated jointly by the MOF and State Taxation Administration on 13 December 2016 and effected from 1 January 2017, a vehicle purchase tax was levied on the purchase of 1.6 litres and less passenger vehicles at a 7.5 percent rate from 1 January 2017 to 31 December 2017. The vehicle purchase tax was later increased to 10 percent rate from 1 January 2018. On 28 June 2019, MOF and STA jointly issued the Announcement on the Continued Implementation of Preferential Policies for Vehicle Purchase Tax (《關於繼續執行的車輛購置稅優惠政策的公告》) (the "**Announcement**") which came into effect on 1 July 2019. According to the Announcement, the vehicle purchase tax shall be exempted on the purchase of new energy vehicles from 1 January 2018 to 31 December 2020. On 16 April 2020, MOF, STA and Ministry of Industry and Information Technology jointly issued the Announcement on Relevant Policies for the Exemption of Vehicle Acquisition Tax on New-energy Automobiles (《關於新能源汽車免徵車輛購置稅有關政策的公告》) (the "**New-energy Automobiles Announcement**") which came into effect on 1 January 2021. According to the New-energy Automobiles Announcement, new-energy automobiles purchased shall be exempt from vehicle acquisition tax between 1 January 2021 and 31 December 2022. According to the Announcement on Continuation of Policies for Exemption of Vehicle Purchase Tax on New Energy Vehicles (關於延續新能源汽車免征車輛購置稅政策的公告》), which was jointly promulgated by MOF, SAT and Ministry of Industry and Information Technology on 18 September 2022 and became effective on the same day, the new energy vehicles purchased during the period from 1 January 2023 to 31 December 2023 will be exempted from the vehicle purchase tax. We believe that these government policies or subsidies may influence consumers' behaviour on purchase of automobiles as they may have become used to such incentives. If these government policies are withdrawn or subsidies expire and no other similar incentives are introduced, consumers may delay purchase decisions on automobiles and the demand for our automobile finance lease services may decline, which may materially and adversely affect our business, results of operations and financial condition.

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

The PRC government and public advocacy groups have been increasingly focused on environment, social and governance, or ESG, issues in recent years, making our business more sensitive to ESG issues and changes in governmental policies and laws and regulations associated with environment protection and other ESG-related matters. Investor advocacy groups, certain institutional investors, investment funds, and other influential investors are also increasingly focused on ESG practices and in recent years have placed increasing importance on the implications and social cost of their investments. Regardless of the industry, increased focus from investors and the PRC government on ESG and similar matters may hinder access to capital, as investors may decide to reallocate capital or to not commit capital as a result of their assessment of a company's ESG practices. Any ESG concern or issue could increase our regulatory compliance costs. If we do not adapt to or comply with the evolving expectations and standards on ESG matters from investors and the PRC government or are perceived to have not responded appropriately to the growing concern for ESG issues, regardless of whether there is a legal requirement to do so, we may suffer from reputational damage and the business, financial condition, and the price of our Shares could be adversely effected.

Our business is subject to seasonal fluctuations.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As at the Latest Practicable Date, 123 of our lease agreements had not been registered with the relevant regulatory authorities primarily due to the lessors did not provide the necessary support or documents for filing. Pursuant to the requirements of the Administrative Measures for Commodity House Leasing and relevant local rules, we may be subject to a fine between RMB1,000 and RMB10,000 per lease for any delay in making these registrations imposed by local authorities. As at the Latest Practicable Date, we did not receive any rectification order, nor have we been subject to any fine or penalty in respect of the failure to register lease agreements. However, we cannot assure you that we would not be subject to any penalties and/or requests from local authorities to fulfil the registration requirements, which may increase our cost, in the future.

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

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

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

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

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Our business, financial condition, operating results and growth prospects are subject to the PRC's economic, political and social conditions as well as government policies. Adverse changes in the PRC's conditions may reduce our profit before tax.

We conduct all of our businesses and generate all of our revenues in the PRC. If the PRC's economy experiences significant adverse developments or a significant downturn, we could experience a reduced level of liquidity and increased credit spreads, and our business, financial condition, results of operations and growth prospects may be materially and adversely affected.

For more than three decades, the PRC government has been pursuing economic reforms to transform its economy from a planned economy to a market economy. However, a substantial part of the PRC economy is still subject to various controls by the government. By imposing industrial policies and other economic measures, such as control of foreign exchange, taxation and foreign investment, the PRC government directly and indirectly exerts considerable influence on the development of the PRC economy. Many of the economic reforms carried out by the PRC government are unprecedented or experimental and are expected to be refined over time.

With regard to foreign investment in China, according to the latest version of the Special Administrative Measures (Negative List) for Foreign Investment Access (2021 Edition) (《外商投資准入特別管理措施(負面清單)(2021年版)》) (the "**Negative List**"), which was issued on 27 December 2021 and became effective on 1 January 2022, our business does not fall within the prohibited or the restricted category of business.

However, as the Negative List may be updated from time to time, there can be no assurance that the PRC government will not change its policies in a manner that would render part or all of our businesses to fall within the restricted or prohibited categories. If we cannot obtain approval from relevant approval authorities to engage in a business which become prohibited or restricted for foreign investors, we may be forced to sell or restructure our business which become restricted or prohibited for foreign investment. If we are forced to adjust our corporate structure or business as a result of changes in government policy on foreign investment, our business, financial condition and results of operations may be adversely affected.

In addition, government policies in the PRC as well as other political, economic and social factors such as consumer, corporate and government spending, business investment, volatility of the capital markets and inflation all affect the business and economic environment in the PRC and ultimately, the profitability of our business.

Changes in laws and regulations of the e-hailing industry may adversely affect our e-hailing operating lease business indirectly.

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》). On 30 November 2022, the Ministry of Transport and other five departments jointly revised 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》). These new regulations mainly regulate online e-hailing platform enterprises and are not applicable to Group’s businesses, and do not have any bearing on the Group’s business and operation. However, if any new laws and regulations are introduced to further regulate the e-hailing industry, which may adversely impact the e-hailing industry or online e-hailing platform enterprises, which in turn may indirectly impact our e-hailing operating lease business. If we cannot timely adjust our business operation, our e-hailing operating lease business would be materially and adversely impacted.

The PRC legal system is evolving from time to time. There are inherent uncertainties that could limit the legal protections to our operations and Shareholders.

Our operating subsidiaries are incorporated under the laws of the PRC. The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. In 1979, the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters in general, such as foreign investment, corporate organisation and governance, commerce, taxation and trade. As all of our businesses are conducted in the PRC, our operations are principally governed by the PRC laws and regulations. However, since the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform, and enforcement of these laws, regulations and rules involves uncertainties, which may limit the legal protections available to us. In addition, we cannot predict the effect of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the pre-emption of local regulations by national laws. These uncertainties could limit the legal protections available to us and other foreign investors, including you. In addition, any litigation in the PRC may be protracted and result in substantial costs and diversion of our resources and management attention.

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

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

Furthermore, the applicable PRC laws, rules and regulations permit payment of dividends by our PRC subsidiaries only out of its accumulated retained earnings, if any, determined in accordance with the PRC accounting standards. Our PRC subsidiaries are required to set aside a certain percentage of their after tax profits based on the PRC accounting standards as statutory reserves in accordance with the requirements of relevant PRC laws and provisions in its articles of associations. As a result, our PRC subsidiaries may be restricted in their ability to transfer a portion of their net income to us whether in the form of dividends, loans or advances. These restrictions and requirements could reduce the amount of distributions that we receive from our subsidiaries, which would restrict our ability to fund our operations, generate income, pay dividends and service our indebtedness. Moreover, these limitations on the flow of funds between and amongst us and our PRC subsidiaries could restrict our ability to respond to changing market conditions or appropriately allocate funds to our PRC subsidiaries in a timely manner, or at all.

Dividends we receive from our subsidiaries located in the PRC may be subject to PRC withholding tax, which could materially and adversely affect the amount of dividends, if any, we may pay our shareholders.

The PRC Enterprise Income Tax Law, or the EIT Law, classifies enterprises as resident enterprises and non-resident enterprises. The EIT Law provides that an income tax rate of 20% may be applicable to dividends payable to non-resident investors, which (i) do not have an establishment or place of business in the PRC or (ii) have an establishment or place of business in the PRC but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends are derived from sources within the PRC. The State Council of the PRC reduced such rate to 10% through the implementation regulations of the EIT Law. Further, pursuant to the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Tax on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the "**Double Tax Avoidance Arrangement**") and other applicable laws, if a Hong Kong resident enterprise owns more than 25% of the equity interest in a company in the PRC at all times during the 12-month period immediately prior to obtaining a dividend from such company, the 10% withholding tax on dividends is reduced to 5% provided certain other conditions and requirements under the Double Tax Avoidance Arrangement between Hong Kong and Mainland China and other applicable PRC laws are satisfied at the discretion of relevant PRC tax authority. If we and our BVI and Hong Kong subsidiaries are considered as non-resident enterprises and our Hong Kong subsidiary is considered as a Hong Kong resident enterprise under the Double Tax Avoidance Arrangement and is determined by the competent PRC tax authority to have satisfied relevant conditions and requirements, then the dividends paid to our Hong Kong subsidiaries by its PRC subsidiaries may be subject to the reduced income tax rate of 5% under the Double Tax Avoidance Arrangement. However, based on the Notice on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties (《關於執行稅收協定股息條款有關問題的通知》), if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment; and based on the Announcement of SAT on Issues "Beneficial Owners" in Tax Treaties (《國家稅務總局關於稅收協定中「受益所有人」有關問題的公告》) issued by SAT on 3 February 2018, conduit companies, which are established for the purpose of evading or reducing tax, transferring or accumulating profits, shall not be recognised as beneficial owner and thus are not entitled to the abovementioned reduced income tax rate of 5% under the Double Tax Avoidance Arrangement. If we are required under the EIT Law to pay income tax for any dividends we receive from our subsidiaries in the PRC, or if any of our Hong Kong subsidiaries is determined by PRC government authority as receiving benefits from reduced income tax rate due to a structure or arrangement that is primarily tax-driven, it would materially and adversely affect the amount of dividends, if any, we may pay to our Shareholders.

The PRC government's control over the conversion of foreign exchange and fluctuations in the value of RMB may affect the value of, and the distributions payable on, our Shares in foreign currency terms.

RMB is not a freely convertible currency due to the fact that conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. Pursuant to the existing foreign exchange regulations in the PRC, if the current account foreign exchange transactions, including dividend payment, are processed by banks designated and licensed for foreign exchange trading, we are allowed to carry out such transactions without submitting the relevant documentary evidence of such transactions to the SAFE for approval in advance. However, foreign exchange transactions for capital account purposes may require prior approval or registration with the SAFE. As a result, our capital expenditure plans, business operations, results of operations, financial condition and our ability to pay dividends could be materially and adversely affected when there are changes in the foreign exchange regulations or policies, or if we fail to obtain the SAFE's approval to convert RMB into foreign currencies for foreign exchange transactions.

On the other hand, our operations are conducted in the PRC and all of our revenue is denominated in RMB. Should RMB appreciate or depreciate against the U.S. dollar or any other foreign currency, it will have mixed effects on our business and there is no assurance that the overall effect will be positive. The value of RMB against the U.S. dollar and other currencies fluctuates from time to time due to a number of factors, including changes in the political and economic conditions in the PRC as well as internationally and the fiscal and foreign exchange policies prescribed by the PRC government. There remains significant international pressure on the PRC government to adopt a more flexible currency policy. Together with domestic policy consideration, a further and more significant appreciation of RMB against the Hong Kong dollar, the U.S. dollar or other foreign currencies could be resulted. As we need to convert the **[REDACTED]** from the **[REDACTED]** and future offshore financing into RMB for our operations, appreciation of RMB against the relevant foreign currencies would reduce the RMB amount we would receive upon the conversion. In addition, because the dividends on our Shares, if any, will be paid in Hong Kong dollars, any devaluation of RMB against the HK dollar could reduce the amount of any cash dividends on our Shares in Hong Kong dollar terms.

PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the [REDACTED] of the [REDACTED] to make loans or additional capital contributions to our PRC subsidiaries.

In utilising the **[REDACTED]** from the **[REDACTED]** or any further **[REDACTED]**, as an offshore holding company of our PRC subsidiaries, we may make loans to our PRC subsidiaries. However, such loans to our PRC subsidiaries are subject to PRC regulations and approvals. For instance, loans by us to our wholly owned PRC subsidiaries in the PRC to finance their activities cannot exceed statutory limits and must be registered with the SAFE or its local counterpart. While we may also consider making additional capital contributions to our PRC subsidiaries, these capital contributions must be approved by MOFCOM or its local counterpart. We cannot assure you that we will be able to obtain these government registrations or approvals on a timely basis, if at all, with respect to future loans or capital contributions by us to our subsidiaries or any of their respective subsidiaries. If we fail to receive such registrations or approvals, our ability to use the **[REDACTED]** of the **[REDACTED]** and to capitalise on our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

There are uncertainties with respect to indirect transfers of assets (including equity interests) of our PRC subsidiaries.

In February 2015, the SAT issued the Announcement on Certain Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) or Circular 7, which abolished certain provisions in the Notice on Strengthening the Administration of Enterprise Income Tax on Non-Resident Enterprises (《關於加強非中國居民企業股權轉讓所得企業所得稅管理的通知》), or Circular 698, which was previously issued by the SAT in December 2009, as well as certain other rules providing clarification on Circular 698. Circular 7 provides comprehensive guidelines relating to, and also heightens the PRC tax authorities' scrutiny over, indirect transfers by a non-resident enterprise of assets (including equity interests) of a PRC resident enterprise ("**PRC Taxable Assets**").

Circular 7 specifies that the PRC tax authorities are entitled to reclassify the nature of an indirect transfer of PRC Taxable Assets if such transfer is deemed to have been conducted for the purposes of avoiding PRC enterprise income taxes and without any other reasonable commercial purpose. It applies when a non-resident enterprise transfers PRC Taxable Assets indirectly by direct or indirect disposing of equity interests in an overseas holding company holding such PRC Taxable Assets. Disregarding the existence of such overseas holding company, such transaction is in fact a direct transfer of PRC Taxable Assets.

Although Circular 7 contains certain exemptions, it remains unclear whether any exemptions under Circular 7 will be applicable to the transfer of our Shares on a public market by our non-resident enterprise Shareholders or to any future acquisition by us outside of the PRC involving PRC Taxable Assets. See "Regulatory Overview — Laws and Regulations on Taxation" for further details. As a result, the PRC tax authorities may deem any transfer of our Shares by our Shareholders that are non-resident enterprises, or any future acquisition by us outside of the PRC involving PRC Taxable Assets to be subject to the foregoing regulations, which may subject our Shareholders or us to additional PRC tax reporting obligations or tax liabilities.

It may be difficult to effect service of process, enforce judgments and arbitral awards obtained from courts other than Chinese courts actions in the PRC against us or our Directors and senior management.

Substantially all of our businesses, assets, operations and subsidiaries are located in the PRC. In addition, substantially all our senior management members reside in the PRC, and substantially all of our assets, and substantially all of the assets of those persons, are located in the PRC. Therefore, it may be difficult for investors to effect service of process upon those persons inside the PRC or to enforce against us or them in the PRC any judgments obtained from non-PRC courts. As the PRC does not have treaties with most of the other jurisdictions that provide for the reciprocal recognition and enforcement of judicial rulings and awards, it may be difficult or impossible for investors to effect service of process on us or those persons in the PRC. While final judgments for civil and commercial cases and arbitral awards obtained in a recognised Hong Kong court or Hong Kong arbitral tribunal, provided that certain conditions are satisfied, may be enforced in the PRC there are uncertainties as to the outcome of any applications to recognise and enforce such judgments and arbitral awards in the PRC. Recognition and enforcement in the PRC of the judgment of a non-PRC court in relation to any matter not subject to a binding arbitration provision may be also difficult or impossible.

Furthermore, an original action may be brought in the PRC against us or our Directors and senior management only if the actions are not required to be arbitrated by PRC law and upon satisfaction of the conditions for commencing a cause of action pursuant to the PRC civil procedure law. It is uncertain whether investors will be able to bring an original action in the PRC because the conditions set out are under the discretion of the PRC courts to determine whether they are satisfied and whether to accept the action for adjudication.

RISKS RELATING TO THE [REDACTED]

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

[REDACTED]

[REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

MANAGEMENT PRESENCE

According to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong and in normal circumstances, at least two of the issuer's executive directors must be ordinarily resident in Hong Kong.

Our executive Directors are based in the PRC and are expected to continue to be based in the PRC. In addition, substantially all our assets are based in the PRC and our headquarters, core business and operations are primarily located, managed and conducted in the PRC. Appointment of additional executive Directors who are ordinarily resident in Hong Kong or the relocation of any existing executive Directors who are currently based in the PRC to Hong Kong may not be beneficial to or appropriate for our Group. Our Company currently does not, and in the foreseeable future will not, have executive Directors who are ordinarily residents in Hong Kong. Therefore, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from compliance with Rule 8.12 of the Listing Rules on the following conditions:

(1) We have appointed two authorised representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Stock Exchange and ensure that we will comply with the Listing Rules at all times. The two authorised representatives appointed are Mr. Huang Wei, our executive Director, and Mr. Wong Yuk, our company secretary. Each of the authorised representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and e-mail. Each of the authorised representatives is authorised to communicate on our behalf with the Stock Exchange. We will keep the Stock Exchange up to date in respect of any change to such details.

(2) Each of the authorised representatives has means to contact all of our Directors (including our independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact our Directors for any matters. To enhance communication between the Stock Exchange, the authorised representatives and our Directors, (a) each Director has provided his or her office phone number, mobile phone number, facsimile number and e-mail address to our authorised representatives; (b) in the event that a Director expects to travel or is out of office, he or she will provide the phone number of the place of his or her accommodation to the authorised representatives or maintain an open line of communication via his or her mobile phone; and (c) each of our Directors and authorised representatives has provided his or her respective mobile phone numbers, office telephone numbers, facsimile numbers and e-mail addresses to the Stock Exchange. In addition, each of our Directors (including our independent non-executive Directors) not ordinarily resident in Hong Kong has confirmed that he or she possesses or can apply for valid travel documents to visit Hong Kong for business purpose and will be able to come to Hong Kong and meet with the relevant officers of the Stock Exchange within a reasonable period of time, when required.

(3) In compliance with Rule 3A.19 of the Listing Rules, we have appointed Quam Capital Limited (previously known as China Tonghai Capital Limited) as our compliance adviser to act as an additional channel of communication with the Stock Exchange for the period commencing on the **[REDACTED]** and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the **[REDACTED]**. The contact person of our compliance adviser will be fully available to answer enquiries from the Stock Exchange. There will be adequate and efficient means of communication between our Company, our authorised representatives, our Directors and other officers and our compliance adviser, and to the extent reasonably practicable and legally permissible, we will keep the compliance adviser informed of all communications and dealings between our Company and the Stock Exchange.

(4) Meetings between the Stock Exchange and our Directors could be arranged through our authorised representatives or our compliance adviser, or directly with our Directors within a reasonable time frame. We will inform the Stock Exchange as soon as practicable in respect of any change of our authorised representatives and/or our compliance adviser.

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Huang Wei (黃偉)	Room 3106, Building 10 Taihejinzun Garden 1 165 Yangtouwei Road Yuefeng Zhen Jin'an District Fuzhou, Fujian Province PRC	Chinese
Mr. Ye Fuwei (葉富偉)	Room 4602 Shiouwangzhuang B 2 Jinlian Road Jin'an District Fuzhou, Fujian Province PRC	Chinese
Ms. Zhang Jinghua (張景花)	Baima Garden 10–406 17 Baimazhong Road Shanghai Jiedao, Taijiang District Fuzhou, Fujian Province PRC	Chinese
Non-executive Directors		
Mr. Liu Wei (劉偉)	Room 106, Block 6 Wanke Jinyu Rongjun Fufei Road Fuzhou, Fujian Province PRC	Chinese
Ms. Xu Rui (徐睿)	Room 432, 3rd Floor, Building 11 No. 1, Xifu Heyuan Tongzhou District Beijing PRC	Chinese

Name	Address	Nationality
Independent non-executive Directors		
Mr. Wu Fei (吳飛)	Room 202, Block 15 181 Liuzhou Road Xuhui District Shanghai PRC	Chinese
Mr. Fung Che Wai, Anthony (馮志偉)	Flat G, 11th Floor Hong Yan Court Healthy Street C North Point Hong Kong	Chinese
Mr. Chen Shuo (陳碩)	Room 8–1001, Meifeng Liju Lvjingjiayuan Gulou District Fuzhou, Fujian Province PRC	Chinese

Please refer to the section headed "Directors and Senior Management" in this document for further details of our Directors and senior management members.

PARTIES INVOLVED IN THE [REDACTED]

Sole Sponsor	**Quam Capital Limited** (previously known as China Tonghai Capital Limited) 5/F and 24/F (Rooms 2401 and 2412) Wing On Centre 111 Connaught Road Central Hong Kong
[REDACTED]	**[REDACTED]**
Legal Advisers to our Company	*As to Hong Kong law* **Dentons Hong Kong LLP** Suite 3201, Jardine House 1 Connaught Place Central Hong Kong *As to PRC law* **Dentons Law Offices** 9th/24th/25th Floor Shanghai World Financial Center 100 Century Avenue Pudong New Area Shanghai PRC *As to Cayman Islands law* **Conyers Dill & Pearman** 29th Floor One Exchange Square 8 Connaught Place Central Hong Kong

Legal Advisers to the Sole Sponsor and the [REDACTED]	*As to Hong Kong law* **Howse Williams** 27/F Alexandra House 18 Chater Road Central Hong Kong *As to PRC law* **Grandall Law Firm (Nanjing)** 5/7/8/F, Building B No.309 Hanzhongmen Street Nanjing, China
Auditor and Reporting Accountant	**PricewaterhouseCoopers** *Certified Public Accountants* *Registered Public Interest Entity Auditor* 22/F, Prince's Building Central Hong Kong
Industry Consultant	**China Insights Industry Consultancy Limited** 10/F, Block B, Jing'an International Center 88 Puji Road Jing'an District Shanghai PRC
[REDACTED]	**[REDACTED]**

CORPORATE INFORMATION

Registered office	Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands
Principal place of business and headquarters in the PRC	Building 3, Fuxing Economic Development Zone (Fuzhou Software Park Jin'an Branch) No. 318 Fuguang Road Jin'an District Fuzhou, Fujian Province PRC
Principal place of business in Hong Kong	Room 1902, 19th Floor Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
Company's website address	www.xxfqc.com *(The information contained on this website do not form part of this document)*
Company secretary	Mr. Wong Yuk *(HKICPA, ACCA)* No.2, 7th Street, Section F Fairview Park Yuen Long Hong Kong
Authorised representatives	Mr. Huang Wei Room 3106, Building 10 Taihejinzun Garden 1 165 Yangtouwei Road Yuefeng Zhen Jin'an District Fuzhou, Fujian Province PRC Mr. Wong Yuk No.2, 7th Street, Section F Fairview Park Yuen Long Hong Kong

CORPORATE INFORMATION

Audit committee	Mr. Fung Che Wai, Anthony *(Chairman)* Mr. Wu Fei Mr. Chen Shuo
Remuneration committee	Mr. Wu Fei *(Chairman)* Mr. Huang Wei Mr. Fung Che Wai, Anthony
Nomination committee	Mr. Huang Wei *(Chairman)* Mr. Wu Fei Mr. Chen Shuo
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
Principal banks	**Fujian Haixia Bank, Fuzhou Mindu Branch** Ancillary Building, Labour Building 128 Gutian Road Gulou District Fuzhou, Fujian Province PRC **China Construction Bank, Fuzhou Chengdong Branch** Mingliu Building 56 Gutian Road Gulou District Fuzhou, Fujian Province PRC
Compliance adviser	**Quam Capital Limited** (previously known as China Tonghai Capital Limited) 5/F and 24/F (Rooms 2401 and 2412) Wing On Centre 111 Connaught Road Central Hong Kong

A summary of the main PRC laws and regulations applicable to our current business and operations is set out below.

LAWS AND REGULATIONS ON FOREIGN INVESTMENT

Negative List

The investment activities conducted by foreign investors in the PRC shall be regulated under the Special Administrative Measures (Negative List) for Foreign Investment Access (2021 Edition) (《外商投資准入特別管理措施(負面清單)(2021年版)》) (the "**Negative List 2021**") with effect from 1 January 2022, which were jointly issued by NDRC and MOFCOM. The Negative List 2021 contains a list of fields that foreign investment is restricted or forbidden. Our current businesses do not fall within the Negative List 2021.

Company Establishment

The Company Law of the PRC (《中華人民共和國公司法》) (the "**Company Law**") promulgated on 29 December 1993 and last amended on 26 October 2018 with immediate effect regulates the establishment, operation and management of corporate entities in the PRC. Pursuant to the Company Law, foreign-invested limited liability companies shall be subject to the Company Law and any stipulations by other PRC laws governing foreign investment shall prevail over the Company Law.

Foreign Investment

According to the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the "**Foreign Investment Law**") adopted by the National People's Congress of the PRC ("**NPC**") on 15 March 2019 with effect from 1 January 2020, repealing simultaneously the Law of the PRC on Sino-foreign Equity Joint Ventures (《中華人民共和國中外合資經營企業法》) (the "**Law of Joint Ventures**") and the Law of the PRC on Wholly Foreign-owned Enterprise (《中華人民共和國外資企業法》) (the "**Law of Foreign-owned Enterprise**"), the government of PRC shall implement the management systems of pre-establishment national treatment and negative list for foreign investment and the foreign investors shall not invest in any field prohibited by the negative list for foreign investment access. The Foreign Investment Law shall further regulate the organisation form, institutional framework and standard of conduct of a foreign-invested enterprise, which shall be subject to the provisions of the Company Law, the Partnership Enterprise Law of the PRC (《中華人民共和國合夥企業法》) and other applicable laws.

On 30 December 2019, the MOFCOM and State Administration for Market Regulation (國家市場監督管理總局) jointly promulgated the Measures for the Reporting of Foreign Investment Information (《外商投資信息報告辦法》) (the "**Foreign Investment Reporting Measures**"), which came into effect on 1 January 2020 and repealed the Provisional Measures on Administration of Filing for Establishment and Change of Foreign Investment Enterprises (《外商投資企業設立及變更備案管理暫行辦法》). According to the Foreign Investment Reporting Measures, the requirement of record-filing with or approval from the MOFCOM is replaced with a reporting requirement, regardless of whether such foreign investment is subject to the PRC government's special entry administration measures.

LAWS AND REGULATIONS ON FINANCE LEASE INDUSTRY

Laws and regulations under the supervision of the MOFCOM

On 22 October 2004, the MOFCOM and the STA jointly promulgated the Notice of the Ministry of Commerce and the State Administration of Taxation on Relevant Issues Concerning the Engagement of Financial Leasing Business (《商務部、國家稅務總局關於從事融資租賃業務有關問題的通知》) (the "**2004 Notice**"), the domestic-funded finance lease pilot enterprises shall meet certain conditions. For instance, the minimum registered capital of domestic-funded finance lease enterprises established on or before 31 August 2001 and between 1 September 2001 and 31 December 2003 shall reach RMB40 million and RMB170 million, respectively.

Nonetheless, the 2004 Notice does not provide for the minimum registered capital of domestic-funded finance lease pilot enterprises established after 31 December 2003 and there are no official requirements on the minimum registered capital of such enterprises issued by the MOFCOM, the STA and other competent authority. According to the 2004 Notice, the risk assets of any domestic-funded finance lease pilot enterprise shall not exceed 10 times of its total registered capital.

The Measures for Finance Lease Enterprises (《融資租賃企業監督管理辦法》) (the "**Measures for Finance Lease Enterprises**") promulgated by MOFCOM on 18 September 2013 and became effective on 1 October 2013 strengthen the regulation over both domestic and foreign-invested finance lease enterprises.

According to the Measures for Finance Lease Enterprises, foreign investors applying to establish a finance leasing enterprise shall comply with the relevant provisions on foreign investment and the Measures for Finance Lease Enterprises do not further distinguish between domestic-funded finance lease enterprises and foreign-invested enterprises. Before the issuance of the Decisions of MOFCOM on repealing and modifying partial regulations (《商務部關於廢止和修改部分規章的決定》) (the "**Repealing Decisions**") on 22 February 2018, the main regulations on foreign investment in the PRC finance lease industry included the Administrative Measures on Foreign-Invested Lease Industry (《外商投資租賃業管理辦法》) with last amendment on 28 October 2015, which mainly require that foreign investors investing directly in the PRC finance lease industry must each have total assets of no less than US$5 million and the risk assets of a foreign-invested finance lease enterprise which are the total amount of residual assets determined by deducting cash, bank deposit, PRC treasury securities and entrusted leased assets from the total assets of the enterprise, shall not exceed 10 times of its total net assets. However, according to the Repealing Decisions, the Administrative Measures on Foreign-Invested Lease Industry have been repealed since 22 February 2018 and there are no official and specialised regulations on foreign-invested finance lease enterprises issued by the MOFCOM or CBIRC afterwards. Nonetheless, as advised by our PRC Legal Advisers, our Directors believe that the definition of "risk assets" as stated therein is still applicable for us to use for the purpose of calculating risk assets as at the Latest Practicable Date.

According to the Measures for Finance Lease Enterprises, MOFCOM and the provincial-level commerce authorities are in charge of the supervision and administration of finance lease companies. A finance lease company shall, according to the requirements of MOFCOM, report the relevant data in a timely and truthful manner through the National Finance Lease Enterprise Management Information System (全國融資租賃企業管理信息系統). Specifically, a finance lease company shall, within 15 working days after the end of each quarter, submit the statistics on and summary of its operations in the preceding quarter, and prior to 30 April of each year, submit the statistics on and summary of its operations in the preceding year as well as its financial and accounting report (including the notes appended thereto) audited by an audit body for the preceding year. In the event of a change of name, relocation to another region, increase or decrease of registered capital, change of organisational form, adjustment of ownership structure or other changes, a finance lease company shall report to the competent provincial-level commerce authority in advance. A foreign-invested finance lease company that undergoes the said changes shall go through the approval and other procedures in compliance with the relevant provisions. A finance lease company shall, within five working days after completing the change registration with the State Administration for Market Regulation or its local counterparts, log into the National Finance lease Enterprise Management Information System to modify the relevant information.

The Measures for Finance Lease Enterprises explicitly stipulate the business scope of a finance lease company. A finance lease company may conduct its finance lease activities by way of a direct lease, sublease, leaseback, leveraged lease, entrusted lease and joint lease within the limits of applicable laws, regulations and rules. A finance lease company shall operate finance lease and other leasing businesses as its main business, and may engage in the purchase of leased properties, disposal of residual value of leased properties, maintenance of leased properties, lease transaction consultancy and guarantee services, assignment of accounts receivable to a third party institution, receiving lease deposits and other businesses approved by the competent authority. A finance lease company shall not engage in deposit-taking (吸收存款), lending (發放貸款), or entrusted lending (受託發放貸款), and shall not engage in inter-bank borrowing without the approval of the competent authority. A finance lease company is prohibited from carrying out illegal fund-raising activities under the disguise of finance lease under any circumstances.

The Measures for Finance Lease Enterprises require the finance lease companies to strengthen their internal risk controls, establish good systems for classifying at-risk assets, and form lessee credit assessment system, post-transaction recourse and disposal system and risk alert mechanism. A finance lease company shall also establish an affiliated transaction management system, and exclude related parties from the voting or decision making process of affiliated transactions. In the event of a purchase of equipment from an affiliated production enterprise, the settlement price for such equipment shall not be evidently lower than the price offered by such enterprise to any third party for such equipment or for equipment of the same batch. A finance lease company shall manage its assets under trust lease and assets under sublease separately and keep separate accounts therefor. A finance lease company shall strengthen the management of its major lessees, limit the proportion of business with a single lessee and with lessees that are affiliated, and pay attention to the prevention and diversification of operational risks.

The Measures for Finance Lease Enterprises also contain regulatory provisions specifically on sale-leaseback transactions. The subject matter of a sale-leaseback transaction shall be properties that can exert their economic functions and produce continuous economic benefits. A finance lease company shall not accept any property to which a lessee has no disposal rights, or on which any mortgage has been created, or which has been sealed or seized by any judicial organs, or whose ownership has any other defects as the subject matter of a sale-leaseback transaction. A finance lease company shall give adequate consideration to and objectively evaluate assets leased back, set reasonable purchase prices for them in compliance with accounting principles, and shall not purchase any asset at a price in excess of its value.

Pursuant to the Notice of the General Office of the Ministry of Commerce on Matters Concerning Adjustments to the Responsibility to Regulate Finance Lease Companies, Commercial Factoring Companies and Pawn Shops (《商務部辦公廳關於融資租賃公司、商業保理公司和典當行管理職責調整有關事宜的通知》) (the "**Notice 165**") which was promulgated by MOFCOM on 8 May 2018 and became effective on 8 May 2018, the authority for developing the rules for business operation of finance lease companies, commercial factoring companies, pawnshops and regulatory rules shall be delegated to CBIRC since 20 April 2018. Although the competent authority in charge of regulating finance lease companies in the PRC has changed, the relevant existing governing laws and regulations of the finance lease industry are still in force in the PRC, which play positive role in deterring illegal acts and creating a healthy business environment for the development of compliant and high-quality enterprises in the retail automobile finance market.

According to the interview with Fuzhou Local Financial Supervision and Administration Supervision Bureau of Fujian Province* (福建省福州市地方金融監督管理局) conducted by the PRC Legal Advisers on 24 July 2019, Fuzhou Local Financial Supervision and Administration is and will be the supervising authority of finance lease companies within Fuzhou, and as confirmed by Fuzhou Local Financial Supervision and Administration, a foreign-invested finance lease enterprise shall conduct its finance lease business within the limits of the Measures for Finance Lease Enterprises which is also applicable to the conduct of the finance lease business of a domestic-funded enterprise. The limits of the Measures for Finance Lease Enterprises mainly include the followings: (1) a finance lease company shall operate finance lease and other leasing businesses as its main business; (2) the risk assets of a finance lease company shall not exceed 10 times of its total net assets; (3) a finance lease company shall not engage in deposit-taking, lending, or entrusted lending; and (4) a finance lease company is prohibited from carrying out illegal fund-raising activities under the disguise of finance lease in any circumstances.

Laws and regulations under the supervision of the CBIRC

On 16 October 2017, the People's Bank of China and the CBRC (now known as "**CBIRC**") promulgated the Notice on Adjusting Relevant Automotive Loan Policies (《關於調整汽車貸款有關政策的通知》) (the "**Adjusting Notice**"), which became effective on 1 January 2018. According to the Adjusting Notice, the maximum loan ratio is 80% for purchasing self-use fossil fuel-powered vehicles, 70% for purchasing fossil fuel vehicles for commercial use, 85% for purchasing self-use new energy vehicles ("**NEVs**"), 75% for purchasing the NEVs for commercial use, and 70% for purchasing used vehicles.

On 26 May 2020, the CBIRC promulgated the Interim Measures for the Supervision and Administration of Finance Lease Companies (《融資租賃公司監督管理暫行辦法》) (the "**Interim Measures**") with the immediate effect, which made supplement and further requirements for finance lease enterprises on the basis of Measures for Finance Lease Enterprises. According to the Interim Measures, the CBIRC shall be responsible for the formulation of business operation and supervision and administration rules for finance leasing companies and local financial regulatory authorities at the provincial level shall be specifically responsible for the supervision and administration of finance leasing companies within their respective jurisdictions.

Pursuant to the Interim Measures, a finance lease company shall not engage in calling loans with other finance leasing companies or doing so in a disguised form, and shall not engage in raising funds or transferring assets through P2P lending information intermediaries or private investment funds besides those activities not allowed by Measures for Finance Lease Enterprises. Furthermore, the Interim Measures stipulated different regulatory indicators on the assets of a finance lease company. Under the Interim Measures, the proportion of finance leasing and other leasing assets of finance lease companies shall not be lower than 60% of the total assets, and the total amount of risk assets of finance lease companies shall not exceed eight times of their net assets. The total amount of risk assets shall be determined by deduction of cash, bank deposits and treasury bonds from the enterprise's total assets.

Particularly, the Interim Measures regulate a transition period which shall not exceed three years in principle for the finance lease companies established prior to the implementation of Interim Measures to meet the requirements hereof. Local financial regulatory authorities at the provincial level may appropriately extend the transitional arrangements according to the actual situation of specific industries.

On 25 January 2022, Fujian Provincial Local Financial Supervision and Administration Bureau promulgated the Implementation Rules for the Supervision and Administration of Financial Leasing Companies in Fujian Province (for Trial Implementation) (《福建省融資租賃公司監督管理實施細則(試行)》) (the "**Implementation Rules in Fujian Province**") with immediate effect, which provided detailed guidance for provincial authorities in the implementation process on the basis of Interim Measures. According to Implementation Rules in Fujian Province, the Provincial Local Financial Supervision and Administration Bureau is the supervision and management authority of all financial leasing companies in the province and shall be responsible for formulating provincial supervision policies and systems, organising the implementation of working deployment, and carrying out counting, monitoring and analysing of the operation of the financial leasing industry in the province. In the meanwhile, within the scope of their respective responsibilities, the local financial supervision and administration bureaus of each district and city are particularly responsible for the daily supervision and management, risk prevention and disposal of financial leasing companies within their respective jurisdictions.

The Administrative Measure for Auto Finance Companies was first promulgated and became effective on 3 October 2003 (the "**2003 Version**"), which provided that auto finance companies are defined as non-bank financial legal entities charted by the China Banking Regulatory Commission (the "**CBRC**", which is now being incorporated in the China Banking and Insurance Regulatory Commission, the "**CBIRC**") in compliance with relevant laws, regulations and the measures to provide loans for auto buyers and dealers in China. It also provided that the establishment of an auto finance company shall be subject to the approval of the CBRC. Without the approval of the CBRC, no individual or entity shall be allowed to establish an auto finance company. In the meanwhile, the 2003 Version forbids any auto finance company to establish any branch office.

On 24 January 2008, the CBRC published a new version of the Administrative Measure for Auto Finance Companies (the "**2008 Version**") to substitute the 2003 Version. The 2008 Version first expanded the business scope of the auto finance company to provide automobile finance lease service except for sale and leaseback business. It also provided that no auto finance company may establish any branch office unless being given special approval by the CBRC. The Administrative Measure for Auto Finance Companies (Draft) (the "**Draft Version**") was promulgated by the CBIRC on 29 December 2022 for comments. The Draft Version further expands the business scope of the auto finance company to provide automobile finance lease service, including the sale and leaseback business, and to provide finance and lease service of automobile accessories.

However, a finance lease company, such as our Group (a completely different classification from the abovementioned auto finance company), was originally supervised by the Ministry of Commerce, according to the Notice of the Ministry of Commerce and the State Administration of Taxation on Matters Related to Finance Lease Business (《商務部、國家稅務總局關於從事融資租賃業務有關問題的通知》), which was issued on 22 October 2004 and provided that the Ministry of Commerce would carry out the finance lease work for pilot domestic leasing enterprises. On 8 May 2018, the Ministry of Commerce published the Notice of the General Office of the Ministry of Commerce on Matters Concerning Adjustments to the Responsibility to Regulate Financial Leasing Companies, Commercial Factoring Companies and Pawn Shops (《商務部辦公廳關於融資租賃公司、商業保理公司和典當行管理職責調整有關事宜的通知》), which delegated the responsibility for developing rules for business operation and regulations of finance lease companies, commercial factoring companies, pawnshops to the CBIRC. Therefore, before 8 May 2018, a finance lease company was not subject to the CBIRC.

Our Group was first approved to engage in finance lease business according to the No. 75 Notice issued by the Ministry of Commerce and the State Administration of Taxation on 2 March 2015, which confirmed XXF Group as one of the 13th Group of pilot domestic finance lease company, which is not subject to approval is required from the CBRC or the CBIRC, hence our Group is not an auto finance company and thus is not subject to the Draft Version.

Laws and regulations on Finance Lease Contract

The Contract Law of the PRC (《中華人民共和國合同法》) (the "**Contract Law**") was promulgated by NPC on 15 March 1999 and became effective on 1 October 1999. The Contract Law especially stipulates mandatory provisions on the financial lease contract in Chapter 14.

On 28 May 2020, the NPC promulgated the PRC Civil Code (《中華人民共和國民法典》) (the "**Civil Code**"), which came into effect on 1 January 2021 and repealed the Contract Law.

According to the Civil Code, a finance lease contract is a contract under which a lessor purchases leased goods from a seller on the basis of a lessee's choice of the seller and leased goods, and the lessor provides the goods for use by the lessee, for which the lessee pays rent. The finance lease contracts shall be in written format.

Under the finance lease contracts, the lessor shall conclude a purchase contract based on the lessee's selections in respect of the seller and the leased property, and the seller shall deliver the leased property to the lessee as agreed. The lessee has the rights of a buyer when taking delivery of the leased property. Without the consent of the lessee, the lessor may not modify relevant particulars related to the lessee of the purchase contract which has been concluded based on the lessee's selections in respect of the seller and the leased property.

LAWS AND REGULATIONS ON THE AUTOMOBILE RETAIL INDUSTRY

On 21 May 2004, the NDRC promulgated the Policies for the Development of the Automotive Industry (《汽車產業發展政策》) (the "**Development Policies**") with immediate effect, which was partially revised on 1 September 2009. According to the Development Policies, it is imperative to foster an automotive market with the focus on private consumption, improve the automobile use environment, and safeguard the rights and interests of automobile consumers. Automobile consumers shall be guided to purchase and use low-energy, low-pollution, small-displacement, new-energy and new-power automobiles, so as to strengthen environmental protection.

The Plan on Adjusting and Revitalizing the Auto Industry (《汽車產業調整和振興規劃》) (the "**Adjusting and Revitalizing Plan**") was promulgated by General Office of the State Council on 20 March 2009 with immediate effect. According to the Adjusting and Revitalizing Plan, the research and development of autos, productive logistics, auto retail and after-sale services, auto lease, second-hand vehicle dealing, auto insurance, consumption credit loans, parking service, retirement and recycling and other service industries shall be accelerated, and the relevant administrative regulations, rules and systems shall be improved.

On 30 March 2009, the MOFCOM, the Ministry of Industry and Information Technology and the Ministry of Public Security jointly promulgated the Opinions on Promoting the Auto Consumption (《關於促進汽車消費的意見》) (the "**Promoting Opinions**"). According to the Promoting Opinions, the development of auto credit consumption is supported. Particularly, the authorities shall boost the making of the administrative regulation on the auto consumption credit, improve the personal credit management, encourage financial institutions to operate the consumption credit business for new autos and second-hand autos, innovate in the credit products, simplify the credit procedures, determine the interest rate of an auto loan for an individual based on the borrower's repayment ability, credit status and other risk factors, and constantly expand the credit auto consumption.

The Measures for the Administration of Automobile Sales (《汽車銷售管理辦法》) (the "**Sales Measures**") was promulgated by the MOFCOM of the PRC on 5 April 2017 and became effective on 1 July 2017. According to the Sales Measures, the dealers, who sell automobiles without the authorisation of the suppliers, or who sell imported automobiles without authorisation for sales by the overseas manufacturers, shall give a reminder and explanation to the consumers in writing and inform the consumers of the subjects who assume relevant responsibility in writing. The suppliers shall follow the principles of fairness, impartiality and transparency in developing or implementing business policies such as marketing incentives. Unless otherwise agreed upon by both parties, the suppliers shall not sell directly to consumers in the dealers' authorised sales territory.

LAWS AND REGULATIONS ON THE AUTOMOBILE OPERATING LEASE INDUSTRY

The Notice on Promoting the Healthy Development of the Automobile Lease Industry (《關於促進汽車租賃業健康發展的通知》) (the "**Promoting Notice**") was promulgated by Ministry of Transport of the PRC ("**MOT**") on 2 April 2011 with immediate effect. According to the Promoting Notice, the automobile operating lease enterprises shall sign an automobile operating lease contract with the lessee to provide vehicles that meet the technical standards with complete and valid documents, and shall not engage in road passenger or cargo transportation operations without permission. The Promoting Notice sets out guidelines for the automobile lease industry and requires local governmental authorities to promulgate local rules and regulations to improve and develop the regulatory environment of the automobile operating lease industry. However, the automobile operating lease industry is currently primarily regulated by government authorities at local levels, where regulatory requirements vary from one province or city to another.

According to the Regulations of Fujian Province on Road Transport (《福建省道路運輸條例》) promulgated by the Standing Committee of Fujian Provincial People's Congress on 29 November 2013 and with effect from 1 January 2014, an automobile operating lease enterprise shall acquire automobile lease business license issued by the local road transport management institution at or above the county level of Fujian Province before undertaking automobile operating lease business.

LAWS AND REGULATIONS ON E-HAILING SERVICES

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**") were jointly approved and promulgated by the Ministry of Industry and Information Technology, Ministry of Public Security, MOFCOM, State Administration for Industry and Commerce, General Administration of Quality Supervision, Inspection and Quarantine and the State Internet Information Office on 27 July 2016 and became effective on 1 November 2016 and last amended on 28 December 2019. On 30 November 2022, the Ministry of Transport and other five departments jointly revised 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 revision further clarified that the subjects of legal responsibility for failure to obtain relevant e-haling permits in different circumstances. For failure to obtain the E-hailing Business Permit, an online e-hailing platform company shall be fined. For failure to obtain the Transport Certificate of E-hailing or the Driver License of E-hailing, respective parties shall be fined.

Pursuant to the E-Hailing Measures, an e-hailing platform company refers to an enterprise with legal person status that builds an online service platform to provide e-hailing services and such enterprise shall obtain the e-hailing business permit issued by the local competent administrative department of transport. The vehicle owner or the e-hailing platform company shall apply for the transport certificate for the e-hailing vehicles and the competent administrative department in charge of taxis at the place of services shall issue the transport certificate for e-hailing for the vehicles that meet the conditions (including (i) passenger vehicles with seven seats or less; (ii) equipped with the GPS tracking devices and emergency alarm devices with the driving recording function; and (iii) the technical performance of the vehicles shall meet the requirements of the relevant standards for operational safety determined by the corresponding administrative department in charge of taxis depending on the local actual conditions) and have been registered as vehicles for e-hailing passenger transport. After reviewing the application made by the vehicle owner or the e-hailing platform company in accordance with the above vehicle requirements, the competent administrative department in charge of taxies in the service location shall issue the Transport Certificate for e-hailing for the vehicles that meet the conditions and have been registered as vehicles for booked passenger transport. Where it is otherwise prescribed by the people's governments of the cities for the issuance of the transport certificate for e-hailing, such provisions shall prevail.

According to 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》), promulgated by General Office of Ministry of Transport and came into effect on 7 September 2021, e-hailing vehicles platform enterprises are prohibited to any new access to non-compliant vehicles and drivers and shall accelerate their removal process of existing non-compliant vehicles and drivers. Also, e-hailing vehicle platform enterprises shall strengthen the safety education for e-hailing drivers.

Pursuant to 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》), jointly issued by Ministry of Transport and other seven governmental departments, which became effective on 17 November 2021, the e-hailing vehicles platform enterprises shall (i) publish pricing rules and income distribution rules to drivers, passengers and other relevant parties to protect the drivers' right to know and supervise; (ii) participate in social insurance for e-hailing drivers according to the relevant labour relations; (iii) pay salaries no less than the local minimum wage to qualified e-hailing drivers; and (iv) scientifically determine the working hours and labour intensity of drivers to ensure that they have enough rest time.

According to 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》), jointly issued by Ministry of Transport and other six governmental departments, which became effective on 7 February 2022, all levels of transportation departments, cyberspace departments, communications departments, public security departments, the People's Bank of China, taxation departments, industry departments and commerce departments, market supervision departments and other departments should establish and improve the joint supervision mechanism, give full play to their respective functions, closely coordinate and cooperate, strengthen information and data sharing, and strengthen the supervision of relevant business behaviours of online e-hailing platform enterprises.

According to the E-hailing Measures, (i) the online e-hailing platform companies are responsible to apply for and obtain the E-hailing Business Permit; (ii) the e-hailing vehicles providers, such as our Group, are responsible to apply for and obtain the Transport Certificate for our E-hailing vehicles; (iii) the e-hailing drivers are responsible to apply for and obtain the Driver License for E-hailing vehicles. 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. According to the E-hailing Measures, an online e-hailing platform company failing to obtain E-hailing Business Permit shall be fined not less than RMB10,000 nor more than RMB30,000; a party failing to obtain E-hailing Transport Certificate for its E-hailing vehicles shall be fined not less than RMB3,000 nor more than RMB10,000 in total; and a party failing to obtain the Driver License for E-hailing shall be fined not less than RMB200 nor more than RMB2,000. 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 confirmed 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 in practice, other 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 the PRC Legal Advisers, these four laws and regulations on e-hailing industry published recently mainly regulate online e-hailing platform enterprises and are not applicable to our Group's businesses, and do not have any bearing on our Group's business and operation.

On 24 May 2022, the Ministry of Transport issued the Measures for the Administration of the Operation of Regulatory Information Interactive Platforms for E-hailing (the "**Regulatory Information Interactive Platforms Measures**") (《網路預約網約車監管資訊交互平台運行管理辦法》), which became effective on 1 July 2022. The Regulatory Information Interactive Platforms Measures mainly stipulate that multi-level regulatory information interactive platforms for e-hailing shall be established to standardise data transmission and improve the regulation efficiency of the e-hailing industry. The Ministry of Transport shall guide the operation of regulatory information interactive platforms at all levels. The competent transport departments shall be responsible for the use, operation, and maintenance of the platforms at their respective levels. All online e-hailing platform companies shall be responsible for standardising the operation and data transmission of their respective platforms. As no obligations on the automobile lease companies are provided, the Regulatory Information Interactive Platforms Measures do not have any material adverse impact on our business.

LAWS AND REGULATIONS ON THE CAR-SHARING INDUSTRY

The Guidance on Promoting the Healthy Development of Minibus Leasing (《關於促進小微型客車租賃健康發展的指導意見》) (the "**Minibus Leasing Guidance**") was promulgated by MOT and Ministry of Housing and Urban-Rural Development of the PRC on 4 August 2017 with immediate effect.

According to the Minibus Leasing Guidance, time-based lease service, commonly known as car-sharing, is encouraged to be developed in the minibus leasing industry. Car-sharing service shall be charged by minutes or hours and shall take advantage of mobile internet, GPS and other information technology to build a network service platform, which aims to provide users with self-service vehicle booking service, borrowing and returning service, and paying service.

Pursuant to the Minibus Leasing Guidance, car-sharing lease operators, which require minutely or hourly rental charges, shall not include chauffeured service along with car-sharing and shall carry out identification of lessee before delivering the rental cars to the lessee. These operators shall have online service capability to carry out the identification of lessees and achieve the balance between vehicle supply and demand at different times and regions, and shall have the ability of offline operation service to ensure the good safety condition of the vehicle, and shall adopt safe and compliant payment and settlement services to ensure the security of the lessees' deposits and funds and the safety of lessees' personal information.

LAWS AND REGULATIONS ON FINANCE GUARANTEE

The Administrative Regulations on Supervision of Finance Guarantee Companies (《融資擔保公司監督管理條例》) (the "**Finance Guarantee Regulations**") were promulgated by the State Council on 2 August 2017 and became effective on 1 October 2017.

According to the Finance Guarantee Regulations, a finance guarantee refers to the activities where a guarantor provides a guarantee for debt finance such as borrowings or debentures of a debtor. No organisation or individual shall operate a finance guarantee business and no organisation shall use the words "finance guarantee" in its company name without approval by regulatory authorities, unless otherwise stipulated by the State Council. In the event of a violation of the provisions of the Finance Guarantee Regulations by establishing a finance guarantee company or operating finance guarantee businesses without obtaining approval, violators shall be banned or ordered by the regulatory authorities to cease operation, imposed a fine ranging from RMB0.5 million to RMB1.0 million, and confiscated illegal income; where the case constitutes a criminal offence, criminal liability shall be pursued in accordance with the law.

On 9 October 2019, the Supplementary Regulations on Supervision of Finance Guarantee Companies (《融資擔保公司監督管理補充規定》) (the "**Supplementary Regulations**") were jointly promulgated by CBIRC, NDRC, Ministry of Industry and Information Technology, MOF, Ministry of Housing and Urban-Rural Development, Ministry of Agricultural and Rural Affairs, MOFCOM, PBOC and State Administration for Market Regulation with immediate effect. According to the Supplementary Regulations, a finance guarantee company shall be established in accordance with the Finance Guarantee Regulations to operate guarantee businesses. Without the approval of the regulatory authorities, automobile dealers and automobile retail service providers are prohibited from engaging in automobile consumption loan guarantee business and their existing relevant business shall be properly settled.

On 27 May 2022, the Standing Committee of the Fujian Provincial People's Congress published the Regulations of Fujian Province on Local Financial Supervision and Administration (《福建省地方金融監督管理條例》) (the "**Fujian Financial Supervision Regulations**"). According to the Fujian Financial Supervision Regulations, when providing financial products or services, local financial organisations shall timely, truly, accurately, and comprehensively disclose the information on operations, products and services, adequately prompt risks, and shall not make false or misleading publicity.

LAWS AND REGULATIONS ON VALUE-ADDED TELECOMMUNICATION SERVICES

Pursuant to the Telecommunications Regulations of the PRC(《中華人民共和國電信條例》)(the "**Telecom Regulations**") promulgated by the State Council on 25 September 2000 with last amended on 6 February 2016 and the Catalogue of Telecommunications Business(《電信業務分類目錄》) attached to the Telecom Regulations, and promulgated by the Ministry of Industry and Information Technology of the PRC last amended on 6 June 2019 with immediate effect, telecommunications services are categorised as (i) basic or (ii) value-added, and "online data processing and transaction processing services" business and "information service" business are regarded as value-added telecommunication services business. Online data processing and transaction processing services which the provision of such would require to obtain the EDI Licence mainly refer to the usage of the data and transaction application platforms connected to public communication networks or the Internet for the provision of online data processing and transaction processing. Information service business refers to the business of providing information services to users through the Internet, including but not limited to information collection, information development, information protection and processing, information release and delivery, information exchange, information search and query, and the construction of information platforms. 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), which further regulated activities of Internet information services, Internet information services are divided into two types, namely, (i) profitable Internet information services; and (ii) non-profitable Internet information services. Further, profitable Internet information services refer to the provision of Internet information services with charge of payment. Service providers of profitable Internet information services shall apply for a value-added telecommunication services operating permit for Internet information services (the "**ICP Licence**").

Further, pursuant to the Administrative Measures on Telecommunications Business Permits (《電信業務經營許可管理辦法》), which became effective on 1 September 2017, enterprises that undertake telecommunications business involved in EDI Licence and ICP Licence without authorisation or beyond the approved scope shall be punished pursuant to the provisions of the Telecom Regulations; where the case is serious and the enterprise is ordered to suspend operation and make correction, the enterprise shall be included directly in the list of dishonest telecommunications business operators.

Pursuant to the Circular of Ministry of Industry and Information Technology concerning Lifting Restrictions on the Proportion of Foreign Equity in On-line Data Processing and Transaction Processing Business (for-profit E-commerce) (《工業和信息化部關於放開在線數據處理與交易處理業務(經營類電子商務)外資股比限制的通告》) (the "**Circular 196**"), which were promulgated on 19 June 2015 with immediate effect, the limitation on the proportion of foreign equity in on-line data processing and transaction processing business (for-profit E-commerce) throughout the country were released and could be up to 100%.

The Regulations for the Administration of Mobile Internet Application Information Services 2022 (《移動互聯網應用程序信息服務管理規定(2022)》), which were promulgated on 14 June 2022 and became effective on 1 August 2022, sets out the responsibilities of information security management of an internet application programme provider, including verification of real identities with the registered users through mobile phone numbers, establishment and improvement of the mechanism for user information security protection, and the verification and management mechanism for the information content, protection and safeguard of users' information rights and options during installation or use, respect and so on.

LAWS AND REGULATIONS ON AUTO INSURANCE

According to the Law of the PRC on Road Traffic Safety (《道路交通安全法》) (the "**Traffic Law**") promulgated on 28 October 2003 and last amended on 29 April 2021, traffic accident insurance must be purchased for each vehicle. Pursuant to relevant provisions of the Regulation on Compulsory Auto Liability Insurance (《機動車交通事故責任強制保險條例》) promulgated by the State Council on 21 March 2006 and last amended on 2 March 2019, the owner or manager of a motor vehicle operating on the roads within the PRC must apply for the compulsory traffic accident liability insurance for motor vehicles in accordance with the provisions of the Traffic Law, and the insurance company must make indemnity payments within liability limit to all victims, other than persons in the insured vehicle, for their death, personal injury or property losses suffered in a road traffic accident involving the insured motor vehicle.

LAWS AND REGULATIONS ON TORT LIABILITY

Laws and Regulations on Tort Liability of Traffic Accident

Pursuant to the Civil Code of the PRC (《中華人民共和國民法典》) (the "**Civil Code**") promulgated on 28 May 2020 and became effective on 1 January 2021, when the owner or manager is not the user of a motor vehicle under leasing or lending circumstances and the motor vehicle party is liable for the occurrence of a traffic accident, the user of the motor vehicle shall bear compensation liability; if the owner or manager of the motor vehicle is at fault for the occurrence of damages, the owner or manager shall bear the corresponding compensation liability.

The Tort Law of the PRC (《中華人民共和國侵權責任法》) (the "**Tort Law**") was promulgated on 26 December 2009 and became effective on 1 July 2010. Before being repealed by the Civil Code on 1 January 2021, the Tort Law regulated the bearing of tort liability in traffic accidents.

According to the Traffic Law, where motor vehicles are involved in traffic accidents which cause personal injury or death or any property losses, the insurance company shall make compensation within the limit of the compulsory third party liability insurance for motor vehicles; the part not covered by such insurance shall be compensated according to the following provisions: (1) where a traffic accident occurs between two motor vehicles, the party in fault shall bear the liability; and where both parties are in fault, the liability shall be shared on the basis of the proportion of each party's fault; and (2) where a traffic accident occurs between the driver of a motor vehicle and the driver of a non-motor vehicle or a pedestrian, the driver of the motor vehicle shall bear the liability for compensation if the driver of the non-motor vehicle or the pedestrian is not in fault; if there is evidence which proves that the driver of the non-motor vehicle or the pedestrian is in fault, the liability for compensation to be borne by the motor vehicle driver shall be appropriately lightened on the basis of the degree of the fault; if the driver of the motor vehicle is not in fault, the liability for compensation to be borne by him shall not exceed 10%. Where the losses in a traffic accident are caused by the driver of a non-motor vehicle or a pedestrian who deliberately runs into a motor vehicle, the driver of the motor vehicle shall not bear any liability for compensation.

According to the Interpretation of the Supreme People's Court on Several Issues Concerning the Application of Law in the Hearing of Cases Involving Compensation for Damages in Road Traffic Accidents (《最高人民法院關於審理道路交通事故損害賠償案件適用法律若干問題的解釋》), which became effective on 21 December 2012 and last amended on 1 January 2021, the vehicle owner will be determined as having fault if (i) the owner knows or should know that the vehicle has a defect which constitutes one of the causes for the traffic accident, (ii) knows or should know that the driver of the vehicle does not meet the driving requirements or has not acquired corresponding driving qualifications; (iii) knows or should know that the driver cannot drive the vehicle due to drinking, taking psychoactive or narcotic drug, or having any disease that obstructs safe driving of the vehicle; or (iv) has any other fault for the traffic accident.

Laws on Tort Liability of Personal Information

PRC governmental authorities have enacted laws and regulations on internet use to protect personal information from any unauthorised disclosure. On 28 December 2012, the SCNPC promulgated the Decision on Strengthening Network Information Protection (《關於加強網絡信息保護的決定》) to enhance the legal protection of information security and privacy on the internet. On 16 July 2013, the Ministry of Industry and Information Technology of the PRC promulgated the Provisions on Protection of Personal Information of Telecommunication and Internet Users (《電信和互聯網用戶個人信息保護規定》) to regulate the collection and use of users' personal information in the provision of telecommunication services and internet information services in the PRC. Telecommunication business operators and internet service providers are required to establish its own rules for collecting and use of users' information and cannot collect or use users' information without users' consent. Telecommunication business operators and internet service providers are prohibited from disclosing, tampering with, damaging, selling or illegally providing others with, collected personal information.

On 7 November 2016, the Standing Committee of the National People's Congress ("**SCNPC**") published Cyber Security Law of the PRC (《中華人民共和國網絡安全法》), which took effect on 1 June 2017 and requires network operators to perform certain functions related to cyber security protection and the strengthening of network information management. For instance, under the Cyber Security Law, network operators of key information infrastructure shall store within the territory of the PRC all the personal information and important data collected and produced within the territory of PRC and their purchase of network products and services that may affect national securities shall be subject to national cybersecurity review. Further, according to the Administrative Provisions on Security Vulnerabilities of Cyber Products (《網絡產品安全漏洞管理規定》) promulgated on 12 July 2021 and became effective on 1 September 2021, which were enacted in accordance with Cyber Security Law of the PRC, Cyber product providers, network operators and platforms for collection of cyber product security vulnerabilities shall establish a sound unimpeded channel for receiving information on security vulnerabilities of cyber products and ensure that security vulnerabilities of their products are timely repaired.

On 10 June 2021, the Standing Committee of the NPC published the Data Security Law of the PRC (《中華人民共和國數據安全法》) (the "**Data Security Law**") which became effective on 1 September 2021. According to the Data Security Law, any organisation or individual shall collect data by lawful and proper means and shall not acquire data by theft or other illegal means.

The Personal Information Protection Law of the People's Republic of China (《中華人民共和國個人信息保護法》) (the "**Personal Information Protection Law**") was promulgated by the Standing Committee of the National People's Congress on 20 August 2021 and became effective on 1 November 2021. Pursuant to the Personal Information Protection Law, the processing of personal information requires the consent of the individual concerned. In particular, "whereabouts and tracks" is a typical type of sensitive personal information, which is subject to the individual's separate consent to be processed. The Personal Information Protection Law also clarifies that the personal information processor shall formulate internal management systems and operating procedures, implement category-based management of personal information, take corresponding technical security measures such as encryption and de-identification, reasonably determine the authority to process personal information and conduct security education and training for relevant employees on a regular basis, and formulate and organise the implementation of emergency plans for personal information security incidents to ensure the compliance of personal information processing activities with relevant laws and prevent unauthorised access and divulgence, falsification and loss of personal information.

On 16 August 2021, CAC, NDRC, Ministry of Industry and Information Technology, Ministry of Public Security and MOT jointly promulgated Several Provisions on Automotive Data Security Management (for Trial Implementation) (《汽車數據安全管理若干規定(試行)》) which were effective on 1 October 2021. The Automotive Data Security Management Provisions expressly define "automotive data", "the processing of automotive data", "automotive data processors", "personal information", "sensitive personal information" and "important data". According to the Automotive Data Security Management Provisions, the automotive data processor shall obtain the consent of the individuals to process personal information.

On 30 July 2021, the State Council promulgated Security Protection Regulations for Critical Information Infrastructure (the "**Security Protection Regulations**") (《關鍵信息基礎設施安全保護條例》) which took effect on 1 September 2021. Pursuant to Security Protection Regulations, critical information infrastructure refers to the important network facilities and information systems in important industries and fields such as public telecommunications, information services, energy, transportation, water conservancy, finance, public services, e-government and national defense science, technology and industry, as well as other important network facilities and information systems which, in case of destruction, loss of function or leak of data, may result in serious damage to national security, the national economy and the people's livelihood and public interests. No individual or organisation may illegally invade, interfere with or destroy the critical information infrastructure, or endanger the security of the critical information infrastructure.

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 one million. Our 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**"). 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 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, the Draft Data Security Regulations mainly stipulate that the data processor shall establish relevant security mechanisms to protect data and apply for a cybersecurity review when applying for a public listing. The Draft Data Security Regulations do not impose restrictions on a company's daily operation and therefore, will not have any material adverse impact on our Group's business operations.

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 in the future, 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; (ii) the Cybersecurity Regulations would not have any material adverse impact on our business operations; 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 and the Sole Sponsor concur with the aforesaid view of our PRC Legal Advisers.

LAWS AND REGULATIONS ON FOREIGN EXCHANGE

The Foreign Exchange Control Regulations of the PRC (《中華人民共和國外匯管理條例》) (the "**Foreign Exchange Regulations**"), promulgated by the State Council on 1 April 1996 and last amended on 5 August 2008, are applicable to all activities related to the foreign exchange receipts and disbursements and transactions of domestic corporations and individuals and to the said activities of overseas corporations and individuals within the territory of the PRC. The Foreign Exchange Regulations stipulate that all international disbursement and transfer of funds are classified under current account and capital account. Approval from SAFE is not required for most current account transactions, but is required for capital account-transactions.

SAFE Circular 59

According to the Circular of SAFE on Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment (《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》) (the "**SAFE Circular 59**"), promulgated on 19 November 2012 and last amended and became effective on 30 December 2019, the opening of various special purpose foreign exchange accounts (e.g. pre-investment expenses account, foreign exchange capital account, asset realisation account, guarantee account) no longer requires the approval of SAFE. Furthermore, multiple capital accounts for the same entity may be opened in different provinces, which was not possible before the issuance of SAFE Circular 59. Reinvestment of lawful incomes derived by foreign investors in the PRC (e.g. profit, proceeds of equity transfer, capital reduction, liquidation and early repatriation of investment) no longer requires SAFE's approval or verification, and purchase and remittance of foreign exchange as a result of capital reduction, liquidation, early repatriation or share transfer in a foreign-invested enterprise no longer requires SAFE's approval.

SAFE Circular 13

According to the Circular of SAFE on Further Simplifying and Improving the Direct Investment-related Foreign Administration Policies (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (the "**SAFE Circular 13**"), which became effective on 1 June 2015 and was last amended on 30 December 2019, the foreign exchange registration under domestic direct investment and the foreign exchange registration under overseas direct investment shall be directly reviewed and handled by banks in accordance with the SAFE Circular 13, and the SAFE and its branches shall perform indirect regulation over the foreign exchange registration via banks.

SAFE Circular 19

According to the Circular of SAFE on Reforming the Administrative Approach Regarding the Settlement of the Foreign Exchange Capitals of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) (the "**SAFE Circular 19**"), which became effective on 1 June 2015 and was last amended on 30 December 2019, the system of willingness-based foreign exchange settlement is adopted for the foreign exchange capital of foreign-invested enterprises which refers to that the foreign exchange capital, for which the monetary contribution has been confirmed by the foreign exchange authorities (or for which the monetary contribution has been registered for account entry) in the capital account of a foreign-invested enterprise may be settled at a bank as required by the enterprise's actual management needs. The proportion of willingness-based foreign exchange settlement of capital for a foreign-invested enterprise is temporarily set at 100%. The RMB funds obtained by a foreign-invested enterprise from its willingness-based exchange settlement of capital shall be included in a foreign exchange settlement account for pending payment and shall be used within the approved business scope of the foreign-invested enterprise. The foreign-invested enterprise still needs to provide the supporting documents and go through the review process with the banks when further payment is made from such account. In particular, under the SAFE Circular 19, domestic equity investments from the exchange settlement funds are allowed after performing relevant procedures.

SAFE Circular 16

The Notice of SAFE on Policies for Reforming and Regulating the Control over Foreign Exchange Settlement under the Capital Account (《國家外匯管理局關於改革和規範資本專案結匯管理政策的通知》) (the "**SAFE Circular 16**"), which became effective since 9 June 2016, implements nationwide the reform of the control mode for foreign exchange settlement of foreign debts of enterprises. According to SAFE Circular 16, domestic enterprises (including Chinese-funded enterprises and foreign-invested enterprises, excluding financial institutions) may complete foreign exchange settlement formalities for their foreign debts at their discretion and the foreign exchange receipts under the capital account of a domestic institution shall be used within the business scope of the domestic institution and under the principles of authenticity and for itself.

Regulations on Stock Incentive Plans

In February 2012, SAFE promulgated the Notice on Foreign Exchange Administration of PRC Residents Participating in Share Incentive Plans of Offshore Listed Companies (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》) (the "**Stock Option Rules**"), replacing the previous rules issued by SAFE in March 2007. Under the Stock Option Rules and other relevant rules and regulations, PRC residents who participate in a stock incentive plan in an overseas publicly-listed company are required to register with SAFE or its local branches and complete certain other procedures. Participants of a stock incentive plan who are PRC residents must retain a qualified PRC agent, which could be a PRC subsidiary of the overseas publicly-listed company or another qualified institution selected by the PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plan on behalf of its participants. The participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes. The PRC agents must, on behalf of the PRC residents who have the right to exercise the employee share options, apply to SAFE or its local branches for an annual quota for the payment of foreign currencies in connection with the PRC residents' exercise of the employee share options. The foreign exchange proceeds received by the PRC residents from the sale of shares under the stock incentive plans granted and dividends distributed by the overseas listed companies must be remitted into the bank accounts in the PRC opened by the PRC agents before distribution to such PRC residents. In addition, SAFE Circular 37 provides that PRC residents who participate in a share incentive plan of an overseas unlisted special purpose company may register with SAFE or its local branches before exercising rights.

LAWS AND REGULATIONS ON OVERSEAS INVESTMENT

The Circular of the SAFE on Issues Concerning Foreign Exchange Administration Over the Overseas Investment and Financing and Round-Trip Investment by Domestic Residents via Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the "**SAFE Circular 37**") promulgated by SAFE on 4 July 2014 with immediate effect requires PRC residents or entities to register with SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. In addition, such PRC residents or entities must update their SAFE registrations when the offshore special purpose vehicle undergoes material events relating to any change of basic information (including change of such PRC citizens or residents, name and operation term), increases or decreases in investment amount, transfers or exchanges of shares, or mergers or divisions.

The SAFE Circular 37 was issued to replace the Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents Engaging in Financing and Roundtrip Investments via Overseas Special Purpose Vehicles (《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) issued by SAFE on 21 October 2005. SAFE further enacted the Circular 13, which allows PRC residents or entities to register with qualified banks with respect to their establishment or control of an offshore entity established for the purpose of overseas investment or financing. However, remedial registration applications made by PRC residents that previously failed to comply with the SAFE Circular 37 continue to fall under the jurisdiction of the relevant local branch of SAFE. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfil the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be prohibited from distributing profits to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiary. Moreover, failure to comply with the various SAFE registration requirements described above could result in liability under PRC laws for evasion of foreign exchange controls.

Pursuant to the Administrative Measures for the Outbound Investment of Enterprises (《企業境外投資管理辦法》), which were promulgated by NDRC on 26 December 2017 and became effective on 1 March 2018, the State adopts approval administration and filing administration for overseas investment projects respectively according to different circumstances. An overseas investment project that involves any sensitive country or region or any sensitive industry is to be approved by NDRC. Under the circumstances, with regard to an overseas investment project with Chinese party's investment amount of not less than USD300 million, NDRC is in charge of the record-filing.

Pursuant to the Measures on the Administration of Overseas Investment (《境外投資管理辦法》), promulgated by MOFCOM on 6 September 2014 and became effective on 6 October 2014, overseas investments refer to possessing of non-financial enterprises abroad or acquisition of the ownership of, control over, business management right of, or other rights and interests of existing overseas non-financial enterprises by enterprises established in the PRC through newly establishment or mergers and acquisitions or other methods. Other than the overseas investments involving sensitive countries, regions or sensitive industries which are subject to approval, all other overseas investments are subject to filing administration.

LAWS AND REGULATIONS ON ESG-RELATED MATTERS

Laws and Regulations on Labour Protection

According to the Labour Law of the PRC (《中華人民共和國勞動法》) promulgated on 5 July 1994 with effect from 1 January 1995 and revised on 27 August 2009 and 29 December 2018, and the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》) (the "**Labour Contract Law**") promulgated on 29 June 2007 and amended on 28 December 2012 with effect from 1 July 2013, if an employment relationship is established between an enterprise and its employees, written labour contracts shall be executed between them. The relevant laws stipulate the maximum number of working hours per day and per week, respectively. The relevant laws also set out the minimum wage. The enterprises shall establish and develop systems for occupational safety and sanitation, implement the rules and standards of the PRC government on occupational safety and sanitation, educate employees on occupational safety and sanitation, prevent accidents at work and reduce occupational hazards.

Pursuant to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) (the "**Social Insurance Law**"), which became effective on 1 July 2011 and amended on 29 December 2018, all employees are required to participate in basic pension insurance, basic medical insurance schemes and unemployment insurance, which must be contributed by both the employers and the employees. All employees are required to participate in work-related injury insurance and maternity insurance schemes, which must be contributed by the employers. Employers are required to complete registrations with local social insurance authorities. Moreover, the employers must timely make all social insurance contributions. Except for mandatory exceptions such as force majeure, social insurance premiums may not be paid late, reduced or be exempted. Where an employer fails to make social insurance contributions in full and on time, the social insurance contribution collection agencies shall order it to make all or outstanding contributions within a specified period and impose a late payment fee at the rate of 0.05% per day from the date on which the contribution becomes due. If such employer fails to make the overdue contributions within such time limit, the relevant administrative department may impose a fine equivalent to one to three times of the overdue amount.

According to the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》), which were promulgated and became effective on 3 April 1999, and were last amended on 24 March 2019, housing provident fund contributions by an individual employee and housing provident fund contributions by his or her employer shall belong to the individual employee. The employer shall timely pay up and deposit housing provident fund contributions in full amount and late or insufficient payments shall be prohibited. The employer shall process housing provident fund payment and deposit registrations with the housing provident fund administration centre. With respect to companies who violate the above regulations and fail to process housing provident fund payment and deposit registrations or open housing provident fund accounts for their employees, such companies shall be ordered by the housing provident fund administration centre to complete such procedures within a designated period. Those who fail to process their registrations within the designated period shall be subject to a fine ranging from

RMB10,000 to RMB50,000. When companies breach the regulations and fail to pay up housing provident fund contributions in full amount as due, the housing provident fund administration centre shall order such companies to pay up within a designated period, and may further apply to the People's Court for mandatory enforcement against those who still fail to comply after the expiry of such period.

Laws and Regulations on Environmental Protection

Pursuant to the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), which was promulgated by Standing Committee of the National People's Congress on 24 April 2014 and became effective on 1 January 2015, enterprises, institutions and other manufacturing operators shall prevent and reduce environmental pollution and ecological damage, and shall be liable for damages caused by them pursuant to the law.

Laws and Regulations on Market Order Protection

Pursuant to the 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》), which was promulgated by Standing Committee of the National People's Congress on 25 October 2013 and became effective on 15 March 2014, Business operators engaging in provision of goods or services to consumers shall not set unfair and unreasonable trading conditions and shall not compel transactions. If business operators need collect and use personal information of consumers, they shall adhere to the principles of legitimacy, bona fide and necessity, state expressly the purpose, method and scope of collection and use of information, and shall obtain the consent of consumers.

According to 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》), which was promulgated by Standing Committee of the National People's Congress on 23 April 2019 and became effective simultaneously, business operators shall not commit certain acts to mislead others to misidentify their goods as others' goods or to associate their goods with others. If business operators make use of cyber network for their production and business activities, they shall not make use of technical means to commit acts to hinder and disrupt normal operation of the cyber products or services provided legitimately by other business operators.

LAWS AND REGULATIONS ON HOUSE LEASING REGISTRATION

Pursuant to the Administrative Measures for Commodity House Leasing (《商品房屋租賃管理辦法》), which were promulgated by Ministry of Housing and Urban-Rural Development of the PRC on 1 December 2010 and became effective on 1 February 2011, a lease shall be filed with the local construction (real estate) administrative department, and fines ranging from RMB1,000 to RMB10,000 for each unregistered leasing property may be imposed by the local construction (real estate) administrative department for such violation.

According to the Civil Code, if the parties to a lease contract fail to go through the formalities of registration of such contract in accordance with the provisions of laws and administrative regulations, the effectiveness of the contract shall not be affected.

LAWS AND REGULATIONS ON INTELLECTUAL PROPERTY PROTECTION

Trademarks

According to the Trademark Law of PRC (《中華人民共和國商標法》) last amended and newly effective on 1 November 2019 and its Implementation Regulations (《中華人民共和國商標法實施條例》) promulgated on 29 April 2014 and with effect from 1 May 2014, registered trademarks are those that have been approved and registered by the Trademark Office, including commodity trademarks, service trademarks, collective marks and certification marks. Trademark registrants shall be entitled to the right to exclusive use of their trademarks and shall be protected by law. The period of validity of a registered trademark shall be 10 years from the day the registration is approved. If a registrant needs to continue to use the registered trademark after the period of validity expires, an application for renewal of registration shall be made within 12 months before the expiration. If the registrant fails to make such an application within that period, an extension period of six months may be granted. The period of validity for each renewal of registration shall be 10 years after expiry of the previous valid term.

Patents

According to the Patent Law of the PRC (《中華人民共和國專利法》) promulgated on 12 March 1984 and last amended on 17 October 2020 and with effect from 1 June 2021 and its Implementation Rules (《中華人民共和國專利法實施細則》) promulgated 19 January 1985 and last amended on 9 January 2010 and with effect from 1 February 2010, the State provides patent protection to three categories of patents, namely invention, utility model and design. An invention or utility model for which a patent is to be granted shall be novel, inventive and practically applicable. Any design for which a patent is to be granted shall not be attributed to the existing design, and no entity or individual has, before the date of application, filed an application with the patent administrative department of the State Council on the identical design and recorded it in the patent documents published after the date of application. The duration of patent rights shall be twenty years for an invention, ten years for a utility model and fifteen years for a design, all from the date of application.

Copyrights

In order to further protect the computer software, the Computer Software Protection Regulations (《計算機軟件保護條例》) promulgated by the State Council on 20 December 2001 and last amended on 30 January 2013 provides that the software copyright holder is entitled to the right of publication, acknowledgement, alteration, reproduction, distribution, leasing, dissemination through information networks, translation, etc. In addition, the State Copyright Bureau issued the Computer Software Copyright Registration Procedures (《計算機軟件著作權登記辦法》) on 20 February 2002, which applies to software copyright registration, license contract registration and transfer contract registration.

Domain Names

Internet domain name registration and related matters are primarily regulated by the Measures on Administration of Internet Domain Names (《互聯網域名管理辦法》) promulgated by the Ministry of Industry and Information Technology on 24 August 2017 and with effect from 1 November 2017, and the Announcement on Promulgation and Implementation of a Series of Provisions of the Implementing Rules for the Registration of National Top-level Domain Names (《關於發佈並實施〈國家頂級域名註冊實施細則〉系列規定的公告》) promulgated by the China Internet Network Information Center on 18 June 2019 with immediate effect. Domain name registrations are handled through domain name service agencies established under the relevant regulations, and the applicants become domain name holders upon successful registration.

LAWS AND REGULATIONS ON TAXATION

Enterprise Income Tax

Pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the "**EIT Law**") which became effective on 1 January 2008, last amended and with effect on 29 December 2018 and the Implementation Rules of the Law of the PRC (《中華人民共和國企業所得稅法實施條例》), which became effective on 1 January 2008 and last amended and with effect on 23 April 2019, non-resident enterprises which have establishments or premises of business in the PRC are subject to Enterprise Income Tax on their income sourced from China by such establishments or premises of business in China and on their income sourced from outside the PRC which is effectively connected with such establishments or premises of business. Non-resident enterprises, which do not have establishments or premises of business in the PRC, or which have establishments or premises of business in the PRC but relevant income is not effectively connected with such establishments or premises of business, are subject to enterprise income tax on their income sourced from the PRC. The tax rate for enterprise income tax is 25% under the EIT Law. For a non-resident enterprise having no office or establishment inside the PRC, or for a non-resident enterprise whose incomes have no actual connection to its institution or establishment inside the PRC, it shall pay enterprise income tax on the incomes derived from the PRC at a reduced tax rate of 10%. Pursuant to the Notice of MOF and STA on the Preferential Corporate Income Tax Policy and Catalogues for Hengqin New Area of Guangdong Province, Pingtan Comprehensive Experimental Area of Fujian Province and Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone (《財政部、國家稅務總局關於廣東橫琴新區福建平潭綜合實驗區深圳前海深港現代服務業合作區企業所得稅優惠政策及優惠目錄的通知》) promulgated on 25 March 2014 and with effect on 1 January 2014, the enterprises that engage in encouraged industries in Hengqin New Area of Guangdong Province, Pingtan Comprehensive Experimental Area of Fujian Province and Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone are eligible for corporate income tax at a reduced rate of 15%, which were valid until 31 December 2020. The aforesaid enterprises that engage in encouraged industries refer to the enterprises whose primary businesses are any of the industrial projects listed in the Preferential Corporate Income Tax Catalogue (《企業所得稅優惠目錄》), and whose revenue from the primary businesses accounts for more than 70% of their total revenue. On 27 May 2021, MOF and

STA jointly promulgated the Notice on the Continued Preferential Corporate Income Tax Policy for Pingtan Comprehensive Experimental Area of Fujian Province (《關於延續福建平潭綜合實驗區企業所得稅優惠政策的通知》) which became effective on 1 January 2021 and until 31 December 2025. The enterprises whose primary businesses are any of the industrial projects listed in the Preferential Corporate Income Tax Catalogue for Pingtan Comprehensive Experimental Area (2021) (《平潭綜合實驗區企業所得稅優惠目錄(2021版)》), and whose revenue from the primary businesses accounts for more than 60% of their total revenue are eligible for corporate income tax at a reduced rate of 15%.

Pursuant to the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Tax on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the "**Double Tax Avoidance Arrangement**") promulgated on 21 August 2006 with immediate effect, and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent tax authority in the PRC to have satisfied the relevant conditions and requirements under such Double Tax Avoidance Arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5% upon receiving approval from in-charge tax authority. However, based on the Notice on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties (《關於執行稅收協定股息條款有關問題的通知》) (the "**Notice 81**") issued on 20 February 2009 by State Taxation Administration (國家稅務總局, "**STA**"), if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment.

Pursuant to the Public Announcement of the STA on Several Issues Relating to Enterprise Income Tax on Transfer of Assets between Non-resident Enterprises (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) (the "**Circular 7**") promulgated by STA on 3 February 2015 and last amended on 29 December 2017 with immediate effect, and the Public Announcement of the STA on Issues Relating to Withholding at Source of Income Tax of Non-resident Enterprises (《關於非居民企業所得稅源泉扣繳有關問題的公告》) (the "**STA Circular 37**") promulgated by STA on 17 October 2017 and amended on 15 June 2018 with immediate effect, if the non-resident enterprises indirectly transfer the assets such as the equity interest of PRC resident enterprises through the implementation of arrangements without reasonable commercial purposes evading EIT liability, such transfer shall be deemed as the direct transfer of assets such as the equity interest of PRC resident enterprises according to the Article 47 of the EIT Law (the "**PRC Taxable Assets**").

Circular 7 provides two exemptions: (i) where a non-resident enterprise derives income from the indirect transfer of PRC Taxable assets by acquiring and selling equity interests of the same listed overseas company on a public market; and (ii) where the non-resident enterprise had directly held and transferred such PRC Taxable assets, the income from the transfer of such PRC Taxable assets would have been exempted from enterprise income tax in the PRC under an applicable tax treaty or arrangement. Therefore, a Shareholder buying and selling our Shares on a public market after the **[REDACTED]** is unlikely to be considered to indirectly transfer equity interest or other assets in any of our PRC subsidiaries held by our Company.

It is also stated in Circular 7 that an indirect transfer of PRC Taxable Assets shall be deemed to have reasonable commercial purpose if it meets all of the following conditions: (i) parties to the indirect transfer have one of the following equity-holding relationships: (a) the transferor, directly or indirectly, holds over 80% of the equity interest in the transferee; (b) the transferee, directly or indirectly, holds over 80% of the equity interest in the transferor; or (c) over 80% of the equity interest in each of the transferee and the transferor is held, directly or indirectly, by the same party. To the extent that the offshore company derives directly or indirectly more than 50% of its value from real estate in the PRC, the equity-holding threshold shall be 100%; for the aforesaid indirect shareholding, the equity interest shall be calculated by multiplying the equity-holding percentage at each level; (ii) the indirect transfer does not result in a reduction in the PRC income tax payable on the proceeds from a potential subsequent indirect transfer of the same PRC Taxable Properties; and (iii) the transferee pays the consideration for the indirect transfer solely in the form of its shares or the shares of entities of which the transferee is a controlling shareholder (excluding shares of publicly listed companies).

Value-added Tax

Pursuant to the Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》) which became effective on 1 January 2009 and last amended on 19 November 2017 and the Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例實施細則》) which was promulgated by MOF on 25 December 1993 and last amended on 28 October 2011, all enterprises and individuals engaging in sale of goods, the provision of labour services of processing, repair and maintenance, sale of services, intangible assets and real estate and importation of goods within the territory of the PRC shall be the taxpayers of value-added tax (the "**VAT**"), and shall pay the VAT pursuant to these Regulations. Generally the tax rate for taxpayers engaging in sale of goods, labour services, lease of tangible movables or importation of goods shall be 17%, and the tax rate engaging in sale of services and intangible assets may be 6% pursuant to these Regulations.

According to the Notice of MOF and STA on Adjusting Value-added Tax Rates (《財政部、國家稅務總局關於調整增值稅稅率的通知》) (the "**Notice on VAT**"), which became effective on 1 May 2018, for taxpayers who have the VAT taxable sales activities or imported goods, the previous applicable value-added tax rates of 17% are adjusted to be 16%.

According to the Announcement on Relevant Policies for Deepening Value-Added Tax Reform (《關於深化增值稅改革有關政策的公告》) (the "**Announcement on VAT**"), promulgated by MOFCOM, STA and General Administration of Customs on 20 March 2019 and became effective on 1 April 2019, with respect to the VAT taxable sales or imported goods of a VAT general taxpayer, where the VAT rate of 16% applies before, it shall be adjusted to 13% and where the VAT rate of 10% applies before, it shall be adjusted to 9%.

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

The Group's automobile-related services contain automobile operating lease and other automobile-related services. For automobile operating lease, the VAT rate was the same as the automobile direct leases provided by the Group during the Track Record Period. For other automobile-related services, the VAT rate was 16% from the beginning of the Track Record Period until 31 March 2019, and then reduced to 13% according to the Announcement on VAT.

According to the Notice of STA on Levying Turnover Tax on Finance Lease Business (《國家稅務總局關於融資租賃業務徵收流轉稅問題的通知》), with effect from 7 July 2000, for financial lease business operated by entities approved by PBOC, regardless of whether the ownership of the leased goods is transferred to the lessee, the business tax shall be levied according to the relevant provisions of the Provisional Regulations on Business Tax of the PRC, and no VAT shall be levied. the VAT shall be levied on other financial leasing only when the ownership of the leased goods is transferred to the lessee. Otherwise, the business tax shall be levied. The Supplemental Notice of the State Administration of Taxation on the Collection of Turnover Tax on Finance Lease Business (《國家稅務總局關於融資租賃業務徵收流轉稅問題的補充通知》), which was promulgated and became effective on 15 November 2000, provides that the Notice of STA on Levying Turnover Tax on Finance Lease Business shall be applicable to foreign-invested enterprises and foreign enterprises operating the finance lease business approved by the Ministry of Foreign Trade and Economic Cooperation.

According to the Notice Concerning on the Taxation Issues of Selling Assets in Sale-Leaseback Financial Business of the State Administration of Taxation (《國家稅務總局關於融資性售後回租業務中承租方出售資產行為有關稅收問題的公告》), which was promulgated on 8 September 2010 and became effective on 1 October 2010, the sale of assets by a lessee in sale-leaseback financing does not fall within the levying scope of VAT and business tax and shall not be subject to VAT or business tax. Besides, the income from the sale of assets by the lessee in sale-leaseback financing shall not be recognised as sales income, and the depreciation of assets in financial leasing shall still be computed according to the original book value of the assets before sale as the tax base. The amount paid by the lessee as interest on financing during the lease term shall be deducted before tax as the enterprise's financial expenses.

For the Group's automobile direct finance lease business, the VAT rate was 16% according to the Notice on VAT until 31 March 2019, and was reduced to 13% according to the Announcement on VAT. For the Group's automobile sale-leaseback business, the VAT rate was 6% according to the Circular 36 during the Track Record Period.

Dividend Tax

The EIT Law provides that since 1 January 2008, an income tax rate of 10% will normally be applicable to dividends declared to foreign resident investors who do not have an establishment or place of business in mainland China, or who have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends are sourced in mainland China.

Pursuant to the Double Tax Avoidance Arrangement, and other relevant applicable PRC laws, the PRC government may impose tax on dividends payable by a PRC company to a Hong Kong resident, but such tax amount shall not exceed 10% of the gross amount of dividends payable, and in the case where a Hong Kong resident holds at least 25% equity interest in a PRC company, such tax amount shall not exceed 5% of the gross amount of dividends payable by the PRC company after an application is made to and approved by the PRC taxation authority. However, based on the Notice on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties (《關於執行稅收協定股息條款有關問題的通知》) issued on 20 February 2009 by STA, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment. The Announcement of STA on Issues "Beneficial Owner" in Tax Treaties (《國家稅務總局關於稅收協定中「受益所有人」有關問題的公告》) was issued by STA on 3 February 2018, effective on 1 April 2018, abolished the Notice of STA on Interpretation and Determination of "Beneficial Owners" in Tax Agreements (《國家稅務總局關於如何理解和認定稅收協定中「受益所有人」的通知》), which was issued on 27 October 2009 by STA, and the Announcement on the Recognition of Beneficial Owners in Tax Treaties (《關於認定稅收協定中「受益所有人」的公告》), which was issued on 29 June 2012 by STA, describes factors in favor of and factors not conducive to the determination of an applicant's status as a "beneficial owner". Applicants that are not recognised as beneficial owners will not be entitled to the above-mentioned reduced income tax rate of 5% under the Double Tax Avoidance Arrangement.

Pursuant to the Announcement of State Taxation Administration on Promulgation of the Administrative Measures on Non-resident Taxpayers Enjoying Treaty Benefits (《國家稅務總局關於發佈《非居民納稅人享受協定待遇管理辦法》的公告》), which was promulgated on 14 October 2019 and came into effect on 1 January 2020, non-resident taxpayers which satisfy the criteria for entitlement to tax treaty benefits may, at the time of tax declaration or withholding declaration through a withholding agent, enjoy the tax treaty benefits, and are subject to follow-up administration by the tax authorities.

Vehicle Purchase Tax

Vehicle Purchase Tax and related matters are primarily regulated by the Vehicle Purchase Tax Law of the PRC (《中華人民共和國車輛購置稅法》) (the "**Vehicle Purchase Tax Law**") promulgated on 29 December 2018, with effect from 1 July 2019. According to the Vehicle Purchase Tax Law, the vehicle purchase tax shall be collected as a one-off tax, and the tax rate for vehicle purchase tax is 10%.

Before the Vehicle Purchase Tax Law came into effect, MOF and State Taxation Administration jointly promulgated the Notice on the Reduction of Vehicle Purchase Tax for Passenger Vehicles up to 1.6 litres (《關於減徵1.6升及以下排量乘用車車輛購置稅的通知》) (the "**Notice on the Reduction of Vehicle Purchase Tax**") on 13 December 2016 and with effect from 1 January 2017, which was repealed on 23 January 2020 eventually with the implementation of the Vehicle Purchase Tax Law. Pursuant to the Notice on the Reduction of Vehicle Purchase Tax, the vehicle purchase tax was levied at a 10 percent rate from 1 January 2018 and onwards.

On 28 June 2019, MOF and STA jointly issued the Announcement on the Continued Implementation of Preferential Policies for Vehicle Purchase Tax (《關於繼續執行的車輛購置稅優惠政策的公告》) (the "**Announcement**") which came into effect on 1 July 2019. According to the Announcement, the vehicle purchase tax shall be exempted on the purchase of new energy vehicles from 1 January 2018 to 31 December 2020.

On 16 April 2020, MOF, STA and Ministry of Industry and Information Technology jointly issued the Announcement on Relevant Policies for the Exemption of Vehicle Acquisition Tax on New-energy Automobiles (《關於新能源汽車免徵車輛購置稅有關政策的公告》) (the "**New-energy Automobiles Announcement**") which came into effect on 1 January 2021. According to the New-energy Automobiles Announcement, new-energy automobiles purchased shall be exempt from vehicle acquisition tax between 1 January 2021 and 31 December 2022.

On 31 December 2021, MOF, Ministry of Industry and Information Technology, Ministry of Science and Technology and NDRC jointly issued the Notice on the Fiscal Subsidy Policy for the Promotion and Application of New Energy Vehicles in 2022 (《關於2022年新能源汽車推廣應用財政補貼政策的通知》) (the "**Notice 446**"), which came into effect on 1 January 2022. According to the Notice 446, the policy of new energy vehicle purchase subsidies for 2022 will be terminated on 31 December 2022, and no subsidies will be granted to vehicles licensed after 31 December 2022.

On 31 March 2022, MOF and STA jointly issued the Announcement on Reduction of Vehicle Purchase Tax for Certain Passenger Vehicles (《關於減徵部分乘用車車輛購置稅的公告》) (the "**Reduction Announcement**"), which came into effect on 1 June 2022. According to the Reduction Announcement, the vehicle purchase tax will be halved for passenger vehicles with a displacement up to 2.0 liters with price lower than RMB300,000 per unit, that are purchased between 1 June 2022 and 31 December 2022.

M&A RULES AND OVERSEAS LISTINGS

According to the Rules on the Merger and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the "**Circular 10**") in the PRC, which were issued jointly by six PRC governmental and regulatory agencies including MOFCOM, State Administration of Foreign Exchange ("**SAFE**") and the CSRC on 8 August 2006, effective on 8 September 2006 and further amended on 22 June 2009 by MOFCOM, a foreign investor is required to obtain necessary approvals when it (i) acquires the equity of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (ii) subscribes to the increased capital of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (iii) establishes a foreign-invested enterprise through purchasing the assets of a domestic enterprise and operating these assets; or (iv) purchases the assets of a domestic enterprise, and then invest such assets to establish a foreign-invested enterprise.

On 17 February 2023, CSRC issued the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "**Trial Administrative Measures**") and five items of supporting guidelines, which mainly standardise activities relating to direct or indirect overseas issuance and listings of securities by domestic enterprises and will become effective on 31 March 2023. According to the Trial Administrative Measures, a domestic company that seeks to offer and list securities in overseas markets shall fulfill the filing procedure with the CSRC as per requirement of the Measures, submit relevant materials that contain a filing report and a legal opinion, and provide truthful, accurate and complete information on the shareholders and disclose other required information. Any overseas offering and listing made by an issuer that meets both the following conditions will be determined as indirect:

(1) 50% or more of the issuer's operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements for the most recent accounting year is accounted for by domestic companies; and

(2) the main parts of the issuer's business activities are conducted in the Mainland China, or its main places of business are located in the Mainland China, or the senior managers in charge of its business operation and management are mostly Chinese citizens or domiciled in the Mainland China.

In the meanwhile, it is stipulated that under any of the following circumstances, an overseas listing shall not be allowed: (1) there are circumstances in which national laws, regulations and relevant provisions explicitly prohibit listing and financing; (2) the overseas issuance or listing threatens or endangers national security as reviewed and determined by the relevant competent departments of the State Council in accordance with the law; (3) the domestic enterprise and its controlling shareholder or actual controller have committed corruption, bribery, embezzlement of property, misappropriation of property or disruption of the socialist market economic order in the recent three years; (4) the domestic enterprise is being investigated by judiciary for suspected crimes or are being investigated for major violations of laws and regulations and no definite conclusions have been reached; (5) there are major ownership disputes over equity rights held by the controlling shareholder or the shareholder governed by the controlling shareholder or the actual controller. Under the Trial Administrative Measures, a filing-based regulatory system would be implemented covering both direct and indirect overseas offering and listing. For an initial public offering and listing in an overseas market, the issuer shall submit to CSRC filing documents within three working days after the offering documents is submitted overseas. CSRC would, within 20 working days if filing documents are complete and in compliance with the stipulated requirements, issue a filing notice thereof and publish the filing results on the website of CSRC. If not, CSRC should inform the issuer of supplementary documents within 5 working days after receiving filing documents and the issuer should provide relevant supplementary documents within 30 working days.

According to the Notice on Administrative Arrangements for Filing of Domestic Enterprises' Overseas Issuance and Listing (《關於境內企業境外發行上市備案管理安排的通知》), which was promulgated by CSRC on 17 February 2023 and became effective on 31 March 2023.

Since all of our operating revenue and total assets are accounted for by domestic companies and all of our business are conducted in the Mainland China, we are subject to the Trial Administrative Measures, as advised by our PRC Legal Advisers. We have submitted the filing documents for record as required by the Trial Administrative Measures on 31 March 2023. Up to the date of this Submission, we have not received any reply from CSRC. The PRC legal advisers to the Sole Sponsor and the Sole Sponsor concur with the aforesaid view of our PRC Legal Advisers.

*Certain information and statistics set out in this section and elsewhere in this document are derived from various official government and other publicly available sources, and from the market research report prepared by CIC, an independent industry consultant which was commissioned by us (the "**CIC Report**"). No independent verification has been carried out on the information from official government sources by us, the Sole Sponsor, the **[REDACTED]**, the **[REDACTED]**, the **[REDACTED]** or any other parties (other than CIC) involved in the **[REDACTED]** or their respective directors, officers, employees, advisers, or agents, and no representation is given as to the accuracy. Unless and except for otherwise specified, the market and industry information and data presented in this "Industry Overview" section is derived from the CIC Report.*

SOURCE OF INFORMATION

We commissioned CIC, an independent industry consultant founded in Hong Kong and engaged in the provision of professional consulting services across multiple industries, to conduct an analysis of and to report on the automobile finance market in China. The CIC Report was prepared by CIC independent of our influence. The total fee paid for the preparation of the CIC Report in relation to the **[REDACTED]** since the first **[REDACTED]** application is expected to be RMB1,660,000, which we consider to be in line with market rates.

The information and data collected by CIC have been analysed, assessed, and validated using CIC's in-house analysis models and techniques. Primary research was conducted through interviews with key industry experts and leading industry participants. Secondary research involved the analysis of market data obtained from several publicly available data sources, such as the China Association of Automobile Manufacturers and National Bureau of Statistics of China. The methodology used by CIC is based on the analysis of information gathered from multiple sources and ensuring such information is cross-referenced and corroborated for both reliability and accuracy. The CIC Report contains a variety of market projections which were produced based on the following key assumptions: (i) the overall social, economic and political environment in China is expected to remain stable during the forecast period; (ii) related key industry drivers are likely to propel continued growth in China's retail automobile finance lease market throughout the forecast period, including increases in the popularity of retail automobile finance lease products, an improved legal and regulatory environment, simplified lease application processes, and enhanced risk control systems; (iii) the negative impact caused by the COVID-19 outbreak in 2020 on the industry is expected to be limited, taking into account the impact of the COVID-19 outbreak and market growth from 2021 to 2022 in a conservative manner based on the industry and economic recovery in China; and (iv) there are no extreme force majeure or unforeseen industry regulations which the market may be affected in a dramatic or fundamental way.

Our Directors after taking reasonable care, confirm that to the best of their knowledge, there is no material adverse change in the market information since the date of the relevant data contained in the CIC Report and up to the Latest Practicable Date which may qualify, contradict or have an impact on the information in this section.

OVERVIEW OF THE AUTOMOBILE INDUSTRY IN CHINA

Total Car Parc in China

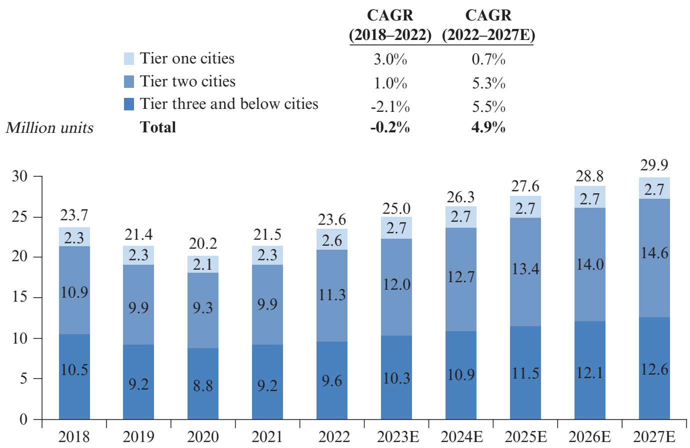
The total car parc in China has expanded steadily, with the number of automobiles increased from 240.3 million units in 2018 to 319.0 million units in 2022, representing a CAGR of 7.3% between 2018 and 2022. With the continued increase in per capita disposable income, total car parc in China is expected to reach 407.1 million units by 2027, representing a CAGR of 5.0% between 2022 and 2027. In line with the increase in total car parc, the car parc per thousand people is expected to continue to increase from 225.9 units in 2022 to 289.9 units by 2027, representing a CAGR of 5.1% between 2022 and 2027.

Along with China's anticipated economy growth and evolving consumption behaviour, automobile market in China has gradually entered a new stage of steady growth momentum rather than rapid growth in the past two decades. It is expected that, among others, retail automobile finance starts to become a major driving force for China's automobile industry.

China is the largest automobile market in the world, with approximately 23.6 million units of new automobile sold in 2022. However, car parc per thousand people was approximately 225.9 units in 2022, which is still lower than that in the US, which was approximately 890.0 units in 2022, indicating room for further growth. The sales volume of new automobile in China decreased from 23.7 million units in 2018 to 20.2 million units in 2020. The decrease from 2018 to 2020 was mainly due to the abolition of preferential purchase tax, weakening consumption needs, and market sentiment resulting from trade friction between China and the United States. Further, as COVID-19 spread in 2020, many workers in automobile industry remain quarantined at home, causing automobile supply lines to be significantly affected, with many factories struggling to reopen or regain full capacity. As a result, the sales volume of new automobiles decreased by 5.9% in 2020 compared to 2019. However, along with the rollout of favourable policies and regulations by Chinese government, and the steady increase in the disposable income of consumers, the sales volume of new automobiles increased to 23.6 million units in 2022 and is expected to reach 29.9 million units by 2027, representing a CAGR of 4.9% between 2022 and 2027.

The sales volume of new automobiles in tier one cities fluctuated from 2.3 million units in 2018 to approximately 2.6 million units in 2022, representing a CAGR of 3.0% between 2018 and 2022, while it is expected to increase to 2.7 million units by 2027. The sales volume of new automobiles in tier two cities increased from 10.9 million units in 2018 to 11.3 million units in 2022, representing a CAGR of 1.0% between 2018 and 2022, and is expected to increase to 14.6 million by 2027, representing a CAGR of 5.3% from 2022 to 2027. The sales volume of new automobiles in tier three and below cities decreased from 10.5 million units in 2018 to 9.6 million units in 2022, representing a negative CAGR of 2.1% from 2018 to 2022. Driven by the expected increase in consumer disposable income and automobile consumption of tier three and below cities compared to tier one and tier two cities, tier three and below cities are expected to demonstrate stronger automobile sales growth momentum than tier one and tier two cities. The total sales volume of new automobiles in tier three and below cities is estimated to reach 12.6 million units in 2027, representing a CAGR of 5.5% from 2022 to 2027.

Total sales volume of new automobiles, by city tier, China, 2018–2027E

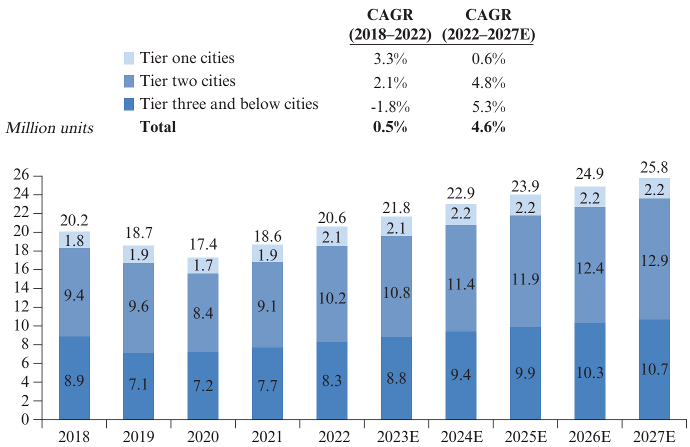


Source: China Association of Automobile Manufacturers, CIC Report

Note: The figures of the chart have been rounded up to one decimal place.

Non-luxury automobiles account for a substantial proportion of the automobile market in China. Luxury automobiles include most of the models which are generally sold at the manufacturer's suggested retail price (MSRP) over RMB300,000 per vehicle in China, while non-luxury automobiles include most models which are generally sold at the MSRP up to RMB300,000 per vehicle.

Total sales volume of non-luxury automobiles, by city tier, China, 2018–2027E



Source: China Association of Automobile Manufacturers, CIC Report

Note: The figures of this chart have been rounded up to one decimal place.

Market Drivers of the Automobile Industry in China

- ***Increasing per capita disposable income of urban households***

Given the steady economic growth in China, annual per capita disposable income continues to increase, especially in tier three and below cities. Therefore, an increasing number of urban households are able to purchase automobiles due to consumption upgrade. In addition, with growing urbanisation, consumption demand for automobiles as necessity goods for daily transportation is expected to increase in China.

- ***Increasing popularity of retail automobile finance and retail automobile finance lease services***

The development of retail automobile finance and retail automobile finance lease services enabled an increasing number of consumers to purchase automobiles in China. Retail automobile financing services encourage people to purchase automobiles by offering various financing products which lower the initial payment and credit record requirement for purchasing automobiles. It is therefore expected that the trend will ultimately support future growth of the automobile market in China.

- ***The emergence of automobile e-commerce platforms***

The emergence of automobile e-commerce platforms not only simplify the purchase process for consumers, but also provides more diversified automobile-related services to consumers from pre-sale stage to after-sale stage, such as retail automobile financing services, automobile insurance and maintenance and other related services. Therefore, the development of automobile e-commerce platforms provides new vitality for the automobile market in China.

ANALYSIS OF THE RETAIL AUTOMOBILE FINANCE AND RETAIL AUTOMOBILE FINANCE LEASE MARKET IN CHINA

Overview of the Retail Automobile Finance Market in China

Retail automobile finance refers to financial products and services that allow consumers to acquire an automobile by making appropriate financial arrangements rather than settling the acquisition cost in full immediately. Broadly speaking, the form of retail automobile finance services are categorised into (i) automobile loan and (ii) automobile lease (i.e. retail automobile finance lease). Retail automobile finance lease refers to a contractual arrangement where the lessee pays the lessor on a regular basis for the use of vehicle. By the end of the lease term, the lessee has the option to buy the vehicle by paying the contracted residual value. Retail automobile finance lease services providers in China consist of banks-affiliated RAFLCs, automaker or automobile dealer-affiliated RAFLCs and third party RAFLCs. It is also a common industry practice for an automobile finance lease service provider to provide matching service to automobile user consumers.

The table below sets out comparisons of characteristics of retail automobile finance services:

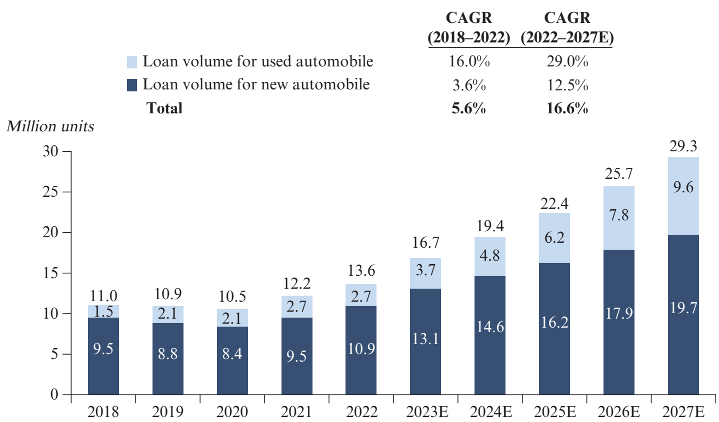
Comparison of automobile lease and automobile loan

		Difference of service offering	Down payment	Option to return or buy	Monthly payment
Retail auto mobile finance	Auto mobile lease	• An automobile lease is a contract to rent an automobile for a fixed period of time and for a fixed payment term. Consumers are able to choose to whether purchase at residual value or return the vehicle when the contract expires.	Typically 10%–30% of the vehicle price	The consumers have the right to decide whether to buy or return the vehicle at the end of the lease term	Relatively high
	Auto mobile loan	• The financial institutions offer consumers the capital to pay for the purchase of the automobiles. Consumers pay monthly mortgages and interests back to financial institutions.	Typically 20%–40% of the vehicle price	Purchase only	Relatively low

Market Size of the Retail Automobile Finance Market in China

The retail automobile finance market has undergone a period of moderate growth over the past five years. In terms of loan volume for new and used automobile, the market size increased from 11.0 million units in 2018 to 13.6 million units in 2022, representing a CAGR of 5.6%. It is expected that the loan volume of the retail automobile finance market will continue expanding throughout the next five years to reach 29.3 million units by 2027, driven by accommodating government policies and a growing demand for automobiles and diversified automobile financing products.

Market size of the retail automobile finance market in terms of loan volume[1], China, 2018–2027E



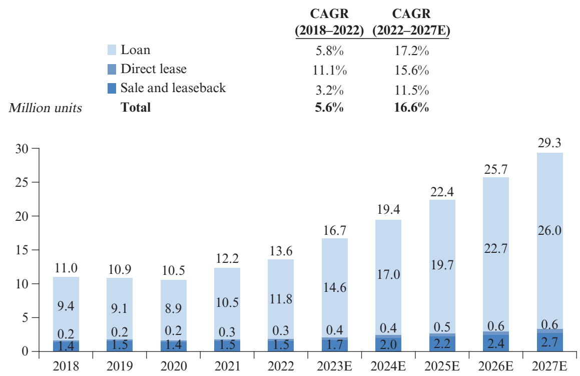
Source: China Association of Automobile Manufacturers, China Automobile Dealers Association, CIC Report

Notes:

1: Loan volume refers to the total number of loans for both new and used automobiles disbursed by retail automobile finance service providers.

2: The figures of the chart have been rounded up to one decimal place.

Market size of the retail automobile finance in terms of loan volume, by type of finance, China, 2018–2027E



Source: China Association of Automobile Manufacturers, China Automobile Dealers Association, CIC Report

Penetration Rate of Retail Automobile Finance Lease Services

The penetration rate refers to the ratio of the loan volume of the retail automobile finance lease serving of both new and used automobiles to the overall automobile sales volume. In 2022, compared with developed countries where the retail automobile finance lease services penetration rates of both new and used automobile were approximately 38.0%, 25.5% and 23.5% in the United States, Germany and France, respectively, China's penetration rate of retail automobile finance lease services of both new and used automobiles is still at a relatively low level, indicating a strong growth potential and is expected to reach approximately 5.4% in 2027. The relatively low penetration rate in China is mainly due to (i) consumers' risk averse attitude towards car ownership in finance lease arrangement; and (ii) people's unawareness of automobile finance services.

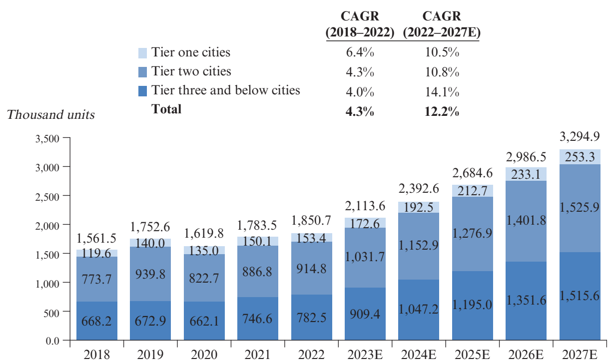
Market Size of the Retail Automobile Finance Lease Market in China

In 2022, the loan volume of retail automobile finance lease of both new and used automobiles in China had reached approximately 1.9 million units, increased from approximately 1.6 million units in 2018, representing a CAGR of 4.3%. Driven by increasing market penetration of the retail automobile finance lease products offering, the market size of retail automobile finance lease in terms of the loan volume is expected to reach approximately 3.3 million units in 2027, representing a CAGR of 12.2% from 2022 to 2027.

The retail automobile finance loan volume of both new and used automobiles in tier two cities increased from approximately 0.8 million units in 2018 to approximately 0.9 million units in 2022, representing a CAGR of 4.3% between 2018 and 2022. Driven by the continuous increasing market demand and loose restrictions on car purchase than that of tier one cities, the retail automobile finance lease volume in tier two cities is projected to reach approximately 3.3 million units in 2027, representing a CAGR of 12.2% from 2022 to 2027.

For tier three and below cities, the loan volume of the retail automobile finance lease services of both new and used automobiles increased from 0.7 million units in 2018 to 0.8 million units in 2022, representing a CAGR of 4.0% from 2018 to 2022. Driven by the development of urbanisation and the increase in personal disposable income, the market share of retail automobile finance lease services in tier three and below cities is expected to have a strong growth potential. Consumers in tier three and below cities are more inclined to choose retail automobile finance lease services in the car purchase process, which reduces their financial pressure and offers them with more flexible payment schedule of vehicles rather than a rigid one-off purchase. The loan volume of the retail automobile finance lease market in tier three and below cities is expected to reach approximately 1.5 million units in 2027, representing a CAGR of 14.1% from 2022 to 2027.

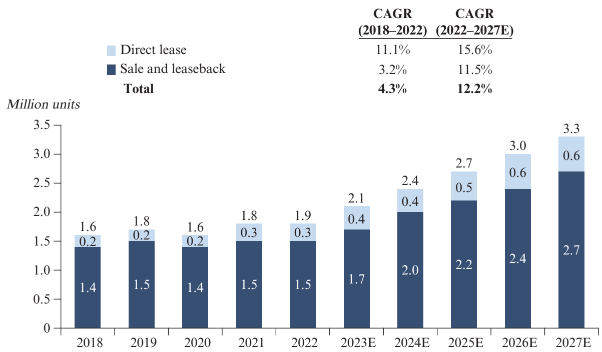
Market size of the retail automobile finance lease market in terms of loan volume, by city tier, China, 2018–2027E



Source: China Association of Automobile Manufacturers, China Automobile Dealers Association, CIC Report

Note: The figures of the chart have been rounded up to one decimal place.

Market size of the retail automobile finance in terms of loan volume, by type of finance lease, China, 2018–2027E



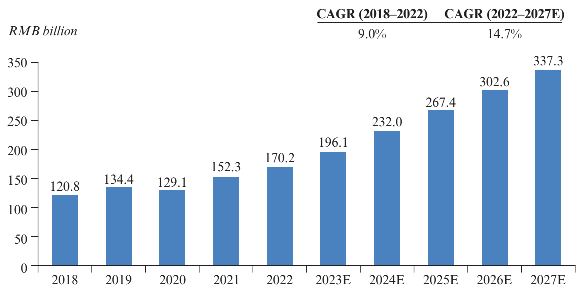
Source: China Association of Automobile Manufacturers, China Automobile Dealers Association, CIC Report

Note: The figures of the chart have been rounded up to one decimal place.

By the ownership of the automobile, the retail automobile finance lease market can be further divided into two segments including direct finance lease, and sale-leaseback. Specifically, direct finance lease is a type of retail automobile finance lease where the lessor purchases an automobile and then leases the automobile to the lessee for use, while in the sale-leaseback mode, the lessee purchases an automobile using lessor's financing, and transfers its title to the lessor, and then the lessor leases the automobile back to lessee for use.

In 2022, the loan volume of the direct finance lease market reached 0.3 million units increasing from 0.2 million units in 2018, representing a CAGR of 11.1% from 2018 to 2022. Meanwhile, in 2022, the loan volume of sale-leaseback market increased from 1.4 million units in 2018 to 1.5 million units in 2022, representing a CAGR of 3.2% from 2018 to 2022. Driven by benefit of lower down payment and the expansion of e-hailing vehicle platform, the loan volume of direct finance lease market is expected to reach 0.6 million units in 2027, representing a CAGR of 15.6% from 2018 to 2022.

Market size of the retail automobile finance lease market in terms of disbursed loan value[1], China, 2018–2027E



Source: China Association of Automobile Manufacturers, China Automobile Dealers Association, CIC Report

Notes:

1: Loan value refers to the principal amount of loans disbursed by RAFLCs.

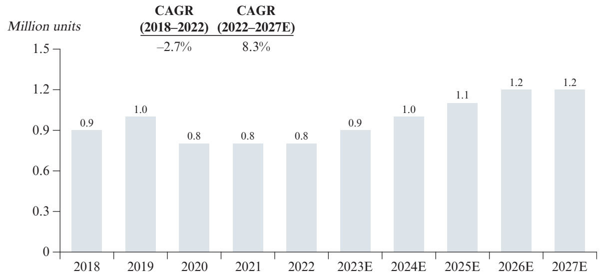
2: The figures of this chart have been rounded up to one decimal place.

The market size in terms of the disbursed loan value of retail automobile finance lease in China has increased from approximately RMB120.8 billion in 2018 to approximately RMB170.2 billion in 2022, at a CAGR of 9.0%. As the market size of the retail automobile finance lease market for new automobile contributed to approximately 80.9% of the total market size of the retail automobile finance lease market in terms of disbursed loan value in China in 2022 and is expected to remain at the largest proportion of approximately 71.6% in 2027. Furthermore, in 2027, the disbursed loan value is expected to reach approximately RMB337.3 billion, representing a CAGR of 14.7% from 2022 to 2027.

Analysis of Third Party Retail Automobile Finance Lease Market in China

In 2022, the loan volume of third party retail automobile finance lease market in China reached approximately 0.8 million units, decreasing from 0.9 million units in 2018, representing a negative CAGR of –2.7%. Driven by the increasing market penetration of the third party retail automobile finance lease products offering, the market size of third party retail automobile finance lease market is anticipated to reach approximately 1.2 million units in 2027, representing a CAGR of 8.3% from 2022 to 2027.

Market size of the third party retail automobile finance lease market in terms of loan volume*, China, 2018–2027E



Source: China Association of Automobile Manufacturers, China Automobile Dealers Association, CIC Report

Note: The loan volume of the third party retail automobile finance lease market represents the volume of automobile sold through third party RAFLCs.

Market Drivers of the Retail Automobile Finance Lease Market in China

- ***Rising consumer awareness of retail automobile finance lease services***

Retail automobile finance lease, as an emerging segment in the retail automobile finance market, has become increasingly acceptable to consumers in China. Benefited from the emergence of Internet-backed RAFLCs, automobile finance lease services had gradually been accepted as an alternative option for purchasing automobiles apart from acquiring auto loans directly from financial institutions. Along with the increase in consumer disposable income, consumers can afford and are more willing to purchase automobiles, and due to the low down payment and flexible payment arrangements, consumers will prefer automobile finance lease services, especially for those consumers who are under-served by financial institutions. With the increase in consumer disposable income and the introduction of flexible automobile finance lease products, the market penetration rate of retail automobile finance lease over the past few years has been increasing and the penetration rate is expected to increase further in the foreseeable future.

- ***Enhanced risk control systems***

Both third party platforms' credit data and commercial banks' credit rating system are now accessible to RAFLCs, which provide an efficient and accurate client qualification verification system for the purposes of improved risk control management. Along with the access to big data, statistics and individual's behavioural analytics, the RAFLCs are able to assess the qualifications of leasing applicants more effectively.

- ***Favourable policies and regulations***

The penetration rate of retail automobile finance lease industry will continue to enhance amid favourable regulations. For example, in July 2022, 17 departments including Ministry of Commerce jointly issued Notice on Several Measures for Vitalizing Automobile Circulation and Expansion on Automobile Consumption《關於搞活汽車流通擴大汽車消費若干措施的通知》. In the policy of Notice on Several Measures for Vitalizing Automobile Circulation and Expansion on Automobile Consumption, the government has encouraged the financial institutions to increase funding supply in automobile consumer loans and optimize the down payment, interest rate and repayment period, which will directly increase the penetration rate of auto finance and auto finance lease. Furthermore, the policy also encouraged the automobile manufacturers, and automobile distributors to collaborate with automobile finance and automobile finance lease companies to increase supply in automobiles, which will stimulate the sales volume of automobiles with automobile finance and automobile finance lease. To stimulate the consumption of new energy vehicles, the policy encouraged to extend the tax exemption policy for new energy vehicle purchases. In order to revitalize the used automobile market, the policy eliminated unnecessary restrictions in the used automobile transaction process, stated that companies can operate dealerships business of used automobiles across different regions, and further standardize the administration process for used automobiles nationwide, such as cross-region registration. The new policy aimed to improve the efficiency of used automobile transactions and stimulate the demand for used automobiles.

- ***Online platforms and mobile applications stimulating consumption demand***

With the increasing popularity of internet and mobile applications, offline retail stores are no longer the only approach for consumers to apply for retail automobile finance lease services. Online platforms have enabled consumers to access different retail automobile finance lease product and complete their retail automobile finance lease arrangements more efficiently and conveniently. Thus, online platforms have stimulated the automobile finance lease market by offering efficient online approval and payment process to facilitate the retail automobile finance lease transactions.

Market Players of Retail Automobile Finance Lease Business in China

Three types of players constitute the majority of the retail automobile finance lease market in China, including bank-affiliated, automaker or automobile dealer affiliated and third party RAFLCs. In 2022, third party RAFLCs accounted for approximately 45.1% of the total transaction volume of the retail automobile finance lease market, among which, offline third party RAFLCs, who are generally offline business-initiated companies and have stronger offline presence, and internet-backed third party RAFLCs, who primarily focus on developing online automobile retail transaction platform and network, accounted for 16.8% and 28.3%, respectively.

The table below outlines comparisons between the different players in China's retail automobile finance lease market:

	Bank-affiliated	Automaker or automobile dealer-affiliated	Third party RAFLCs: Offline RAFLCs	Third party RAFLCs: Internet-backed RAFLCs
Number of players (as at 31 December 2022)	• ~35	• ~50	• ~45	• ~40
Primary regulatory body	• CBIRC	• CBIRC	• CBIRC	• Financial regulatory department
Time required for approval process	• Generally more than two days	• Generally less than half a day	• Generally less than half a day	• Generally one to two hours
Risk control	• Based on consumer credit rating database from PBOC • High credit requirement of collateral or other tangible assets certificate from vehicle purchasers from PBOC	• Based on consumer credit rating database from PBOC	• Based on comprehensive consumer credit rating database from PBOC, third party and self-owned platforms • On-site inspections	• Based on comprehensive consumer credit rating database from PBOC, third party and self-owned platforms • On-site inspections
Sales channel	• Lacking offline channels and sales networks to reach retail automobile finance lease customers	• Reach end customers through automobile stores	• Reach diverse end customers through self-operated shops	• Reach diverse end customers through self-operated shops with promotions on the online channels
Consumer experience	• Lacking professional experience in automobile-related services	• Professional services and deep understanding in consumer demands	• Deep understanding in consumer demands	• Limited understanding in consumer demands
Target customer	• Customers with super prime credit profiles, generally located in tier one and tier two cities	• Customers with super prime credit profiles, generally located in tier one and tier two cities	• Customers with prime credit profiles, generally located in tier two, tier three and below cities, young populations	• Customers with prime credit profiles, generally located in tier two, tier three and below cities, young populations
Range of effective interest rate of newly entered finance lease agreements	• 5%–15%	• 6%–16%	• 8%–24%	• 9%–24%

Source: Ministry of Commerce, CBIRC, CIC Report

Entry Barriers of Retail Automobile Finance Lease Business in China

- ***Risk management***

Retail automobile finance lease lowers the entry barrier for consumers on automobile loan by setting lower requirement for the official credit records and requiring less down payment, which brings higher default risk for automobile finance lease market players on loan repayment and damage and loss of leased automobiles. Thus, risk management is vital to those who wish to enter the retail automobile finance lease industries. A comprehensive risk management system should be able to assess and manage credit risks during pre-financing and post-financing stage.

- ***Sales channel and client acquisition***

The ability of developing comprehensive sales channel and customer acquisition is fundamental in entering the retail automobile finance lease industry. For sales channel development of offline players, building up one's own sales channel requires high financial investment, time and operational capability. In addition, customer acquisition has proven to be time costly and it is difficult for new market entrants to build brand recognition.

- ***Financing capacity***

Retail automobile finance lease is a capital intensive industry. Besides the sales channel developing and marketing cost, a retail automobile fiance lease company needs immerse liquidity to deal with cash flow mismatch in business operation. Except those companies which are state-owned or bank-affiliated or well established RAFLCs, fund raising for most entrants is difficult, especially in coping with stricter regulations and anticipated slowing economy growth. Commercial banks find it difficult to provide a large line of credit to new market entrants with a small scale of business and without endorsement. On the other hand, fundings from non-bank financial institutions usually have higher interest rates, which limits the profitability of new market entrants[(Note)].

Note: As defined by Implementing Measures of the China Banking and Insurance Regulatory Commission for Administrative Licensing Matters relating to Non-banking Financial Institutions (《中國銀保監會非銀行金融機構行政許可事項實施辦法》), non-bank financial institution includes trust company (金融資產管理公司), enterprise group financial companies (企業集團財務公司), finance leasing companies (金融租賃公司), automobile finance companies (汽車金融公司), currency brokerage companies (貨幣經紀公司), consumer financial company (消費金融公司) and representative offices of foreign non-bank financial institutions based in China (境外非銀行金融機構駐華代表處等機構) set up under the approval of CBIRC.

COMPETITIVE LANDSCAPE OF RETAIL AUTOMOBILE FINANCE LEASE INDUSTRY

China's retail automobile finance lease industry is relatively concentrated, and the current market concentration of China's licensed third party automobile finance lease market in terms of transaction volume is relatively high. As of 31 December 2022, the top 20 companies in China's retail automobile finance lease market had a market share of approximately 81.1%, and the top 10 companies in China's third-party retail automobile finance lease market in terms of total number of loan volume disbursed by third party RAFLCs had a market share of approximately 69.5%. In 2022, our Group ranked 19th and 5th, respectively, in terms of transaction volume among all RAFLCs and third party RAFLCs, and ranked 4th among all RAFLCs in terms of transaction volume of direct finance lease. The RAFLCs generally take into account several key factors to price the finance lease agreements, including costs of financing and operating activities, and profit margin. As in 2022, the industry range of effective interest rates per annum charged by RAFLCs in China fell between 5% and 24%, and the average effective interest rate charged by the Group in 2022 was in line with the industry norm. The industry range of the average effective interest rate per annum charged by RAFLCs in China remained relatively stable during the Track Record Period. The Group was able to charge higher average interest rates for the finance lease transactions than other RAFLCs, because of its flexible product offerings, strong offline capability and developed risk management system to expand customer reach and control asset quality.

The key success factors of third party RAFLCs in China include (i) customer acquisition and distribution channels; (ii) diversification and stability of funding channels; (iii) risk management and personal credit rating system; and (iv) operation efficiency. Compared with automobile dealer-affiliated RAFLCs, the Company has advantages in wider selection of automotive brands, flexible offerings of finance lease services, and focused geographical coverage. Automotive dealers generally contract with automotive manufacturers and provide limited selection of brands to customers. Besides, automotive dealers generally rely on other financial services providers to provide financing solution to their customers, and provide relatively limited or rigid financing method to their customers. Furthermore, the Company focuses on tier two and tier three and below cities in China with strong offline capability to serve target customers in these regions, while automotive dealers generally focus on tier one and tier two cities in China, with less presence of 4S stores networks 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.

The table below sets out the rankings of the RAFLCs in terms of transaction volume of retail automobile finance lease through both direct finance lease and sale-leaseback in China in 2022:

Rank[1]	Rank[2]	Company	Transaction volume *(thousand units, approximate)*	Market share[3] *(%)*	Category[4]	Listing status
1	1	Group A	430	23.2	Third party RAFLCs	Listed
2	/	Group B	297	16.0	Bank-affiliated RAFLCs	Non-listed
3	/	Group C	120	6.5	Automaker or automobile dealer-affiliated RAFLCs	Non-listed
4	/	Group D	83	4.5	Bank-affiliated RAFLCs	Listed
5	/	Group E	71	3.8	Automaker or automobile dealer-affiliated RAFLCs	Non-listed
6	/	Group F	70	3.8	Bank-affiliated RAFLCs	Non-listed
7	/	Group G	59	3.2	Automaker or automobile dealer-affiliated RAFLCs	Non-listed
8	/	Group H	54	2.9	Automaker or automobile dealer-affiliated RAFLCs	Non-listed
9	/	Group I	52	2.8	Automaker or automobile dealer-affiliated RAFLCs	Non-listed
10	2	Group J	35	1.9	Third party RAFLCs	Non-listed
11	/	Group K	31	1.7	Bank-affiliated RAFLCs	Non-listed
12	/	Group L	31	1.7	Bank-affiliated RAFLCs	Listed
13	/	Group M	30	1.6	Automaker or automobile dealer-affiliated RAFLCs	Non-listed
14	3	Group N	28	1.5	Third party RAFLCs	Non-listed
15	/	Group O	26	1.4	Bank-affiliated RAFLCs	Non-listed
16	/	Group P	24	1.3	Automaker or automobile dealer-affiliated RAFLCs	Non-listed
17	/	Group Q	19	1.0	Bank-affiliated RAFLCs	Non-listed
18	4	Group R	17	0.9	Third party RAFLCs	Non-listed
19	**5**	**Our Group**	**13**	**0.7**	**Third party RAFLCs**	**Non-listed**
20	/	Group S	13	0.7	Automaker or automobile dealer-affiliated RAFLCs	Non-listed
Total				**81.1**		

Source: CIC Report

Notes:

1: *Refers to the ranking among all RAFLCs.*

2: *Refers to the ranking among all third party RAFLCs.*

3: Refers to the market share among all RAFLCs.

4: Company A, founded in 2014, is principally engaged in provision of automobile finance solutions through retail automobile finance lease and operating lease, and its total registered capital is approximately RMB9.6 billion.

Company B, founded in 2013, is engaged in finance lease of automobiles and construction machinery, automobile operating lease, structured financing, etc., and its total registered capital is approximately RMB14.5 billion.

Company C, founded in 1993, is a company principally involved in automobile finance lease business, and its total registered capital is approximately RMB2.7 billion.

Company D, founded in 1984, is involved in finance lease business, and its total registered capital is approximately RMB12.6 billion.

Company F, founded in 2012, is a finance lease company with total registered capital of approximately RMB0.8 billion.

Company E, founded in 2008, is a finance lease company of automobile, aircrafts, ships and other equipment, and its total registered capital is approximately RMB5.1 billion.

Company G, founded in 2004, is involved in finance lease of automobiles and other general machinery, and its total registered capital is approximately RMB1.0 billion.

Company H, founded in 2011, is involved in the sales and finance lease of automobiles, auto parts and other equipment, and its total registered capital is approximately RMB3.6 billion.

Company I, founded in 2013, is affiliated to automotive dealership company and is principally engaged in retail automotive finance lease business, with total registered capital of approximately RMB0.5 billion.

Company J, founded in 2016, is principally engaged in retail automobile finance lease through direct leasing, and its total registered capital is approximately RMB0.01 billion.

Company K, founded in 2007, is involved in finance lease business, and its total registered capital is approximately RMB18.0 billion.

Company L, founded in 1985, is involved in finance lease business for green energy, auto finance, high-end equipment, and its total registered capital is approximately RMB2.9 billion.

Company M, founded in 2009, is primarily engaged in automobile finance lease and automobile operating leasing business, and its total registered capital is approximately RMB1.3 billion.

Company N, founded in 2015, is involved in automobile finance lease and automobile operating leasing business, and its total registered capital is approximately RMB3.2 billion.

Company O, founded in 2007, is involved in the finance lease of automobiles, public utilities, energy and power, machinery and equipment etc., and its total registered capital is approximately RMB14.0 billion.

Company P, founded in 2012, is involved in automobile finance lease and automobile operating leasing business, and its total registered capital is approximately RMB5.1 billion.

Company Q, founded in 2010, is involved in finance lease and commercial factoring businesses, and its total registered capital is approximately RMB5.9 billion.

Company R, founded in 2010, is principally engaged in retail automobile finance lease business, and its total registered capital is approximately RMB0.6 billion.

Company S, founded in 2015, is principally involved in automobile finance lease business, and its total registered capital is RMB0.2 billion.

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 China in 2022:

Rank	**Companies**	**Transaction volume** *(thousand units, approximate)*	**Market share**[1] *(%)*	**Offline capacity**[2] *(unit, approximate)*	**Number of self-operated offline stores** *(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[3]	11	3.7	20–100	2
	Total		**44.2**		

Source: CIC Report

Notes:

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.

3: Company T, founded in 2011, is principally engaged in second-hand automobile trading and finance leasing, and its total registered capital is RMB1.9 billion.

Market Trends of the Retail Automobile Finance Lease Market in China

- ***Direct finance lease is expected to gain more recognition by consumers***

Driven by the increasingly stringent credit qualification requirements for car buyers, direct finance lease is projected to gain more recognition by consumers. Compared with sales and leaseback, direct finance lease is able to provide consumers with diversified products, eliminate residual value risks and simplifies procedures such as insurance and purchase tax. In addition, as the initial vehicle ownership belongs to the leasing companies, direct finance lease will also become an alternative as a result of the government's car purchase restrictions in certain tier one and tier two cities, for the reason that ready-to-use automobiles with valid license plates are leased to consumers under direct finance lease, which saves time and avoids uncertainty in applying for license plates for the automobiles by themselves.

- ***Tier two, tier three and below cities are expected to become the major business focus***

Compared with the markets in tier one, tier two and tier three and below cities, where there are a large number of consumers who are willing to choose retail automobile finance lease to purchase their first car, are expected to become the main growth drivers. Leading market players in the China's retail automobile finance lease market do not only expand their reach to end customers by establishing extensive offline sales network, but also offer flexible and customised financing products with competitive pricing.

- ***The omni-channel is expected to become more acceptable***

Due to the development of the mobile internet, the car purchasing process has evolved towards omni-channel including the integrating of online platforms and offline stores. Therefore, it has been gradually common for RAFLCs to build their online sales channels and mobile applications in order to attract consumers to offline stores.

- ***Pricing of automobile finance lease services in all tier of cities is expected to remain competitive***

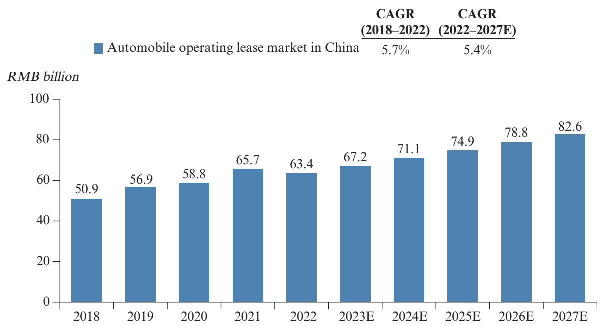
As some bank-affiliated RAFLCs and automaker or automobile dealer-affiliated RAFLCs may take advantage of broadened funding channels to reduce their financing costs, they may be able to offer more competitive pricing options which is expected to be followed by third-party RAFLCs in order to preserve and increase their market share. Besides, as a majority of third-party RAFLCs operate in tier two, tier three and below tier cities in China with similar products offering and branding, the pricing in tier two, tier three and below tier cities is expected to be more competitive than that in tier one cities in China in subsequent years. Although these developments could lead to potential downward adjustments in the pricing of automobile finance lease services in the near term, such pricing competition pressure could be relieved thanks to greater market acceptance of automobile finance lease services in China.

OVERVIEW OF AUTOMOBILE OPERATING LEASE MARKET IN CHINA

Analysis of Automobile Operating Lease Market in China

The automobile operating lease market in China has expanded at a fast pace over the past years, and the market size in terms of gross merchandise volume 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.

Market size of automobile operating lease market, China, 2018-2027E



Source: China Association of Automobile Manufacturers, CIC Report

Note: The figures of the chart have been rounded up to one decimal place.

Market Drivers of the Automobile Operating Lease Market in China

The growth of automobile operating lease market in China is expected to be driven primarily by the following factors:

- ***Development of e-hailing vehicle platforms***

Rapid growth of e-hailing vehicle platforms industry will bring vast demand to the automobile operating lease market in China. In 2022, 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 required online booking taxi driver's license* (網路預約出租汽車駕駛員證) respectively accounted for less than 70% of the total number of rides served by all e-hailing vehicle platforms in the PRC. Along with increasingly strict regulation enforcement, leading e-hailing vehicle platforms are more inclined to adopt the method of employing drivers separately from driver companies and offer them vehicles that are registered legally with operating lease services providers, and till the end of 2022, local traffic management bureaus have approved a total of 2.1 million online booking taxi driving transport certificates.

- ***Government car ownership reforms***

The Chinese government has recently implemented a series of policy reforms to limit the number and models of cars that may be purchased by government agencies and encourage government agencies to meet their needs for car use by renting vehicles. These reforms encourage both government bodies and state-owned enterprises to adopt automobile operating lease service.

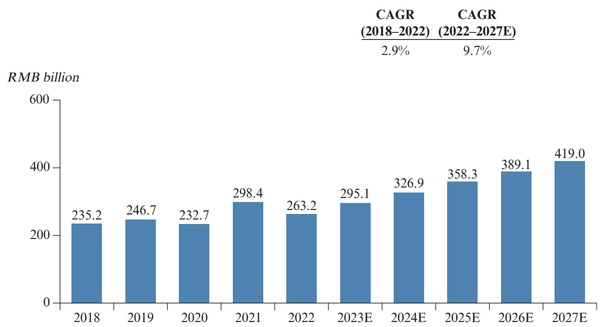
- ***Increasing spending on self-drive trips for leisure purposes***

With increasing per capita disposable income, Chinese consumers have been and are expected to engage in an increasing amount of self-drive trips for leisure purposes and provide strong demand for automobile operating lease services in China.

OVERVIEW OF E-HAILING VEHICLE PLATFORM MARKET IN CHINA

The e-hailing vehicle platform market measured by GMV has increased from RMB235.2 billion in 2018 to RMB263.2 billion in 2022, with a CAGR of 2.9%. This growth is mainly due to the significant market demands for daily travelling and the substantial subsidy from the leading market players. The stringent regulatory environment of the industry has slowed down its development to an extent, but the improving service quality as well as the increasing number of certificated drivers with sufficient vehicles will help to drive up the market growth in the foreseeable future. The e-hailing vehicle platform market measured by GMV is projected to reach RMB419.0 billion by 2027, representing a CAGR of 9.7% from 2022 to 2027. Furthermore, as a dominated e-hailing vehicle platform in China took up majority of total market of e-hailing vehicle platforms in terms of GMV in 2022, while none of the other e-hailing vehicle platforms took up more than 10% of the total market.

Market size and forecast of the e-hailing vehicle platform market, in terms of GMV, 2018–2027E



Source: Ministry of Transport of the People's Republic of China, CIC Report

Note: The figures of this chart have been rounded up to one decimal place.

In accordance with 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 online booking taxi driving transport certificate* (網路預約出租車運輸證) shall be obtained for the relevant vehicles such that they will be registered as vehicles for e-hailing passenger transport. In order to obtain such transport certificate, e-hailing vehicle drivers may either re-register private vehicles as commercial vehicles or rent vehicles already with the transport certificate from companies such as our Group. As (i) only private vehicles with low mileage and operating time are allowed to be re-registered as commercial vehicles; and (ii) such re-registration involves much higher insurance cost, renting new vehicles with the online booking taxi driving transport certificate is becoming a more preferable option than re-registration of private vehicles as commercial vehicles.

Market trends and opportunities of e-hailing market include: (i) stringent legitimacy requirement in terms of vehicles and drivers; (ii) constantly increasing market demand; (iii) specialised e-hailing services offered directly by platforms through platform-owned vehicles; (iv) growing security and service quality concern; and (v) increasing regulation on data collection and use of personal information due to growing data security concern.

Impact of the outbreak of COVID-19 on GDP, the retail automobile finance lease and automobile operating lease markets in China

Due to the outbreak of COVID-19, the year-on-year growth rate of real GDP reached negative 6.8% for the first quarter of 2020. However, with the effective control measures and the full resumption of work, China's real GDP year-on-year growth rebounded to 2.2% in 2020 and further increased to 8.1% in 2021.

Meanwhile, in 2020, the loan volume of retail automobile finance lease market also decreased to 1,619.8 thousand units with a negative year-on-year growth rate of approximately 7.6%, mainly due to the restrictions of offline outdoor activities and travels, concern for credit crunch by banks and temporarily postponed demand from customers. Furthermore, in 2020, the loan volume of third party retail automobile finance lease market in China reached approximately 760.0 thousand units with a negative year-on-year growth rate of approximately 26.8%. However, in 2020, the automobile operating lease market in China grew to RMB58.8 billion with a year-on-year growth rate of approximately 3.3%.

In 2021, along with the recovery of the automobile sales market, increasing penetration rate of automobile finance, effective implementation of more online marketing strategies, the retail automobile finance lease market in terms of loan volume increased to 1,783.5 thousand units with a year-on-year growth rate of approximately 10.1% and the loan volume of third party retail automobile finance lease market reached approximately 781.3 thousand units. In addition, in 2021, the automobile operating lease market in China grew to RMB65.7 billion with a year-on-year growth rate of approximately 11.8%.

As the pandemic has been gradually brought under control in China, its retail automobile finance lease and automobile operating lease markets are expected to gain growth momentum in the long term along with growing intention of non-car owners to acquire automobiles, increasing awareness of health and safety-related benefits of travelling by private automobiles, and growing penetration rates of retail automobile financial lease and automobile operating lease. In 2022, the loan volume of retail automobile finance lease market has increased to 1.9 million units with a year-on-year growth rate of approximately 3.8% and the loan volume of third party retail automobile finance lease market reached approximately 0.8 million units.

OVERVIEW

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on 29 March 2019. XXF Group was established as a limited liability company in the PRC in 2007. Prior to 2012, our business was primarily the provision of automobile rental services by way of operating lease. Due to the increasing demand and business opportunity in the PRC's automobile finance industry, we have gradually broadened our scope of services and adjusted the focus of our business to automobile retail and finance business when we started to sell automobiles by way of direct finance lease since 2012. We are an automobile finance lease service provider for our self-operated automobile retail business principally engaging in (i) automobile retail and finance, where we sell non-luxury automobiles mostly by way of 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.

Mr. Huang is a founder of our Group. He is our executive Director, the chairman and the chief executive officer of our Group, and has over 15 years of experience in the automobile industry. Further details of his biography are set out in the section headed "Directors and Senior Management" in this document. Our initial operations were funded by Mr. Huang by way of capital contribution using his personal fund.

Through years of development, as at the Latest Practicable Date, we had established an extensive sales network with 70 sales outlets across 24 provinces and municipalities in the PRC.

BUSINESS MILESTONES

The following is a summary of our business milestones of our Group:

Year	Milestone
September 2007	XXF Group was established as a limited liability company in the PRC primarily providing automobile rental services.
December 2012	We began to sell automobile by way of finance lease.
March 2015	We were approved as 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) by the MOFCOM and the SAT.
December 2015	The shares of XXF Group become quoted on NEEQ.

Year	Milestone
February 2018	We commenced our business on our online automobile aftermarket service platform through our 52 Car APP, assisting car users to look for automobile usage solutions.
June 2018	We launched 52 Car (Business Version) APP mobile application targeting at third party automobile aftermarket service providers.
November 2018	We secured Beijing Chesheng, an affiliate of a leading mobile transportation platform in the PRC, as one of our **[REDACTED]** investors, and we started providing our automobile lease solutions to individual e-hailing drivers of the relevant mobile transportation platform.
November 2019	Fujian Qoocar qualified as a new and high technology enterprise.

OUR CORPORATE DEVELOPMENT

The major corporate developments including the major shareholding changes of members of our Group which were material to the performance of our Group during the Track Record Period are set out below:

XXF Group

XXF Group is principally engaged in providing automobile finance and automobile-related services and the holding company of our subsidiaries in the PRC. It was established in the PRC as a limited liability company on 7 September 2007 with an initial registered capital of RMB500,000. As at the date of its establishment, XXF Group was owned as to 50% by Mr. Huang, the founder of our Group, and 50% by Ms. Hong Xiaoyan (洪小燕), an Independent Third Party.

Subsequent to a series of capital contributions and equity transfers, the registered capital of XXF Group was increased to RMB170.0 million as at 20 April 2015 and XXF Group became owned as to 92.16% by Mr. Huang and 7.84% by Ms. Xie Xiaohui (謝曉惠), the spouse of Mr. Huang.

In May 2015, in preparation of listing on NEEQ and to retain talents to achieve our strategic and operational goals, certain investors including some then employees of our Group invested in XXF Group through equity interests transfers by Mr. Huang. At the same time, Ms. Xie Xiaohui transferred 7.84% equity interest to Mr. Huang at the consideration of RMB13.335 million, which was determined with reference to the then paid-up registered capital of XXF Group. Upon the completion of the equity transfers, XXF Group was owned by the following parties and their respective interests in XXF Group are set out as below:

Name of shareholder	Capital contribution *(RMB'000)*	Approximate equity interest *(%)*	Consideration paid by the investors[1] *(RMB'000)*
Mr. Huang	35,100	20.65	
Tengxin Investment[2]	34,000	20.00	35,700
Fuzhou Shenghui[2]	25,000	14.71	26,250
Fuzhou Zhitong Investment Partnership Enterprise (Limited Partnership)* (福州智通投資合夥企業(有限合夥)) ("**Fuzhou Zhitong**")[3]	17,000	10.00	17,850
Fuzhou Huitong Investment Partnership Enterprise (Limited Partnership)* (福州惠通投資合夥企業(有限合夥)) ("**Fuzhou Huitong**")[4]	12,000	7.06	12,000
Qiu Hui (邱暉) (an Independent Third Party)	10,800	6.35	11,340
Lin Dachun (林大春) (an Independent Third Party)	10,350	6.09	10,867
Chen Jia (陳嘉) (an Independent Third Party)	7,500	4.41	7,875
Pan Qiu (潘秋) (then employee)	5,600	3.29	5,600
Liu Donghu (劉東扈) (an Independent Third Party)	4,000	2.35	4,200
Huang Jianqing (黃劍清) (an Independent Third Party)	3,000	1.76	3,150
Li Huan (李歡) (an Independent Third Party)	2,000	1.18	2,100
Mao Lin (毛琳) (an Independent Third Party)	1,750	1.03	1,837
Lin Yanfeng (林炎峰) (our employee)	1,300	0.76	1,300
Ye Fuwei (葉富偉) (our executive Director)	600	0.36	600
Total	**170,000**	**100**	

Notes:

1. In respect of the investment made by each of the employees and Fuzhou Huitong, the consideration was determined on arm's length basis with reference to the paid-up registered capital of XXF Group at the time of such transfers. In respect of the investment made by each of Fuzhou Zhitong, Tengxin Investment, Fuzhou Shenghui and other Independent Third Parties, the consideration was determined on arm's length basis with reference to the paid-up registered capital at the time of such transfers and the financial performance of XXF Group. All the considerations have been settled.

2. Each of Tengxin Investment and Fuzhou Shenghui was an Independent Third Party at the time of the relevant equity transfers.

3. Fuzhou Zhitong was established on 22 May 2015 by Mr. Huang, the founder of our Group. The general partner of Fuzhou Zhitong was Mr. Huang and the limited partners were Independent Third Parties at the time when Fuzhou Zhitong was established. On 25 May 2015, Mr. Huang transferred 10% equity interest in XXF Group to Fuzhou Zhitong.

4. Fuzhou Huitong was established as limited partnership to hold equity interests in XXF Group pursuant to a share incentive plan initiated by Mr. Huang. The general partner of Fuzhou Huitong was Mr. Huang and the limited partners were 45 then employees of XXF Group at the time when Fuzhou Huitong was established. On 25 May 2015, Mr. Huang transferred 7.06% equity interest in XXF Group to Fuzhou Huitong.

On 2 July 2015, XXF Group was converted from a limited liability company into a joint stock company with limited liability on pro rata basis with reference to its net asset value as at 31 May 2015. Upon completion of such conversion, the share capital of XXF Group was RMB170.0 million divided into 170,000,000 shares with a nominal value of RMB1.0 each.

NEEQ listing and delisting

On 11 December 2015, the shares of XXF Group became quoted on NEEQ (stock code: 834499). In light of the fact that a listing on a reputable and liquid equity market such as the Stock Exchange can raise the brand awareness, enhance the corporate image and strengthen the corporate governance as well as the minimal trading volume of its shares on NEEQ, on 15 December 2016, the shares of XXF Group were delisted from NEEQ with a market capitalisation of RMB1,339,600,000. Such market capitalisation was calculated based on the last subscription price of RMB7.88 per share and 170,000,000 shares in issue prior to delisting of the shares of XXF Group. As advised by our PRC Legal Advisers, our Directors are of the view and confirm that (i) the delisting of XXF Group from NEEQ was duly completed and the necessary approvals have been obtained; and (ii) during the period of quotation on NEEQ, none of XXF Group or its directors was subject to any investigations, disciplinary actions or administrative penalties for non-compliance by any regulatory authority nor any material breach of the relevant rules governing NEEQ. Our Directors confirm, and the Sole Sponsor concurs, that there are no further matters that need to be brought to the attention of the regulators and investors in relation to XXF Group's listing on and delisting from NEEQ mentioned above.

Upon delisting from the NEEQ, XXF Group was owned by the following parties and their respective interests in XXF Group are set out as below:

Name of shareholder	Shares	Approximate equity interest[1] (%)
Mr. Huang	37,100,000	21.82
Tengxin Investment[2]	34,000,000	20.00
Fuzhou Shenghui[2]	25,000,000	14.71
Fuzhou Zhitong[2]	17,000,000	10.00
Fuzhou Huitong[2]	12,000,000	7.06
Qiu Hui (邱暉) (an Independent Third Party)	10,800,000	6.35
Lin Dachun (林大春) (an Independent Third Party)	10,350,000	6.09
Chen Jia (陳嘉) (an Independent Third Party)	5,500,000	3.24
Pan Qiu (潘秋) (then employee)	5,600,000	3.29
Liu Donghu (劉東扈) (an Independent Third Party)	3,999,000	2.35
Huang Jianqing (黃劍清) (an Independent Third Party)	3,000,000	1.76
Li Huan (李歡) (an Independent Third Party)	1,334,000	0.78
Mao Lin (毛琳) (an Independent Third Party)	1,750,000	1.03
Lin Yanfeng (林炎峰) (our employee)	1,300,000	0.76
Ye Fuwei (葉富偉) (our executive Director)	600,000	0.35
Liu Hao (柳昊)[3]	400,000	0.24
Yunnan A Gu Jia Ni Equity Investment Fund Management Company Limited — A Gu Jia Ni Fund I* (雲南阿古甲尼股權投資基金管理有限公司 — 阿古甲尼一號基金)[3]	194,000	0.11
Zhu Shaojian (朱少健)[3]	73,000	0.04
Total	**170,000,000**	**100**

Notes:

1. Certain percentage figures included in the above table have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

2. See respective note 2, note 3 and note 4 under "Reorganisation" below in this section.

3. Each of Mr. Liu Hao, Mr. Zhu Shaojian and Yunnan A Gu Jia Ni Equity Investment Fund Management Company Limited — A Gu Jia Ni Fund I* (雲南阿古甲尼股權投資基金管理有限公司 — 阿古甲尼一號基金) became a shareholder of XXF Group when its shares were quoted on NEEQ and is an Independent Third Party.

On 3 January 2017, Fujian Free Trade Zone Pingtan Area Xinyuan Investment Partnership Enterprise (Limited Partnership)* (福建自貿試驗區平潭片區鑫元投資合夥企業(有限合夥)) ("**Fujian Xinyuan**") and Fujian Free Trade Zone Pingtan Area Fuyuan Investment Partnership Enterprise (Limited Partnership)* (福建自貿試驗區平潭片區富元投資合夥企業(有限合夥)) ("**Fujian Fuyuan**") subscribed for 5,100,000 shares and 6,800,000 shares of XXF Group at a consideration of RMB10.2 million and RMB13.6 million, respectively. Such consideration was determined with reference to the net asset value of XXF Group as at 30 June 2016 and fully settled in January 2017. Each of Fujian Xinyuan and Fujian Fuyuan was a limited partnership controlled by Mr. Huang as the general partner while the limited partners were then employees of XXF Group at the time when Fujian Xinyuan and Fujian Fuyuan were established. Upon completion of such subscription, the share capital of XXF Group was further increased to RMB181.9 million divided into 181,900,000 shares.

On 11 January 2017, Hangzhou Chain Reaction Investment Partnership Enterprise (Limited Partnership)* (杭州鏈反應投資合夥企業(有限合夥)) ("**Hangzhou Chain Reaction**"), Hangzhou Good Hope Chehang Investment Partnership Enterprise (Limited Partnership)* (杭州好望角車航投資合夥企業(有限合夥)) ("**Good Hope Chehang**") and Hangzhou Good Hope Investment Management Company Limited* (杭州好望角投資管理有限公司) ("**Good Hope Investment**"), subscribed for 36,380,000 shares, 4,547,500 shares and 4,547,500 shares of XXF Group, representing 16.00%, 2.00% and 2.00% of the enlarged share capital of XXF Group, at a consideration of RMB120.0 million, RMB15.0 million and RMB15.0 million, respectively. Such consideration was determined after arm's length negotiation with reference to the then valuation of XXF Group and was fully settled in December 2016. As a result, the share capital of XXF Group was further increased to RMB227.375 million divided into 227,375,000 shares. As confirmed by our Directors, the proceeds from such investment were used for daily operations and have been fully utilised. Hangzhou Chain Reaction, Good Hope Chehang and Good Hope Investment were entitled to certain special rights under such investments, which were terminated in October 2018 pursuant to a supplemental agreement entered into by parties thereto.

Hangzhou Chain Reaction, Good Hope Chehang and Good Hope Investment are under ultimate control of Mr. Huang Zhengrong (黃崢嶸), an Independent Third Party and an experienced investor focusing on equity investments in the PRC. Mr. Huang Zhengrong became acquainted with XXF Group when it was listed on NEEQ, as he was looking for investment opportunities in the open market and was optimistic about the growth prospects of XXF Group. The consideration per share paid by Mr. Huang Zhengrong was approximately HK$**[REDACTED]**, which was calculated by dividing the total investments made by Hangzhou Chain Reaction, Good Hope Chehang and Good Hope Investment in XXF Group in January 2017, as adjusted by the divestments of Hangzhou Chain Reaction in 2018 and 2019 and the divestment of Good Hope Investment on 30 April 2019, by the total number of Shares held by Direct Solution Holdings Limited ("**Direct Solution**") and Mega Galaxy, the offshore holding vehicles of Mr. Huang Zhengrong, immediately following the completion of the **[REDACTED]**. The shares held by Mr. Huang Zhengrong will not be subject to any lock-up after **[REDACTED]** and will count towards the public float of our Company according to Rule 8.08 of the Listing Rules.

On 23 March 2017, the share capital of XXF Group was further increased to RMB341,062,500 divided into 341,062,500 shares by way of **[REDACTED]** and the shareholding structure of XXF Group remained unchanged.

On 27 November 2018, XXF Group and its then shareholders entered into a capital increase agreement with Beijing Chesheng and an investment agreement with Zhuhai Wanhe (the "**Investment Agreement**"), pursuant to which, among others, Beijing Chesheng subscribed for 12,789,844 shares and Zhuhai Wanhe subscribed for 21,316,406 shares issued by XXF Group. The share capital of XXF Group was increased to RMB375,168,750 divided into 375,168,750 shares. See "**[REDACTED]** investments" below in this section for details.

In order to realise part of their respective investments in XXF Group, Hangzhou Chain Reaction and Mr. Pan Qiu transferred shares held in XXF Group to the following transferees including certain existing shareholders. The relevant consideration was determined with reference to the then valuation of XXF Group and/or the investment cost in XXF Group and was fully settled by March 2019. The details of the transfers are set out as below:

Name of transferor	Name of transferee	Number of shares	Consideration (*RMB*)	Date of agreement
Hangzhou Chain Reaction	Zhuhai Wanhe	21,316,406	50,000,000	27 November 2018
	Yang Yufen	3,751,688	8,800,000	31 December 2018
	Mao Lin	1,500,000	3,518,417	31 December 2018
	Fuzhou Shenghui	7,503,375	17,600,000	31 December 2018
	Mr. Huang	4,263,281	10,000,000	28 February 2019
Pan Qiu	Fuzhou Bojia	2,900,000	5,101,680	2 February 2019

Subsequent to the above share transfers and immediately prior to the acquisition by XXF HK, the share capital of XXF Group was RMB375,168,750 which has been fully paid up. See the corporate and shareholding structure of our Group under "Reorganisation" below in this section for further details.

The registered capital of XXF Group was increased to RMB390,168,750 by way of capital injection by XXF HK of RMB15,000,000 on 17 August 2020, and further increased to RMB410,168,750 by way of capital injection by XXF HK of RMB20,000,000 on 18 June 2021, both of which have been fully paid up.

Taoqi Internet

Taoqi Internet was established in the PRC as a limited liability company on 29 June 2015 with an initial registered capital of RMB10,000,000. Taoqi Internet is primarily engaged in software platform development and automobile-related services and is wholly owned by XXF Group since its establishment.

On 8 May 2018, the registered capital of Taoqi Internet was increased to RMB50.0 million, which had been fully paid up as at the Latest Practicable Date.

Fujian Heqi

Fujian Heqi was established in the PRC as a limited liability company on 22 June 2016 with an initial registered capital of RMB50,000,000. Fujian Heqi is primarily engaged in auto-insurance agency business and is wholly owned by XXF Group since its establishment.

On 14 June 2017, the registered capital of Fujian Heqi was decreased to RMB10,000,000. Since September 2019, Fujian Heqi ceased to provide auto-insurance agency services as part of the business consolidation plan of our Group.

Fujian Qoocar

Fujian Qoocar was established in the PRC as a limited liability company on 14 July 2017 with an initial registered capital of RMB10,000,000. Fujian Qoocar is primarily engaged in provision of after-sales services to car users through 52 Car APP and is wholly owned by XXF Group since its establishment.

Fujian ZyooCar

Fujian ZyooCar was established in the PRC as a limited liability company on 30 November 2017 with an initial registered capital of RMB50,000,000. Fujian ZyooCar is primarily engaged in new energy car-sharing business. Since its establishment, Fujian ZyooCar is owned as to 51% by XXF Group and 49% by Ningde Transport Investment Group Company Limited* (寧德市交通投資集團有限公司), an Independent Third Party.

Fujian Xidi

Fujian Xidi was established by XXF Group in the PRC as a limited liability company on 14 September 2018 with an initial registered capital of RMB170,000,000. Fujian Xidi is primarily engaged in automobile lease solutions for e-hailing vehicles.

On 21 January 2019, in connection with the business cooperation arrangement with Beijing Chesheng, one of our **[REDACTED]** Investors, XXF Group transferred approximately 5.88% of equity interest in Fujian Xidi to Beijing Chesheng at the consideration of RMB10,000,000. The consideration was determined after arm's length negotiation with reference to the registered capital of Fujian Xidi at the time of such transfer and was fully settled on 23 April 2019. Upon completion of such transfer, Fujian Xidi became owned as to approximately 94.12% by XXF Group and approximately 5.88% by Beijing Chesheng.

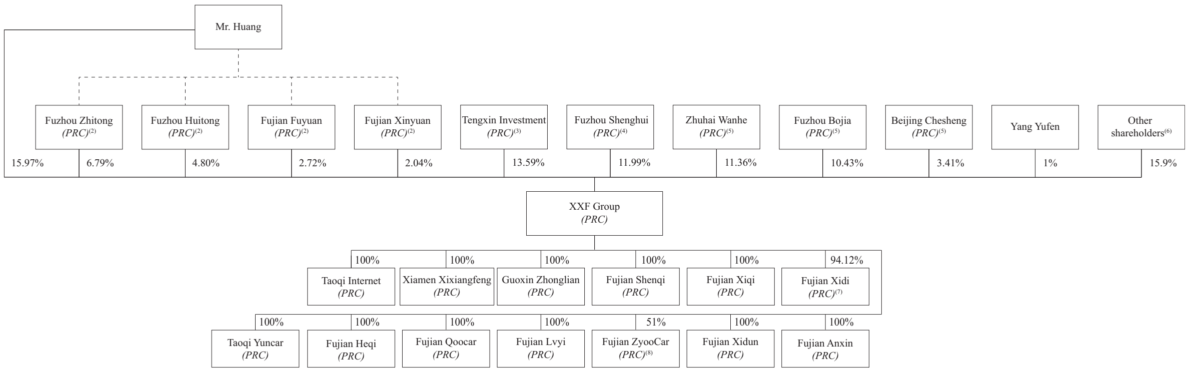
As part of the Reorganisation, the entire equity interest held by Beijing Chesheng was subsequently acquired by XXF Group. As a result, Fujian Xidi became wholly owned by XXF Group. For further details, please refer to the paragraph below headed "— Reorganisation" in this section.

As at the Latest Practicable Date, the registered capital of Fujian Xidi was fully paid up.

REORGANISATION

In anticipation of the **[REDACTED]**, we undertook a restructuring exercise whereupon our Company became the **[REDACTED]** vehicle of our Group and the holding company of our business operations.

The following chart sets out our Group's corporate and shareholding structure immediately before 30 April 2019:



Notes:

1. Certain percentage figures included in the chart above were subject to rounding adjustments. Accordingly, the total percentage figures may not be equal to an arithmetic aggregation of the individual figures.

2. Each of Fuzhou Zhitong, Fuzhou Huitong, Fujian Fuyuan and Fujian Xinyuan is controlled by Mr. Huang as the executive partner and general partner. As at the Latest Practicable Date,

   (i) Fuzhou Zhitong is a limited partnership controlled by Mr. Huang as the executive partner and general partner (who owned approximately 19.14% of its partnership interests), and has 16 other limited partners, whose names, respective partnership interests held in Fuzhou Zhitong and relationships with our Company, if any, are set out below:

Name of limited partner	Approximate partnership interests held in Fuzhou Zhitong (%)	Relationship with our Company
Ou Wenqing	29.41	Independent Third Party
Wang Youbin	8.82	Independent Third Party
Wang Jie	7.40	Independent Third Party
Zheng Ying	5.88	Independent Third Party
Chen Huaxing	4.20	Independent Third Party
Xu Zhijun	3.53	Independent Third Party
Fang Jianzhong	3.00	Independent Third Party
Ruan Jianrui	3.00	Independent Third Party
Chen Xiong	3.00	an employee of our Group
Gao Liping	3.00	Independent Third Party
Lin Xinsheng	2.94	an employee of our Group
Zheng Huarong	2.00	Independent Third Party
Fang Miao	1.50	Independent Third Party
Zhang Xiping	1.41	Independent Third Party
Yuan Juan	0.88	Independent Third Party
Tang Haijian	0.88	Independent Third Party

   (ii) Fuzhou Huitong is a limited partnership controlled by Mr. Huang as the executive partner and general partner (who owned approximately 90.92% of its partnership interests), and has four other limited partners, whose names, respective partnership interests held in Fuzhou Huitong and relationships with our Company, if any, are set out below:

Name of limited partner	Approximate partnership interests held in Fuzhou Huitong (%)	Relationship with our Company
Qiu Guohu	4.15	director of Fujian Xidun
Lin Jingfang	3.26	former employee of our Group
Chen Chenhua	0.83	former director of Fujian ZyooCar
Chen Fen	0.83	former employee of our Group

(iii) Fujian Fuyuan is a limited partnership controlled by Mr. Huang as the executive partner and general partner (who owned approximately 14.69% of its partnership interests), and has five other limited partners, whose names, respective partnership interests held in Fujian Fuyuan and relationships with our Company, if any, are set out below:

Name of limited partner	**Approximate partnership interests held in Fujian Fuyuan (%)**	**Relationship with our Company**
Guo Hongzhi	43.89	**[REDACTED]** Investor
Ye Fuwei	25.00	executive Director
Qiu Guohu	6.13	director of Fujian Xidun
Liu Guangyao	5.88	an employee of our Group
Xie Guotao	4.41	former employee of our Group

(iv) Fujian Xinyuan is a limited partnership controlled by Mr. Huang as the executive partner and general partner (who owned approximately 53.16% of its partnership interests), and has six other limited partners, whose names, respective partnership interests held in Fujian Xinyuan and relationships with our Company, if any, are set out below:

Name of limited partner	**Approximate partnership interests held in Fujian Xinyuan (%)**	**Relationship with our Company**
Ye Ying	13.89	director of Taoqi Internet
Gao Jinwen	13.89	Independent Third Party
Zhang Jinghua	8.11	executive Director
Lin Yanfeng	6.15	an employee of our Group
Chen Chenhua	3.27	former director of Fujian ZyooCar
Chen Fen	1.53	former employee of our Group

3. Tengxin Investment is owned as to 75%, 10%, 10% and 5% by Mr. Teng Yongxiong, Mr. Teng Yongyan, Mr. Teng Yongwei and Mr. Teng Yongzhuang, respectively, each an Independent Third Party.

4. Fuzhou Shenghui is owned as to approximately 4.48% by Mr. Liu Wei, our non-executive Director, and approximately 95.52% by father of Mr. Liu Wei.

5. Each of Fuzhou Bojia, Zhuhai Wanhe and Beijing Chesheng is an Independent Third Party.

6. The remaining equity interests of XXF Group are held by 11 shareholders detailed as below, all of whom are Independent Third Parties. Among such shareholders, Hangzhou Chain Reaction, Good Hope Chehang and Good Hope Investment are under the common control of an Independent Third Party.

Name of shareholder	Number of shares	Approximate shareholding percentage
Hangzhou Chain Reaction	16,235,250	4.33%
Chen Jia	8,250,000	2.20%
Good Hope Chehang	6,821,250	1.82%
Good Hope Investment	6,821,250	1.82%
Liu Donghu	5,998,500	1.60%
Pan Qiu	5,500,000	1.47%
Mao Lin	4,125,000	1.10%
Li Huan	2,401,500	0.64%
Lin Yanfeng	1,950,000	0.52%
Ye Fuwei	900,000	0.24%
Liu Hao	600,000	0.16%

7. The remaining interest of Fujian Xidi was held by Beijing Chesheng, an Independent Third Party and our **[REDACTED]** Investor.

8. The remaining equity interest of Fujian ZyooCar was held by Ningde Transport Investment Group Company Limited* (寧德市交通投資集團有限公司), an Independent Third Party (by virtue of Fujian ZyooCar being an insignificant subsidiary of our Company as defined under the Listing Rules).

Incorporation of our Company and the increase of the authorised share capital

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 29 March 2019 to act as the holding company of our Group. The initial authorised share capital of our Company was HK$380,000 divided into 38,000,000 Shares of HK$0.01 each. Upon incorporation, one Share, representing the then entire issued share capital of our Company, was issued and allotted to the initial subscriber and such Share was transferred to Glorypearl Capital, a company incorporated in BVI and wholly owned by Mr. Huang, on the same day.

On 30 August 2019, our Company increased its authorised share capital from HK$380,000 divided into 38,000,000 Shares of HK$0.01 each to HK$10,000,000 divided into 1,000,000,000 Shares of HK$0.01 each by the creation of an additional 962,000,000 Shares of HK$0.01 each.

Incorporation of offshore subsidiaries

Celestial Bonanza was incorporated in the BVI as a limited liability company on 8 March 2019. On 30 April 2019, one share of Celestial Bonanza was issued and allotted at par value to our Company. Upon completion of such allotment, Celestial Bonanza became a direct wholly-owned subsidiary of our Company.

XXF HK was incorporated in Hong Kong as a limited liability company on 2 May 2019 with one share of HK$1.00 issued and allotted to the initial subscriber on the same day. On 9 May 2019, such one share of XXF HK was transferred to Celestial Bonanza at the consideration of HK$1.00. Upon completion of such transfer, XXF HK became an indirect wholly-owned subsidiary of our Company.

Conversion of XXF Group to a foreign-invested company

On 26 March 2019, XXF Group passed a shareholders' resolution to approve, among other matters, the conversion of XXF Group from a joint stock company with limited liability into a limited liability company. Upon completion of such conversion, the registered capital of XXF Group was RMB375,168,750 and its shareholding structure remained unchanged.

On 30 April 2019, Good Hope Investment and Well Creative Investment Limited (麗創投資有限公司) ("**Well Creative**"), a company wholly owned by Prosper United Holdings Limited (合興控股有限公司) ("**Prosper United**") which is in turn wholly owned by Ms. Choo Beng Hiang, an Independent Third Party, entered into an equity transfer agreement, pursuant to which Good Hope Investment agreed to transfer approximately 1.82% equity interest in XXF Group to Well Creative at the consideration of RMB16 million. Such consideration was determined with reference to the then valuation of XXF Group assessed by an independent valuer and was fully settled in August 2019. Please refer to the section headed "— **[REDACTED]** Investments" below for further details of the investment by Ms. Choo Beng Hiang.

Acquisition of XXF Group by XXF HK

During the period from 27 August 2019 to 28 November 2019, XXF HK acquired the entire equity interest in XXF Group from the then registered shareholders of XXF Group at the total consideration of RMB384,347,500, which was determined with reference to the paid-up share capital of XXF Group and/or their investment cost in XXF Group. As a result, XXF Group became a wholly foreign-owned enterprise and was wholly owned by XXF HK.

Restructuring of Fujian Xidi

On 2 December 2019, as part of the reorganisation, Beijing Chesheng transferred approximately 5.88% of equity interest in Fujian Xidi to XXF Group at a consideration of RMB20,000,000 which was determined with reference to the then valuation of Fujian Xidi assessed by an independent valuer.

Allotment of Shares

As part of the Reorganisation, our Company issued and allotted an aggregate of 375,168,749 Shares to the following Shareholders, the consideration of which was determined with reference to the respective capital contributions or investment costs by their respective beneficial owners in XXF Group.

Name of Shareholder	Name of beneficial owner	Number of Shares	Consideration of the newly issued Shares *(RMB or HK$ equivalent)*	Date of Shares allotment	Approximate shareholding upon completion of the Reorganisation and the [REDACTED] Investments *(%)*
Glorypearl Capital	Mr. Huang	59,913,280	59,913,280	30 August 2019	15.40
Lucky League Limited 瑞盟有限公司 ("**Lucky League**")	Chen Jia	8,250,000	8,250,000	30 August 2019	2.12
Gold Chest Investments Limited 金庫投資有限公司 ("**Gold Chest**")	Liu Donghu	5,998,500	5,998,500	30 August 2019	1.54
Regency Gem Limited 帝寶有限公司 ("**Regency Gem**")	Pan Qiu	5,500,000	5,500,000	30 August 2019	1.41
Amazing Gold Holdings Limited 讚金控股有限公司 ("**Amazing Gold**")	Mao Lin	4,125,000	4,125,000	30 August 2019	1.06
Fortune Strength Developments Limited 力鑫發展有限公司 ("**Fortune Strength**")	Yang Yufen	3,751,688	3,751,688	30 August 2019	0.96
Fantastic Fame International Limited 妙譽國際有限公司 ("**Fantastic Fame**")	Li Huan	2,401,500	2,401,500	30 August 2019	0.62
Jade Mount Global Limited 玉峰環球有限公司 ("**Jade Mount**")	Lin Yanfeng	1,950,000	1,950,000	30 August 2019	0.50
Billion Aspire Holdings Limited 億啟控股有限公司 ("**Billion Aspire**")	Ye Fuwei	900,000	900,000	30 August 2019	0.23
Southern Excellence Investments Limited 卓南投資有限公司 ("**Southern Excellence**")	Liu Hao	600,000	600,000	30 August 2019	0.15
Prosperous Splendor	Liu Wei as to 4.48% and his father as to 95.52%	45,003,375	45,003,375	16 October 2019	11.57
Prosper United	Choo Beng Hiang	6,821,250	16,000,000	8 November 2019	1.75
Ideal Stand Ventures Management Limited ("**Ideal Stand**")	Tengxin Investment	51,000,000	51,000,000	2 December 2019	13.11

Name of Shareholder	Name of beneficial owner	Number of Shares	Consideration of the newly issued Shares *(RMB or HK$ equivalent)*	Date of Shares allotment	Approximate shareholding upon completion of the Reorganisation and the [REDACTED] Investments *(%)*
Brown Oak Holdings Limited ("**Brown Oak**")	Zhuhai Wanhe Jinhua Asset Management Co., Ltd.* (珠海萬和錦華資產管理有限公司) ("**Wanhe Jinhua**")(1)	42,632,812	42,632,812	2 December 2019	10.96
Charming Tulip Holdings Limited ("**Charming Tulip**")	Shanghai Xuante(2)	39,125,000	39,125,000	2 December 2019	10.06
Precious Luck	Shanghai Boyu(3)	33,150,000	33,150,000	2 December 2019	8.52
Happy Gain	Shanghai Bo Yu(4)	18,000,000	18,000,000	2 December 2019	4.63
Direct Solution	an Independent Third Party under the common control with Hangzhou Chain Reaction	16,235,250	16,235,250	2 December 2019	4.17
Hit Drive Limited ("**Hit Drive**")	an Independent Third Party under the common control with Beijing Chesheng	12,789,844	12,789,844	2 December 2019	3.29
Southern Fortune	Shanghai Boyun(5)	10,200,000	10,200,000	2 December 2019	2.62
Mega Galaxy Enterprises Limited ("**Mega Galaxy**")	an Independent Third Party under the common control with Good Hope Chehang	6,821,250	6,821,250	2 December 2019	1.75

Notes:

(1) Wanhe Jinhua controls Zhuhai Wanhe as its executive partner and general partner.

(2) As at the date of Shares allotment, Charming Tulip was wholly owned by Shanghai Xuante, which was in turn wholly owned by Fuzhou Bojia. The equity interest in Shanghai Xuante was subsequently transferred to Fuzhou Bojia's shareholders following the deregistration of Fuzhou Bojia on 7 February 2021. Upon completion of such transfer, Charming Tulip became indirectly owned as to approximately 47.18% by Ms. Qiu Hui, 32.27% by Mr. Lin Dachun, 10.96% by Mr. Huang Jianqing and 9.59% by Mr. Wang Yueren, all being Independent Third Parties.

(3) Shanghai Boyu is a limited partnership controlled by Weichuang Hongjing as the executive partner and general partner (which owned approximately 0.025% of its partnership interest), and has two other limited partners, whose names and respective partnership interests held in Shanghai Boyu are set out below:

Name of partner	**Approximate partnership interests held in Shanghai Boyu (%)**
Fuzhou Zhitong	76.90
Fujian Xinyuan	23.075

Weichuang Hongjing is owned as to 99% by Mr. Huang and 1% by Fuzhou Zhitong. Each of Fuzhou Zhitong and Fujian Xinyuan is controlled by Mr. Huang as the executive partner and general partner. See note 2 under "Reorganisation" above in this section for details of the limited partners of Fuzhou Zhitong and Fujian Xinyuan and their respective interests therein. Save as disclosed in note 2 under "Reorganisation" above in this section, there was no other past or present relationship between each of Fuzhou Zhitong and Fujian Xinyuan and our Company, its subsidiaries, shareholders, directors, senior management, and any of their respective associates.

(4) Shanghai Bo Yu is a limited partnership controlled by Weichuang Xingsheng as the executive partner and general partner (which owned approximately 0.05% of its partnership interest), and has one limited partner, Fuzhou Huitong, which owned approximately 99.95% of its partnership interest. Weichuang Xingsheng is wholly owned by Mr. Huang. Fuzhou Huitong is controlled by Mr. Huang as the executive partner and general partner. See note 2 under "Reorganisation" above in this section for details of the limited partners of Fuzhou Huitong and their respective interest therein. Save as disclosed in note 2 under "Reorganisation" above in this section, there was no other past or present relationship between Fuzhou Huitong and our Company, its subsidiaries, shareholders, directors, senior management, and any of their respective associates.

(5) Shanghai Boyun is a limited partnership controlled by Fujian Fuyuan as the executive partner and general partner (which owned approximately 99.95% of its partnership interest), and has one limited partner, Fuzhou Weichuang Shengfu Enterprise Management Co., Ltd.* (福州偉創盛富企業管理有限公司) ("**Weichuang Shengfu**") which owned approximately 0.05% of its partnership interest. Fujian Fuyuan is controlled by Mr. Huang as the executive partner and general partner. Weichuang Shengfu is wholly-owned by Mr. Ye Fuwei, our executive Director. See note 2 under "Reorganisation" above in this section for details of the partners of Fujian Fuyuan and their respective interests therein. Save as disclosed in note 5, there was no other past or present relationship between Weichuang Shengfu and our Company, its subsidiaries, shareholders, directors, senior management, and any of their respective associates.

Deregistration of Fujian Anxin

As part of the Reorganisation, we applied for deregistration of Fujian Anxin on 22 November 2019, which was wholly owned by XXF Group and had not been in business operation since its establishment, due to a change in our business plans. It was deregistered on 9 July 2020. Our Directors have confirmed that Fujian Anxin had no material non-compliances with applicable rules and regulations in the PRC during the Track Record Period, and as at the Latest Practicable Date, there were no outstanding claims or liabilities against Fujian Anxin and there were no outstanding claims or liabilities against our Group in connection with the deregistration of Fujian Anxin.

Deregistration of Fujian Xiyun

As part of the Reorganisation, we applied for deregistration of Fujian Xiyun on 9 March 2022, which was wholly owned by XXF Group and had not been in business operation since its establishment, due to a change in our business plans. It was deregistered on 31 March 2022. Our Directors have confirmed that Fujian Xiyun had no material non-compliances with applicable rules and regulations in the PRC during the Track Record Period, and as at the Latest Practicable Date, there were no outstanding claims or liabilities against Fujian Xiyun and there were no outstanding claims or liabilities against our Group in connection with the deregistration of Fujian Xiyun.

[REDACTED] INVESTMENTS

Summary of [REDACTED] Investments

Beijing Chesheng, Zhuhai Wanhe, Ms. Yang Yufen (楊豫芬), Ms. Mao Lin (毛琳), Fuzhou Shenghui, Fuzhou Bojia, Mr. Guo Hongzhi and Ms. Choo Beng Hiang (朱孟香) are collectively referred to as the "**[REDACTED]** Investors" and the investments made by the **[REDACTED]** Investors are collectively referred to as the "**[REDACTED]** Investments". During the Track Record Period and prior to the Reorganisation, with a view to realise their respective investments in XXF Group, certain shareholders of XXF Group transferred their respective interests in XXF Group to the relevant **[REDACTED]** Investors, details of which are set out in "Investments in XXF Group" below. In addition, Beijing Chesheng subscribed additional shares of XXF Group as part of the **[REDACTED]** Investments. For further details, see "Subscription of additional new Shares by Beijing Chesheng" below.

Investments in XXF Group

On 27 November 2018, Beijing Chesheng, XXF Group and all its then shareholders entered into a capital increase agreement, pursuant to which, among others, Beijing Chesheng subscribed for 12,789,844 shares, representing approximately 3.4091% of the enlarged share capital of XXF Group, at the consideration of RMB30 million. Such consideration was determined with reference to the then valuation of XXF Group.

On 27 November 2018, Zhuhai Wanhe, XXF Group and its then shareholders entered into the Investment Agreement, pursuant to which (i) Zhuhai Wanhe subscribed for 21,316,406 shares, representing approximately 5.6818% of the enlarged share capital of XXF Group, at the consideration of RMB50 million; and (ii) Hangzhou Chain Reaction transferred 21,316,406 shares of XXF Group to Zhuhai Wanhe at a consideration of RMB50 million. Such considerations were determined with reference to the then valuation of XXF Group.

On 31 December 2018, Ms. Yang Yufen (楊豫芬) entered into a share transfer agreement with Hangzhou Chain Reaction, pursuant to which Hangzhou Chain Reaction transferred 3,751,688 shares of XXF Group to Ms. Yang Yufen at the consideration of RMB8.8 million. Such consideration was determined with reference to the then valuation of XXF Group.

On 31 December 2018, each of Ms. Mao Lin (毛琳) and Fuzhou Shenghui entered into a share transfer agreement with Hangzhou Chain Reaction, pursuant to which Hangzhou Chain Reaction agreed to transfer 1,500,000 shares of XXF Group to Ms. Mao Lin and 7,503,375 shares of XXF Group to Fuzhou Shenghui at the consideration of RMB3.5 million and RMB17.6 million, respectively. Such considerations were determined with reference to the then valuation of XXF Group. Following such investments, Ms. Mao Lin and Fuzhou Shenghui held in aggregate 4,125,000 and 45,003,375 shares of XXF Group, respectively.

On 2 February 2019, Fuzhou Bojia and Mr. Pan Qiu entered into a share transfer agreement, pursuant to which Mr. Pan Qiu agreed to transfer 2,900,000 shares of XXF Group to Fuzhou Bojia at the consideration of RMB5.1 million which was determined with reference to the then valuation of XXF Group and his investment cost in XXF Group. Following such investment, Fuzhou Bojia held in aggregate 39,125,000 shares of XXF Group.

Fujian Fuyuan held 10,200,000 Shares in XXF Group, and was held as to 53.67% by Mr. Huang as general partner and 46.33% by the limited partners as at 31 December 2018. On 10 January 2019, Mr. Guo Hongzhi and Mr. Huang entered into a share of property transfer agreement (財產份額轉讓協議), pursuant to which Mr. Huang agreed to transfer 43.8867% interest in Fujian Fuyuan to Mr. Guo Hongzhi at the consideration of RMB10.5 million. Such consideration was determined with reference to the then valuation of XXF Group and the interest held by Fujian Fuyuan in XXF Group.

On 30 April 2019, Well Creative, a company indirectly wholly owned by Ms. Choo Beng Hiang, entered into an equity transfer agreement with Good Hope Investment, pursuant to which Good Hope Investment agreed to transfer approximately 1.82% equity interest of XXF Group to Well Creative at the consideration of RMB16 million. Such consideration was determined with reference to the then valuation of XXF Group assessed by an independent valuer.

As part of the Reorganisation, we issued and allotted new Shares to the offshore holding vehicles of such investors during the period from 30 August 2019 to 2 December 2019 subsequent to the acquisitions of their respective equity interests in XXF Group by XXF HK. Please see the paragraph headed "— Reorganisation — Allotment of Shares" above.

Subscription of additional new Shares by Beijing Chesheng

As part of the **[REDACTED]** Investments, on 2 December 2019, Hit Drive Limited, a company under the common control with Beijing Chesheng as its offshore holding vehicle, subscribed for 6,821,250 Shares for a consideration of RMB20.0 million or an equivalent amount in Hong Kong dollars, which was determined with reference to the then valuation of our Group. On 21 June 2021, Hit Drive Limited further subscribed for 6,945,273 Shares for a consideration of RMB20.0 million or an equivalent amount in Hong Kong dollars, which was determined with reference to the then valuation of our Group.

The table below sets out details of the above investments:

	Beijing Chesheng			Zhuhai Wanhe	Ms. Yang Yufen	Ms. Mao Lin	Fuzhou Shenghui	Fuzhou Bojia[2]	Mr. Guo Hongzhi[3]	Ms. Choo Beng Hiang
Date of the agreement	27 November 2018	18 November 2019	10 June 2021	27 November 2018	31 December 2018	31 December 2018	31 December 2018	2 February 2019	10 January 2019	30 April 2019
Consideration paid	RMB30 million	RMB20 million or an equivalent amount in Hong Kong dollars	RMB20 million or an equivalent amount in Hong Kong dollars	RMB100 million	RMB8.8 million	RMB3.5 million	RMB17.6 million	RMB5.1 million	RMB10.5 million	RMB16 million
Payment date	7 December 2018	2 December 2019	18 June 2021	26 June 2019	4 January 2019	2 January 2019	7 January 2019	12 March 2019	28 December 2018	16 August 2019
Investment cost per Share[1]	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Discount to the **[REDACTED]**	N/A[4]	N/A[4]	N/A[4]	N/A[4]	N/A[4]	N/A[4]	N/A[4]	N/A[4]	N/A[4]	N/A[4]
Use of proceeds	As confirmed by our Directors, the proceeds received have been utilised for Fujian Xidi or other commercial cooperation with Beijing Chesheng through Fujian Xidi. Our Directors confirmed that as at the Latest Practicable Date, such proceeds had been fully utilised.	As confirmed by our Directors, the proceeds received will be utilised for our daily operations and working capital. Our Directors confirmed that as at the Latest Practicable Date, such proceeds had been fully utilised.	As confirmed by our Directors, the proceeds received will be utilised for our daily operations and working capital. Our Directors confirmed that as at the Latest Practicable Date, such proceeds had been fully utilised.	As confirmed by our Directors, the proceeds of RMB50 million received from the subscription of shares of XXF Group have been utilised for the daily operations, business development and working capital of XXF Group, unless otherwise approved by the board or general meeting of XXF Group in the form of special resolutions. Our Directors confirmed that as at the Latest Practicable Date, such proceeds had been fully utilised. Our Directors further confirmed that our Company did not receive the remaining proceeds of RMB50 million as a result of the relevant equity transfer.	Our Directors further confirmed that our Group did not receive any proceeds as a result of the relevant equity transfers					
Strategic benefits	Our Directors are of the view that we benefit from the additional funding, the synergy generated by combining our operations with Beijing Chesheng's expertise and network in the e-hailing market, the resources and industry experiences and the value added to our profile from Beijing Chesheng, being a party connected to a leading mobile transportation platform.			Our Directors are of the view that we benefit from the additional funding, the synergy generated by combining the resources and expertise of the parties, the industry experiences and the value added to our profile, as Zhuhai Wanhe is controlled by a famous private equity fund.	Our Directors are of the view that we benefit from our shareholders' knowledge, experience and also their commitment to our Group as their investments demonstrate their confidence in our operation and serve as endorsements of our performance, strengths and growth prospects, and has added value to our Group including boosting our Shareholder base.					
Interest in our Shares in respect of the **[REDACTED]** investment immediately upon the completion of the **[REDACTED]** and the **[REDACTED]**	**[REDACTED]**%	**[REDACTED]**%	**[REDACTED]**%	**[REDACTED]**%	**[REDACTED]**%	**[REDACTED]**%	**[REDACTED]**%	**[REDACTED]**%	**[REDACTED]**%	**[REDACTED]**%

Notes:

1. Being the cost of the **[REDACTED]** Investments per Share immediately after the **[REDACTED]** and the **[REDACTED]**.

2. Fuzhou Bojia held its interest in our Company indirectly through Shanghai Xuante. Following the deregistration of Fuzhou Bojia on 7 February 2021, the equity interest in Shanghai Xuante was subsequently transferred to Fuzhou Bojia's shareholders.

3. Mr. Guo Hongzhi holds interests in our Company indirectly through Fujian Fuyuan, which is the executive partner and general partner of Shanghai Boyun. For details, please refer to the note 4 to the corporate and shareholding structure of our Group under "(1) Immediately after completion of the Reorganisation but before the completion of the **[REDACTED]** and the **[REDACTED]**".

4. None of the above **[REDACTED]** Investments has a discount to the **[REDACTED]**.

As advised by our PRC Legal Advisers, (i) when the **[REDACTED]** Investments were concluded, the articles of association and the business licence of each of the corporate **[REDACTED]** Investors were in full force and in compliance with the relevant PRC laws and regulations, and (ii) the transfer of equity interests in the **[REDACTED]** Investments were duly authorised and the registered capital was duly paid by the **[REDACTED]** Investors in accordance with the articles of association of XXF Group. As advised by our PRC Legal Advisers, the **[REDACTED]** Investments were conducted in compliance with PRC laws and regulations.

Based solely on a review of the register of members of the Company and the board allotment resolutions, as advised by the Cayman Islands attorneys-at-law of the Company, the new shares issued pursuant to the following shareholders on the respective dates as set out below were prima facie validly issued and duly authorised in accordance with the then articles of association of the Company in force at the time from the Cayman Islands law perspective:

Shareholder	**Date of allotment**	**Number of Shares**
Fortune Strength	30 August 2019	3,751,688
Amazing Gold	30 August 2019	4,125,000
Prosperous Splendor	16 October 2019	45,003,375
Proposer United	8 November 2019	6,821,250
Charming Tulip	2 December 2019	39,125,000
Hit Drive	2 December 2019	12,789,844
	2 December 2019	6,821,250
	21 June 2021	6,945,273
Brown Oak	2 December 2019	42,632,812
Southern Fortune	2 December 2019	10,200,000

Background of the [REDACTED] Investors

Beijing Chesheng is a limited liability company established in the PRC, which is primarily engaged in the business of automobile finance, sales, lease and e-hailing. 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, an Independent Third Party and 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. Our Directors confirmed that we became acquainted with Beijing Chesheng in 2018 as the contact person of our supplier then became an employee of Beijing Chesheng.

Zhuhai Wanhe is a limited partnership established in the PRC controlled by Wanhe Jinhua (a wholly-owned subsidiary of SDIC RE Asset (as defined below)) as the executive partner and general partner, and has 19 other limited partners whose names and respective partnership interests held in Zhuhai Wanhe are set out below:

Name of limited partner	Approximate partnership interests held in Zhuhai Wanhe *(%)*
SDIC RE Asset Management Co., Ltd. (國彤萬和私募基金管理有限公司, formerly known as 國投萬和資產管理有限公司) ("**SDIC RE Asset**")(1)	37.03
SDIC Taikang Trust Co., Ltd. (國投泰康信託有限公司) ("**SDIC Taikang**")(1)	20.00
Fuzhou Zhongzhi Network Technology Co., Ltd.* (福州中智網絡技術有限公司) ("**Fuzhou Zhongzhi**")(2)	2.96
Shanghai Yibei Management Consulting Co., Ltd.* (上海益倍管理諮詢有限公司) ("**Shanghai Yibei**")(3)	2.78
Zhou Hexian (周和仙)	5.56
Huang Yijuan (黃義娟)	5.56
Li Jing (李靖)	4.63
Peng Fuhui (彭福惠)	3.15
Chi Xiaoqiu (池曉秋)	2.78
Huang Song (黃嵩)	2.78
Ma Feiping (馬飛萍)	2.41
Zhang Hang (張航)	1.85
Luo Yunzhong (羅雲中)	1.85
Deng Qiuming (鄧秋明)	1.85
Zhang Chao (張超)	1.11
Kong Wenbin (孔文濱)	0.93
Gong Kefan (宮克凡)	0.93
Dai Haibin (戴海彬)	0.93
Zhao Hongyun (趙紅雲)	0.93

Notes:

(1) As at the Latest Practicable Date, SDIC RE Asset was held as to 45% by SDIC Taikang as its single largest shareholder. SDIC Taikang was an indirect non wholly-owned subsidiary of SDIC Capital Co., Ltd. (國投資本股份有限公司), an investment management company listed on the Shanghai Stock Exchange (stock code: 600061).

(2) As at the Latest Practicable Date, Fuzhou Zhongzhi was owned as to approximately 66.33% by Gao Ping (高萍) and approximately 33.67% by Lin Dachun, each an Independent Third Party.

(3) As at the Latest Practicable Date, Shanghai Yibei was owned as to 90% by Guo Xinping (郭新平) and 10% by Guo Huaiyu (郭懷予), each an Independent Third Party.

Based on information publicly available and to the best knowledge of our Directors, save for the equity interest in SDIC RE Asset held by SDIC Taikang, each of the limited partners of Zhuhai Wanhe is independent from each other.

Ms. Yang Yufen (楊豫芬) is an Independent Third Party with over 11 years of experience in the pharmaceutical industry. Ms. Yang is currently a chairperson of a private company focused on the research, development, production and sales of biopharmaceuticals in the PRC. Ms. Yang became acquainted with us through Mr. Huang and Mr. Ye Fuwei during her study of EMBA at Xiamen University in the PRC.

Ms. Mao Lin (毛琳) is an Independent Third Party and an individual investor. Ms. Mao is a general manager of a private components supplier for the electrical and fire engineering projects. She became acquainted with us in 2015 through a former employee of the Group.

Fuzhou Shenghui is a company established under the laws of the PRC and owned as to approximately 4.48% by Mr. Liu Wei, our non-executive Director, and approximately 95.52% by his father. It is principally engaged in the investments in various businesses of technology services, automobile inspection and other sectors. Fuzhou Shenghui became an investor of XXF Group in May 2015 in preparation of listing of shares of XXF Group on NEEQ by XXF Group and has maintained relationship with us since then.

Fuzhou Bojia was an investment holding company established by Ms. Qiu Hui, Mr. Lin Dachun and Mr. Huang Jianqing, then shareholders of XXF Group and Independent Third Parties, to hold their interests in XXF Group. We introduced Ms. Qiu Hui, Mr. Lin Dachun and Mr. Huang Jianqing as our investors in May 2015 in preparation of listing of shares of XXF Group on NEEQ. At the time of its **[REDACTED]** investment in XXF Group, Fuzhou Bojia was owned as to approximately 47.18% by Ms. Qiu Hui, 32.27% by Mr. Lin Dachun, 10.96% by Mr. Huang Jianqing and 9.59% by Mr. Wang Yueren, all being Independent Third Parties. Shanghai Xuante was established under the laws of the PRC on 5 July 2019 and was then wholly-owned by Fuzhou Bojia. Fuzhou Bojia was subsequently deregistered on 7 February 2021 and the equity interest in Shanghai Xuante was transferred to Fuzhou Bojia's shareholders. As at the Latest Practicable Date, Shanghai Xuante was owned as to 47.18% by Ms. Qiu Hui, 32.27% by Mr. Lin Dachun, 10.96% by Mr. Huang Jianqing and 9.59% by Mr. Wang Yueren.

Mr. Guo Hongzhi (郭洪志) is an Independent Third Party having over 31 years of experience in the property industry. He is the founder and director of several companies engaged in property development, investment and other sectors. Mr. Guo became acquainted with us through Mr. Ye Fuwei during his study of EMBA at Xiamen University in the PRC.

Ms. Choo Beng Hiang (朱孟香) is an Independent Third Party having over 15 years of experience in the investment and management consultancy industry. She is currently a chairman of a private company engaged in the investment consultancy services. Ms. Choo became acquainted with us through a friend of Mr. Huang in 2013.

Special rights of the [REDACTED] Investors

Pursuant to a shareholders' agreement entered into between, among others, Beijing Chesheng, Zhuhai Wanhe and XXF Group dated 27 November 2018 (the "**Shareholder Agreement**") as supplemented by (i) two undertakings given by our Company, XXF Group and Mr. Huang dated 18 November 2019 and 10 June 2021, respectively, (ii) a first supplemental agreement entered into by, among others, Beijing Chesheng, our Company, XXF Group and Mr. Huang dated 27 January 2022, and (iii) a second supplemental agreement entered into by, among others, Beijing Chesheng, our Company, XXF Group and Mr. Huang dated 30 August 2022, Beijing Chesheng was granted certain special rights, including, among others, (i) pre-emptive rights, rights of first refusal, tag-along rights, liquidation priority, anti-dilution rights, information rights, most-favoured investment right, director appointment rights, redemption right (which was not exercisable upon the filing of the **[REDACTED]** application and will be terminated upon **[REDACTED]**, and will resume automatically only if the **[REDACTED]** application is rejected by the Stock Exchange, withdrawn or lapsed following which no re-submission is made within six months thereafter (for the avoidance of doubt, only one re-submission would be allowed)) and veto rights, none of which shall survive after **[REDACTED]**; (ii) special redemption right, which has been suspended upon the first filing of our **[REDACTED]** application to the Stock Exchange and will not survive after **[REDACTED]**; and (iii) any share transfer by any existing shareholders of our Company or XXF Group to any competitors of Beijing Chesheng, and any capital increase by our Company or XXF Group to, or acceptance of any investments by, any competitors of Beijing Chesheng shall be subject to the written consent of Beijing Chesheng, where such right will survive after **[REDACTED]** unless the Directors consider complying with such term would constitute a breach of their fiduciary duties.

Pursuant to the Shareholder Agreement and as supplemented by (i) an undertaking by our Company, XXF Group, Celestial Bonanza and Mr. Huang dated 15 November 2019 and (ii) a supplemental agreement entered into by, among others, Zhuhai Wanhe, our Company, XXF Group and Mr. Huang dated 25 August 2022, Zhuhai Wanhe was granted certain special rights, including, among others, restrictions on the introduction of new investors, pre-emptive rights, rights of first refusal, tag-along rights, liquidation priority, anti-dilution rights, information rights, most-favoured investment right, director appointment rights, redemption right (which will be terminated upon **[REDACTED]** and exercisable only if the **[REDACTED]** application is rejected by the Stock Exchange, withdrawn or lapsed following which no re-submission was made within one year thereafter) and veto rights, none of which shall survive after **[REDACTED]**.

No special rights were granted to the remaining **[REDACTED]** Investors in respect of their respective **[REDACTED]** Investments.

Lock-up

The Shares held by each of the **[REDACTED]** Investors will not be subject to any lock-up after **[REDACTED]**.

Public float

The Shares held by the **[REDACTED]** Investors will be counted as part of the public float upon **[REDACTED]** as (i) each of them is not a core connected person of our Company; (ii) the subscriptions of their respective equity interests in the Shares were not financed directly or indirectly by any core connected person of our Company; and (iii) each of them and their respective ultimate beneficial owners are not accustomed to take instructions from a core connected person in relation to the subscriptions, disposals, voting or other dispositions of securities of our Company registered in their names or otherwise held by them.

Immediately upon completion of the **[REDACTED]** and the **[REDACTED]**, 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, the Shares held by certain of our Shareholders who are, or are indirectly controlled by, our core connected persons, will not be counted towards the public float. Details of these Shareholders and their controllers as at the Latest Practicable Date are set out below:

(i) Each of Glorypearl Capital, Precious Luck, Happy Gain and Southern Fortune was controlled by Mr. Huang; and

(ii) Billion Aspire was beneficially and wholly owned by Mr. Ye Fuwei.

Save as provided above, the **[REDACTED]** Investors, other Shareholders and the public Shareholders will collectively hold approximately **[REDACTED]**% of the issued shares of our Company immediately following the **[REDACTED]** and the **[REDACTED]** 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.

Sole Sponsor's confirmation

The Sole Sponsor confirms that the **[REDACTED]** Investments by the **[REDACTED]** Investors are in compliance with the requirements of the Interim Guidance on **[REDACTED]** Investments, Guidance Letter HKEx-GL43–12 and Guidance Letter HKEx-GL44–12.

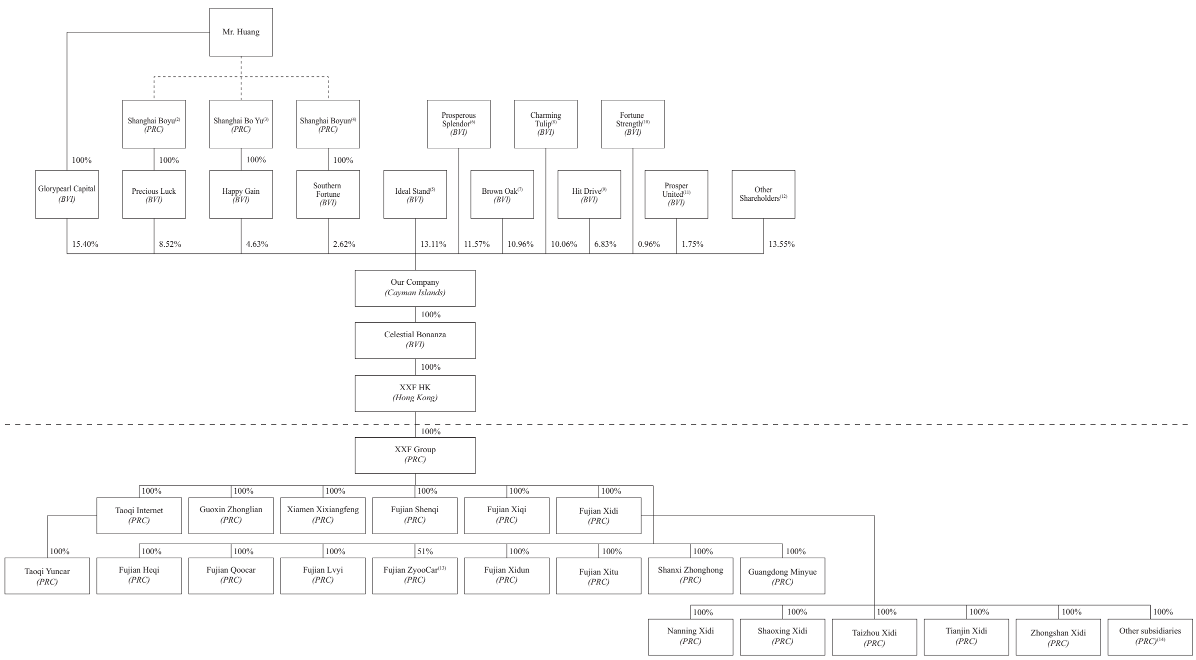
The Convertible Bond

On 27 November 2018, XXF Group as borrower entered into a convertible bond agreement with Beijing Chesheng as lender, pursuant to which Beijing Chesheng agreed to grant a loan in the principal amount of RMB60 million to XXF Group at the interest rate of 8% per annum, which is convertible into shares of XXF Group (the "**Convertible Bond**") at a fixed conversion price subject to the terms of the agreement. The aggregate principal amount of the Convertible Bond was received by XXF Group on 4 April 2019. As amended by a supplemental agreement dated 18 November 2019, Beijing Chesheng agreed not to exercise the conversion right attached to the Convertible Bond. As further amended by a supplemental agreement dated 10 June 2021, the interest payable in respect of such bond will be repaid every six month commencing from 1 July 2021 and the principal will be repaid in two instalments: (i) RMB20 million by 11 June 2021 and (ii) RMB50.76 million on 30 June 2023. Such bond is secured by a share charge of 50% equity interest in Fujian Xidi held by XXF Group and guaranteed by Mr. Huang.

CORPORATE STRUCTURE

(1) Immediately after completion of the Reorganisation but before completion of the [REDACTED] and the [REDACTED]

The following chart sets out our Group's corporate structure immediately after completion of the Reorganisation, but before completion of the **[REDACTED]** and the **[REDACTED]**:



Notes:

1. Certain percentage figures included in the chart above were subject to rounding adjustments. Accordingly, the total percentage figures may not be equal to an arithmetic aggregation of the individual figures.

2. Shanghai Boyu is a limited partnership controlled by Weichuang Hongjing as the executive partner and general partner (which owned approximately 0.025% of its partnership interest), and has two other limited partners, whose names and respective partnership interests held in Shanghai Boyu are set out below:

Name of partner	Approximate partnership interests held in Shanghai Boyu (%)
Fuzhou Zhitong	76.90
Fujian Xinyuan	23.075

Weichuang Hongjing is owned as to 99% by Mr. Huang and 1% by Fuzhou Zhitong. Each of Fuzhou Zhitong and Fujian Xinyuan is controlled by Mr. Huang as the executive partner and general partner. See note 2 under "Reorganisation" above in this section for details of the limited partners of Fuzhou Zhitong and Fujian Xinyuan and their respective interests therein. Save as disclosed in note 2 under "Reorganisation" above in this section, there was no other past or present relationship between each of Fuzhou Zhitong and Fujian Xinyuan and our Company, its subsidiaries, shareholders, directors, senior management, and any of their respective associates.

3. Shanghai Bo Yu is a limited partnership controlled by Weichuang Xingsheng as the executive partner and general partner (which owned approximately 0.05% of its partnership interest), and has one limited partner, Fuzhou Huitong, which owned approximately 99.95% of its partnership interest. Weichuang Xingsheng is wholly owned by Mr. Huang. Fuzhou Huitong is controlled by Mr. Huang as the executive partner and general partner. See note 2 under "Reorganisation" above in this section for details of the limited partners of Fuzhou Huitong and their respective interest therein. Save as disclosed in note 2 under "Reorganisation" above in this section, there was no other past or present relationship between Fuzhou Huitong and our Company, its subsidiaries, shareholders, directors, senior management, and any of their respective associates.

4. Shanghai Boyun is a limited partnership controlled by Fujian Fuyuan as the executive partner and general partner (which owned approximately 99.95% of its partnership interest), and has one limited partner, Weichuang Shengfu, which owned approximately 0.05% of its partnership interest. Fujian Fuyuan is controlled by Mr. Huang as the executive partner and general partner. Weichuang Shengfu is wholly owned by Mr. Ye Fuwei, our executive Director. See note 2 under "Reorganisation" above in this section for details of the partners of Fujian Fuyuan and their respective interests therein. Save as disclosed in note 4, there was no other past or present relationship between Weichuang Shengfu and our Company, its subsidiaries, shareholders, directors, senior management, and any of their respective associates.

5. Ideal Stand is indirectly wholly owned by Tengxin Investment, which is owned as to 75%, 10%, 10% and 5% by Mr. Teng Yongxiong, Mr. Teng Yongyan, Mr. Teng Yongwei and Mr. Teng Yongzhuang, respectively, each an Independent Third Party.

6. Prosperous Splendor is owned as to 4.48% by Mr. Liu Wei, our non-executive Director, and 95.52% by father of Mr. Liu Wei. Prosperous Splendor is the offshore holding vehicle of Fuzhou Shenghui.

7. Brown Oak is indirectly controlled by Wanhe Jinhua, which controls Zhuhai Wanhe as the executive partner and general partner. Brown Oak is the offshore holding vehicle of Zhuhai Wanhe.

8. Charming Tulip Holdings Limited is indirectly owned as to approximately 47.18% by Ms. Qiu Hui, 32.27% by Mr. Lin Dachun, 10.96% by Mr. Huang Jianqing and 9.59% by Mr. Wang Yueren.

9. Hit Drive is indirectly wholly owned by EasyCar Inc., which in turn wholly owns EasyCar (HK) Limited as well as Beijing Chesheng. Hit Drive is the offshore holding vehicle of Beijing Chesheng.

10. Fortune Strength is wholly owned by Ms. Yang Yufen, one of our **[REDACTED]** Investors and an Independent Third Party.

11. Prosper United is wholly owned by Ms. Choo Beng Hiang, one of our **[REDACTED]** Investors and an Independent Third Party.

12. The shareholding of other Shareholders in our Company is set out below:

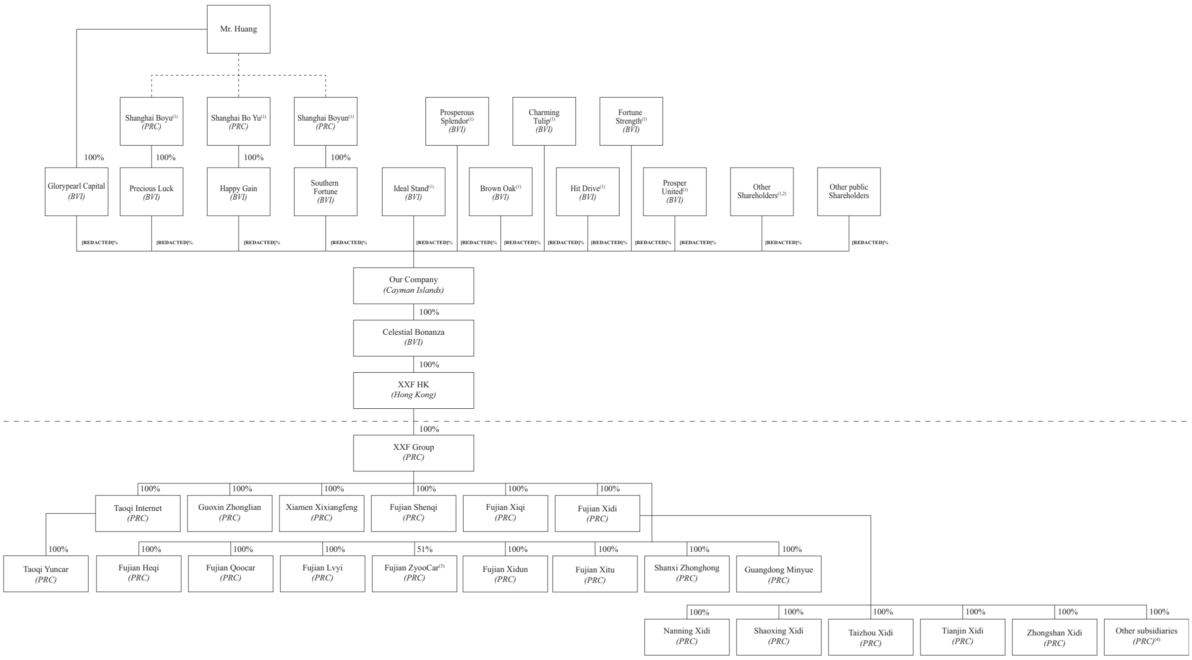
Name	Shareholding	Ultimate beneficial owner
Direct Solution	4.17%	an Independent Third Party which controls Hangzhou Chain Reaction as well as Good Hope Chehang
Lucky League	2.12%	Ms. Chen Jia, an Independent Third Party
Mega Galaxy	1.75%	an Independent Third Party which controls Good Hope Chehang as well as Hangzhou Chain Reaction
Gold Chest	1.54%	Mr. Liu Donghu, an Independent Third Party
Regency Gem	1.41%	Mr. Pan Qiu, an Independent Third Party
Amazing Gold	1.06%	Ms. Mao Lin, an Independent Third Party
Fantastic Fame	0.62%	Mr. Li Huan, an Independent Third Party
Jade Mount	0.50%	Mr. Lin Yanfeng, an employee of the Group and an Independent Third Party
Billion Aspire	0.23%	Mr. Ye Fuwei, our executive Director
Southern Excellence	0.15%	Mr. Liu Hao, an Independent Third Party

13. The remaining equity interest of Fujian ZyooCar is held by Ningde Transport Investment Group Company Limited* (寧德市交通投資集團有限公司), an Independent Third Party (by virtue of Fujian ZyooCar being an insignificant subsidiary of our Company as defined under the Listing Rules).

14. Other subsidiaries consist of seven subsidiaries, all of which were established under the laws of the PRC with no business operation and no material contribution to the Group's revenue during the Track Record Period and as at the Latest Practicable Date.

(2) Immediately after the [REDACTED] and the [REDACTED]

The following chart sets out our Group's corporate structure after completion of the Reorganisation, the **[REDACTED]** and the **[REDACTED]** (assuming that the **[REDACTED]** is not exercised and without taking into account of any Shares which may be issued pursuant to the exercise of options granted under the **[REDACTED]** Share Option Scheme or options that may be granted under the Share Option Scheme):



Notes:

1. See the respective notes to the corporate and shareholding structure of our Group under "(1) Immediately after completion of the Reorganisation but before the completion of the **[REDACTED]** and the **[REDACTED]**" above in this section.

2. The shareholding of other Shareholders in our Company is set out below:

Name	**Shareholding**
Direct Solution	**[REDACTED]**%
Lucky League	**[REDACTED]**%
Mega Galaxy	**[REDACTED]**%
Gold Chest	**[REDACTED]**%
Regency Gem	**[REDACTED]**%
Amazing Gold	**[REDACTED]**%
Fantastic Fame	**[REDACTED]**%
Jade Mount	**[REDACTED]**%
Billion Aspire	**[REDACTED]**%
Southern Excellence	**[REDACTED]**%

3. The remaining equity interest of Fujian ZyooCar is held by Ningde Transport Investment Group Company Limited* (寧德市交通投資集團有限公司), an Independent Third Party (by virtue of Fujian ZyooCar being an insignificant subsidiary of our Company as defined under the Listing Rules).

4. Other subsidiaries consist of seven subsidiaries, all of which were established under the laws of the PRC with no business operation and no material contribution to the Group’s revenue during the Track Record Period and as at the Latest Practicable Date.

[REDACTED] SHARE OPTION SCHEME

We [have] conditionally adopted the **[REDACTED]** Share Option Scheme, summary of the principal terms of which is set out in the section headed “Statutory and General Information — D. Other Information — 2. **[REDACTED]** Share Option Scheme” in Appendix V to this document.

PRC LEGAL COMPLIANCE

M&A Rules

Our PRC Legal Advisers have confirmed that the share transfers, the Reorganisation, acquisitions and disposals in the PRC in respect of the PRC companies in our Group as described above have been properly and legally completed and all regulatory approvals have been obtained in accordance with PRC laws and regulations.

According to the Regulations on Merger with and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the “**M&A Rules**”) jointly issued by the MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the SAT, the CSRC, SAIC and the SAFE on 8 August 2006, effective as at 8 September 2006 and amended on 22 June 2009, a foreign investor is required to obtain necessary approvals when it (i) acquires the equity of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (ii) subscribes the increased capital of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (iii) establishes a foreign-invested enterprise through which it purchases the assets of a domestic enterprise and operates these assets; or (iv) purchases the assets of a domestic enterprise, and then invests such assets to establish a foreign invested enterprise. The M&A Rules, among other things, further purport to require that an offshore special vehicle, or a special purpose, vehicle, formed for listing purposes and controlled directly or indirectly by PRC companies or individuals, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle’s securities on an overseas stock exchange, especially in the event that the special purpose vehicle acquires shares of or equity interests in the PRC companies in exchange for the shares of offshore companies.

Our PRC Legal Advisers are of the opinion that prior CSRC approval for this **[REDACTED]** is not required because the acquisition of XXF Group’s equity interest by our Company does not fall within the scope such acquisition by the foreign investor as stipulated under the M&A Rules.

SAFE Circular 37 and ODI Rules

Pursuant to the Circular of the SAFE on Foreign Exchange Administration of Overseas Investment, Financing and Round-trip Investments Conducted by Domestic Residents through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the "**SAFE Circular 37**"), promulgated by SAFE, a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing.

Pursuant to the Circular of the SAFE on Further Simplification and Improvement in Foreign Exchange Administration on Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》) (the "**SAFE Circular 13**"), promulgated by SAFE and became effective on 1 June, 2015, the power to accept SAFE registration was delegated from local SAFE to local banks where the assets or interest in the domestic entity was located.

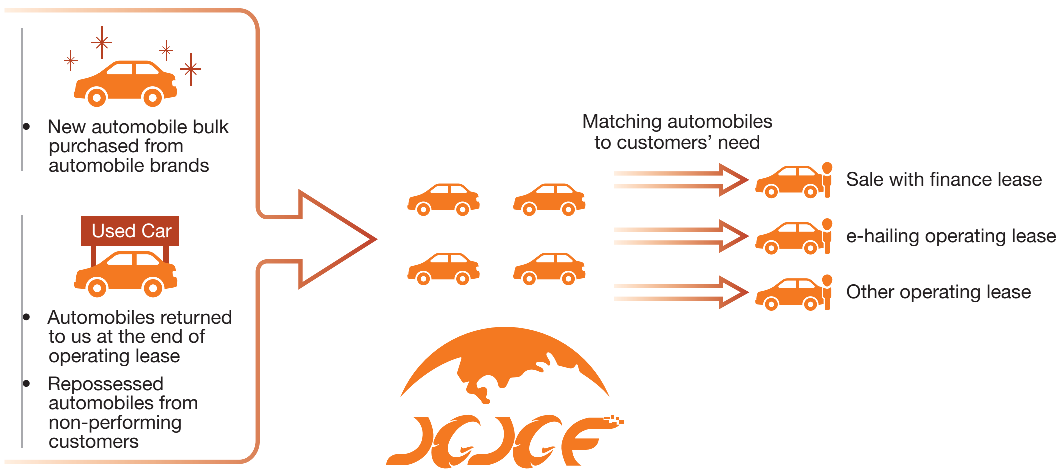
Pursuant to the Administrative Measures for the Outbound Investment of Enterprises (《企業境外投資管理辦法》) and the Measures on the Administration of Overseas Investments (《境外投資管理辦法》) (collectively, "**ODI Rules**"), promulgated by the NDRC and the MOFCOM respectively, a domestic institution shall undergo approval or record-filing or other procedure with the relevant authorities prior to its overseas investment in accordance with the provisions of the ODI Rules.

As advised by our PRC Legal Advisers, our ultimate PRC individual shareholders (as PRC residents as defined under the applicable provisions under SAFE Circular 37) have completed the registration under the SAFE Circular 37 by August 2019, and the relevant ultimate PRC corporate shareholders of our Company have completed the overseas direct investment record-filing with the local authorities in October 2019 pursuant to the ODI Rules in relation to their respective offshore investments by domestic institutions.

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

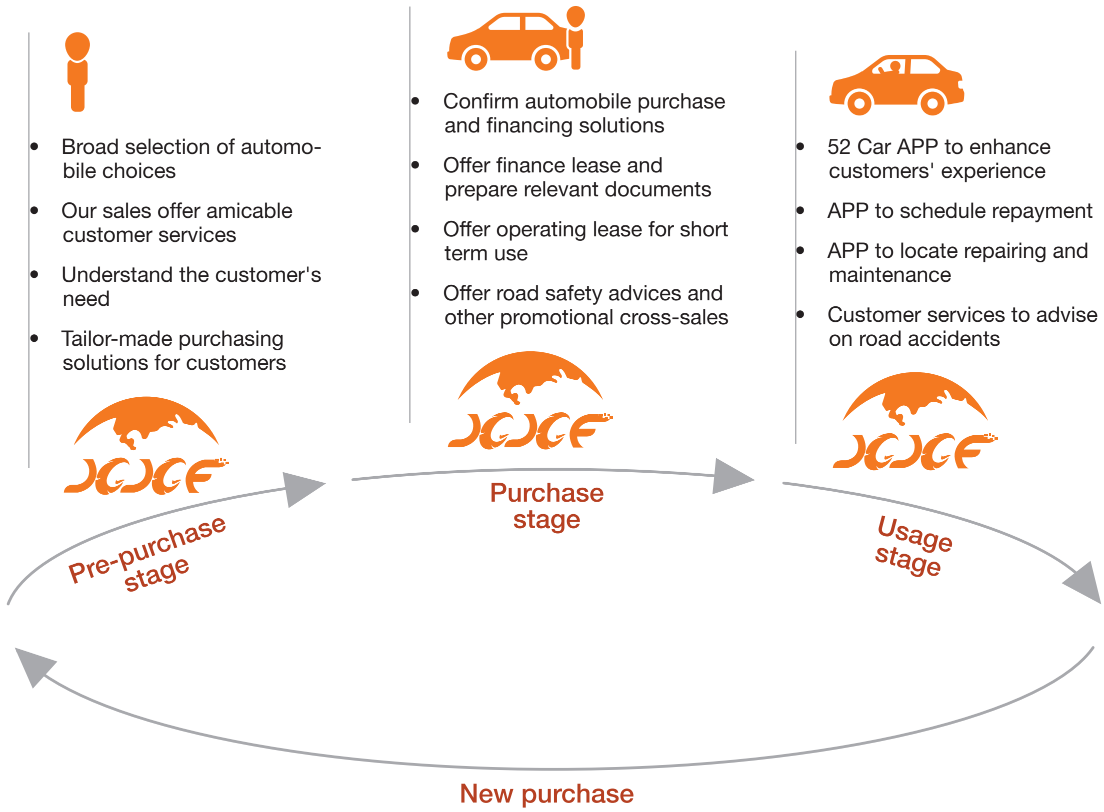
We intend to continue to enhance our risk management capabilities to protect the long term interests of our Group. As we plan to establish new sales outlets in the cities where we have little or no presence, we may be subject to risks that we have not encountered in our existing operations. To cope with 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

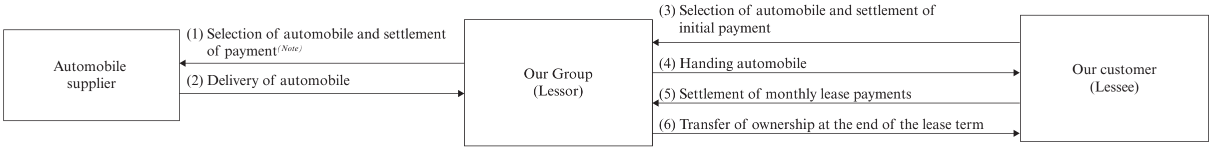
We sell automobiles, including both passenger vehicles and e-hailing vehicles, primarily under direct finance lease. We sell new automobiles purchased from automobile manufacturers and automobile dealers and also repossessed automobiles that we sold and were recovered from early terminated customers 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.

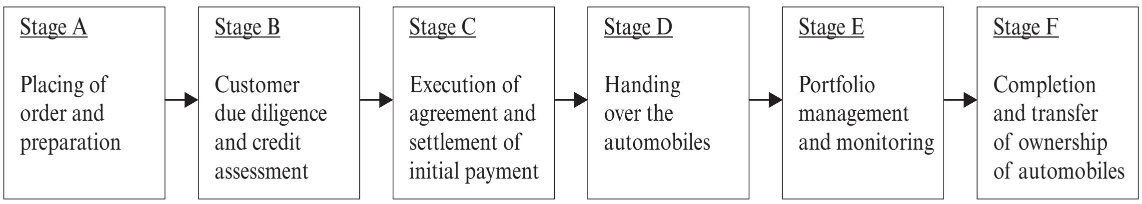
According to CIC, the average effective interest rates per annum charged by RAFLCs reflect average pricing, that is primarily affected by funding cost, risk management cost, operating cost, and profit margin. According to CIC, the effective interest rates per annum charged by RAFLCs in China in 2021 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:

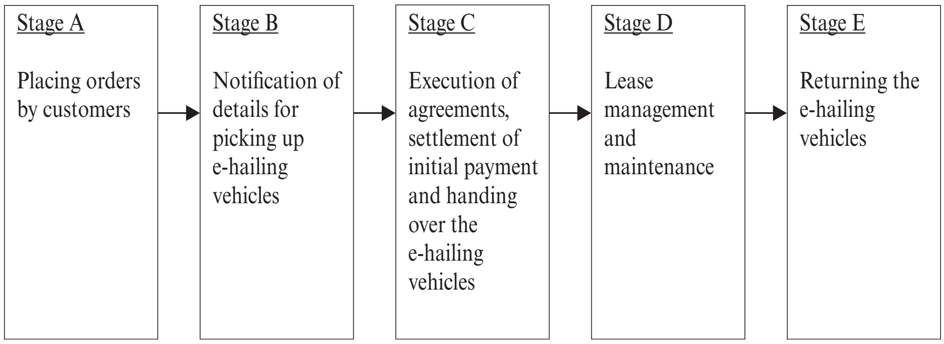
Term	:	One year
Leasing of e-hailing vehicles	:	Our Group shall list our e-hailing vehicles on the e-hailing vehicles leasing platform operated by Didi Group. The registered e-hailing drivers of Didi Group can rent our e-hailing vehicles by entering into operating lease agreements with us directly.

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

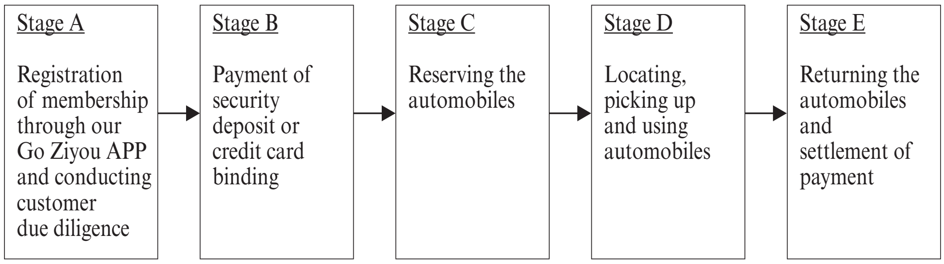
Transport Certificates for E-hailing. In addition, if the vehicle that provides the aforesaid services operates without the transport certificate for e-hailing, the e-hailing platform company or the drivers, rather than the e-hailing vehicle providers, may be ordered to make rectification or fined by 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.

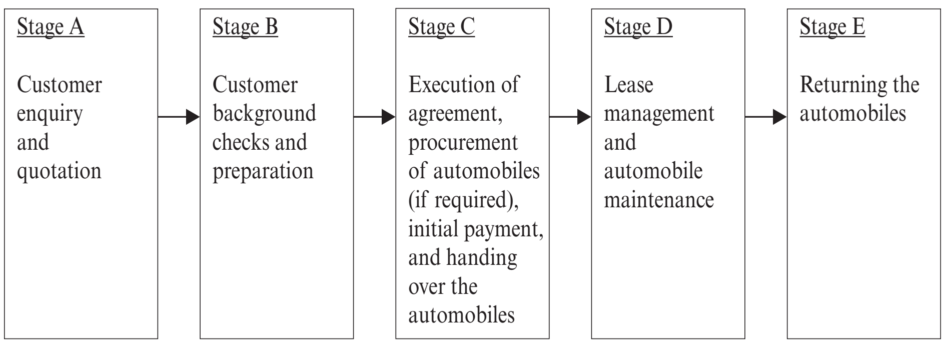
(3) Other operating lease

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

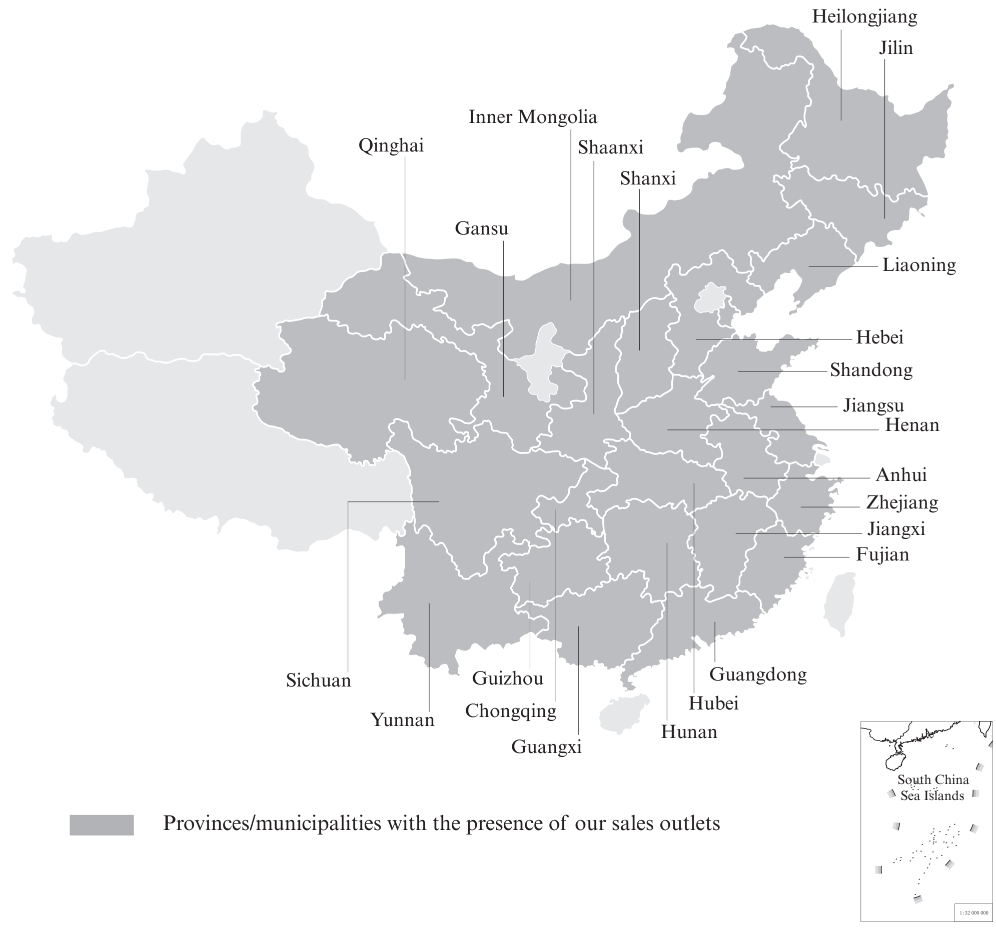
Sales

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 *RMB'000*	Percentage of total proceeds from borrowings %
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 *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 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 *(sq.m.)*	Total rent *(RMB'000)*	Term	Use of premises
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横路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横路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横路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.

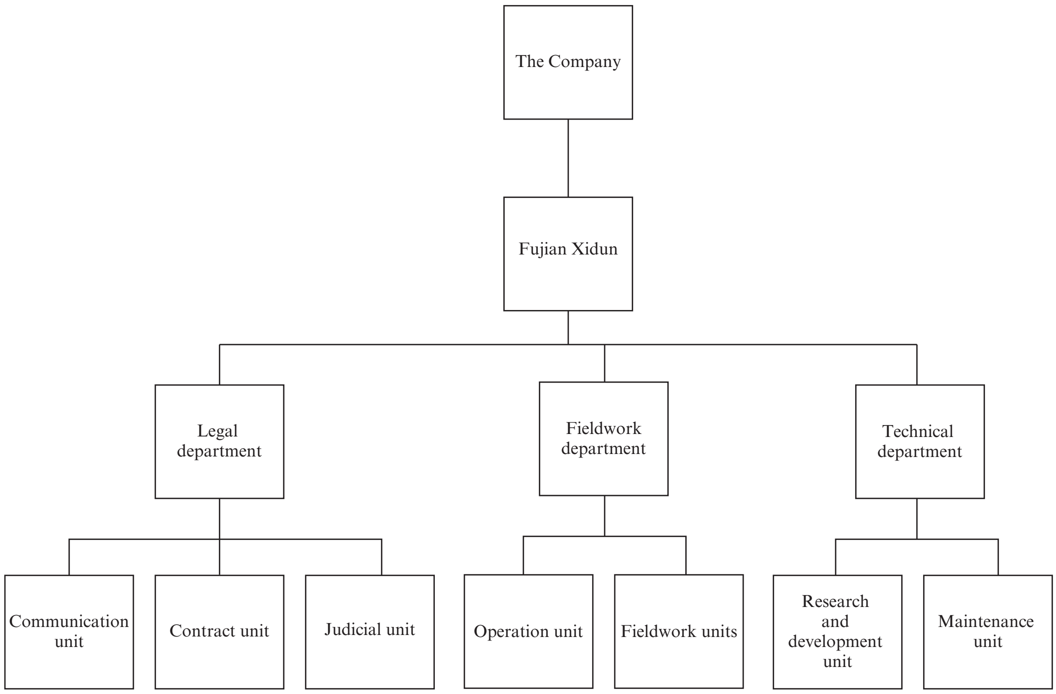
In 2021, our business was recovered. The number of newly signed finance lease increased by 43.9% from 7,859 agreements for the year ended 31 December 2020 to 11,308 agreements for the year ended 31 December 2021. The average occupancy rate for e-hailing operating lease increased from 78.8% for the year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

OUR RISK MANAGEMENT STRUCTURE

The risk management function of our Group is primarily coordinated by our subsidiary, Fujian Xidun. The following chart sets out our risk management structure:



Legal department

Our legal department is responsible for ensuring that our business operation complies with any applicable laws and regulations in the PRC and handling legal matters for our Group, including handling breach of contracts by our customers, reporting the repossession of leased automobiles to police departments during enforcement action and initiating legal proceedings from time to time in the ordinary course of our business, primarily to repossess leased automobiles or to recover lease receivables owed to us.

In March 2019, as part of our effort to enhance our post-lease risk management, we established the communication unit under our legal department. The communication unit is mainly responsible for handling customer delinquency, in particular, unauthorised modification of the automobiles' identification information, unauthorised transfer of the automobiles' ownership, and automobiles tracked running towards the border. Depending on the situation, our communication unit may take different actions in collaboration with other departments and units, including negotiations with customers or other relevant parties, automobile interceptions at borders and initiation of legal actions, to repossess the automobiles concerned. If repossession is impracticable, we try to recover losses from delinquent parties to the extent possible. For instance, our communication unit works with our operation unit to manage more difficult situations in the recovery process, as one of the measures to enhance our post-lease risk management. Our contract unit is in charge of conducting legal training, reviewing and drafting contracts, discussing business compliance and issuing legal opinions, and collecting relevant laws and regulations to our business and compiling them into internal training materials for our regular training programme. Our judicial unit participates in the litigation cases and important business negotiations as the Company's delegate, takes responsibility for the drafting and discussion of new business supporting contracts and gives legal opinions from the perspective of litigation.

Fieldwork department

Our fieldwork department plays an important role in our post-lease credit risk management. Our staff of fieldwork department monitor the activities of our leased automobiles through our GPS tracking devices and our automobile monitoring platform on a regular basis, and conduct on-site inspection and repossession of our leased automobile in case of irregular activities or default by our customers.

In particular, in March 2019, we established the operation unit, which together with our communication unit, focus on handling more difficult situations, in particular, where the customers were default in payment for more than three months or that the automobiles concerned were considered less likely to be successfully repossessed. The operation unit is mainly responsible for handling difficulties in the automobile repossession process, including vanishing GPS signals, automobiles with unusual tracked locations, and automobiles mortgaged to third parties. Following a set of detailed operational guidelines, the operation unit collects and analyses various types of data, including locations of automobiles, customer behaviour, and traffic contravention information, and collaborates with the fieldwork units to facilitate effective automobile repossession.

Technical department

Our technical department is responsible for the development of our GPS tracking devices installed on our leased automobiles and our automobile monitoring platform. Our staff in the technical department are also responsible for mounting, dismounting and maintenance of GPS tracking devices on our leased automobiles.

OUR RISK MANAGEMENT MEASURES

We are subject to a variety of risks in our daily business operations, including credit risk, operational risk and legal and compliance risk, among which we believe credit risk is our principal exposure. We recognise the importance of identifying and mitigating these risks. As such, we have developed a risk management system as follows to address the risks that we are exposed to.

Credit Risk Management

Our subsidiary, Fujian Xidun, is responsible for managing our credit risk exposure. We are exposed to credit risks from our customers in our automobile retail and finance, and automobile operating lease businesses. Credit risk arises when our customers are unable or unwilling to make timely payments to us. As such, we have developed a credit risk management system which can be divided into pre-lease and post-lease credit risk management. Our pre-lease and post-lease credit risk management are led by Mr. Chen Xiong, our vice president of Fujian Xidun and Ms. Lin Yuyan, our manager of pre-lease credit risk management, each respectively has over four years of dedicated experience in risk management. In particular, with the development of our automobile monitoring platform, we received the Best Risk Management Capability Award at the 3rd China Auto Finance International Summit (第三屆中國汽車金融國際峰會) in 2018.

We actively monitor historical past due ratio and continuously improve our data analytics capabilities, as well as execute post-lease management and loss recovery measures through our automobile monitoring platform and our patent-protected GPS tracking devices installed on all automobiles leased by us.

The following table sets out the past due ratios as at the dates indicated:

	As at 31 December		
	2020	**2021**	**2022**
Over one month past due ratio	1.8%	1.5%	1.7%
Over three months past due ratio	0.7%	0.7%	0.7%
Over six months past due ratio	0.4%	0.3%	0.3%
Over one year past due ratio	0.1%	0.1%	0.1%

See "Financial Information — Description of Certain Items of Consolidated Statements of Financial Position — Finance lease receivables" for definitions and details of the past due ratios.

Pre-lease credit risk management

Our pre-lease credit risk management focuses on credit assessment and approval process. While our potential customers may choose different lease terms and offerings based on their needs, all of them need to go through a credit assessment and approval process. During our credit assessment and approval process, we generally consider both (i) qualitative factors, which may include age, location, driving penalty records, credit history and litigation records; and (ii) quantitative factors, which may include the proposed principal amount of the lease transaction, value of the personal assets and personal income level.

We generally require potential finance lease and operating lease customers to fulfil our preliminary requirements, including (i) holding a valid PRC identity card; (ii) holding a valid PRC driving licence (with less than 12 points deducted); and (iii) aged between 18 to 60 years old, inclusively. For customers in certain regions, we may also require our customers to produce (i) property ownership certificate; (ii) business registration certificate (for corporate customers); and/or (iii) proof of employment and recent six months of salaries.

Having satisfied the above preliminary requirements, we will perform credit assessment based on the potential customers' information such as checking their name, identity card number and mobile phone number against our self-maintained database as well as third party blacklists. We also analyse the contact lists and call logs of our customers, after obtaining their permissions to access such data, to assess their character and creditworthiness by checking whether their contact lists include any contact of blacklisted persons or any financial institutions that offer loans on mortgage or pledge, and whether frequent calls have been made with these contacts. As confirmed by our PRC Legal Advisers, we were in compliance with the applicable PRC laws, rules and regulations in relation to analysis of customers' contact lists and call logs in credit assessments. Depending on the results of credit assessments and the principal amount of automobile finance, we might also obtain credit assessment reports from third parties. For our recurring customer, we will also assess the customer's credit history maintained with us and whether there is any outstanding amount which has not been settled by the customer. Further, our risk management system allows a bilateral flow of statistics and data between our management systems for pre-credit risk and post-credit risk. The statistics of default or delinquency behaviours identified in our post-lease credit risk management system are shared with our pre-lease credit risk management system for screening out potential customers with similar background during our pre-lease credit risk assessment, which is conducive to the enrichment of our database and the improvement of our future credit risk analysis. Leveraging our data analytics capabilities, we are able to complete the credit assessment and approval within a relatively short period of time to maintain our competitiveness.

Post-lease credit risk management

Our post-lease credit risk management involves (i) monitoring of periodic payments and automobile activities; (ii) repossession of automobiles; and (iii) disposal of repossessed automobiles and legal actions against default or delinquent customers.

Monitoring of periodic payments and automobile activities

We lease our automobiles in return for monthly lease payments or periodic rental payments by our finance lease and operating lease customers, respectively. Our customer service department delivers payment reminders usually three to five days before the due date of the respective payment mostly through text messages to our customers. Most of the settlements are conducted by our system automatically. There is a small number of settlements conducted manually, where our finance department checks and monitors the collection of payments from our customers on a daily basis and inputs the payment records into our ERP system. If any default or delinquency on payment arises, our customer service department will continue to send out reminders to these customers.

We closely monitor the quality of our finance lease receivables, which we classified into the following six categories:

(i)	Normal	:	Lease payments which have always been on time
(ii)	Special mention	:	Lease payments which are overdue up to one month
(iii)	Sub-standard	:	Lease payments which are overdue for one to three months
(iv)	Doubtful	:	Lease payments which are overdue for three to six months
(v)	High risk	:	Lease payments which are overdue for six months to one year
(vi)	Loss	:	Lease payments which are overdue for more than one year

Generally, we downgrade the classification of finance lease receivables as the overdue period of the lease payment increases. We may also consider downgrading the finance lease receivables from normal to special mention based on any irregular activities of the leased automobile detected by our automobile monitoring platform.

We recognise the impairment of finance lease receivables by applying the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The impairment losses provided for finance lease receivables are determined based on historically observed default rates over the expected life of finance lease receivables with similar credit risk characteristics and are adjusted for forward-looking estimates.

We classify the finance lease receivables as non-performing assets when the lease payments are overdue for more than three months. As at 31 December 2020, 2021 and 2022, our non-performing assets ratios were 0.7%, 0.7% and 0.7%, respectively.

We write off the finance lease receivables when a lessee fails to make contractual payments for one year, and there is no realistic prospect of recovery of contractual payments or automobile repossession. As at 31 December 2020, 2021 and 2022, the finance lease receivables written-off amounted to RMB2.5 million, RMB3.3 million and RMB3.0 million, respectively.

According to CIC, our classification criteria of finance lease receivables are set with reference to the classification set out in the Guidelines on Loan Classification (《貸款分類指導原則》) published by the PBOC. The following table sets out a breakdown of our finance lease receivable balance before deducting the allowance for impairment losses under our finance lease receivable classifications:

	As at 31 December					
	2020		2021		2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Normal	955,256	94.5	1,233,278	94.3	1,398,133	94.2
Special mention	38,020	3.8	54,337	4.2	60,501	4.1
Sub-standard	10,806	1.1	11,638	0.9	14,569	1.0
Doubtful	3,412	0.3	4,158	0.3	5,578	0.4
High risk	2,723	0.2	3,266	0.2	3,331	0.2
Loss	844	0.1	1,204	0.1	1,515	0.1
Total	1,011,061	100.0	1,307,881	100.0	1,483,627	100.0

Each of our leased automobiles is installed with our GPS tracking devices by our technical department, which can be used to track and record the data of the leased automobile including the travelling speed and real time location. These data will be stored onto our automobile monitoring platform for analysis. Our automobile monitoring platform performs automatic risk analysis by detecting vehicle trajectory and status of GPS signal. Through its automated data analytic ability, the platform sends timely alert messages to our staff upon detecting any irregular activities, which typically include the followings:

Types of irregular activities	**Potential risk**
Vanishing or unstable GPS signals	Unauthorised dismantling or disabling of the GPS tracking devices installed in the lease automobiles
Automobiles tracked in unusual locations in our database including automobile dealerships and retailers and used car transaction market	Unauthorised disposal of the leased automobiles
Automobiles stationed for an unreasonably long duration	Unauthorised pledge of the leased automobiles
Automobiles tracked running towards restricted boundaries	Default of payment obligations under the lease agreements with the intention to run away with the leased automobiles

Our Directors believe that our automobile monitoring platform improves automation in our risk management, thereby lowering the risk of human errors. In addition, the operation unit of our fieldwork department also monitors the status of our leased automobiles through the GPS tracking devices and the automobile monitoring platform on a daily basis for every newly leased automobile in the first week, automobiles recorded with irregular activities, and automobiles the user of which defaulted previous payment, while on a weekly basis for other automobiles. In case of any sustained irregular activities of our leased automobiles, our fieldwork unit staff may conduct an on-site inspection on the subject automobile by attending to the tracked location, taking photos and reporting the status of the automobile to the fieldwork department and legal department, either of which may order to take repossession action as it seems fit.

Repossession of automobiles

Generally, if (i) any payment is overdue for over 35 days despite our repeated reminders; or (ii) any irregular behaviour is observed for at least three days on our automobile monitoring platform, we may exercise our right to repossess the automobile directly. Leveraging our patent-protected GPS tracking devices and automobile monitoring platform, in managing our post-lease credit risk for customers in default, we track down the relevant automobiles and take repossession action. After the repossession, our technical department will check and remove any GPS tracking devices not installed by us to avoid any potential tracking and stealing of the automobiles by the customers in breach. Our legal department will also negotiate with the relevant customers on the amount of penalty and a repayment plan, which can either be scheduled periodic payments or a lump sum payment. The customers may also decide to terminate the contracts and in such case, we will retain the repossessed automobiles. During the negotiation, we take into account qualitative factors, such as the attitude of the customer, the difficulty in repossessing the automobile, the condition of the automobile, and quantitative factors, such as the income level of the customers and the market value of the automobile.

Disposal of repossessed automobiles and legal actions

In the case where our customers are unable to continue with the due performance of the contracts or we cannot get in touch with our customers by all reasonable means, we will terminate the relevant contracts and proceed to dispose of the subject automobiles. As a result, approximately 23.9%, 18.8%, and 20.4% of our finance lease contracts, respectively, were early terminated for the years ended 31 December 2020, 2021 and 2022. Our early termination rate of finance lease contracts was calculated by dividing the number of early terminated contracts of the year by the sum of the number of finance lease contracts in effect at the beginning of the year and the addition of the number of new finance lease contracts during the year. Our early terminated contracts refer to the contracts terminated mainly due to the default in payment or breach of contract by our customers. Our early termination rate of finance lease contracts decreased from 23.9% for the year ended 31 December 2020 to 18.8% for the year ended 31 December 2021, mainly due to the decrease in the number of early terminated contracts and the increase in the addition of new finance lease contracts driven by the recovery from the significant adverse effects caused by the outbreak of COVID-19 in the PRC in 2020. Our early termination rate of finance lease contracts increased from 18.8% for the year ended 31 December 2021 to 20.4% for the year ended 31 December 2022, mainly due to the increase in the number of early terminated contracts partially driven by the adverse effects caused by the regional outbreaks of COVID-19 variants in the PRC in 2022, and offset by the increase in the number of finance lease contracts at the beginning of 2022 and the increase in the addition of new finance lease contracts in 2022.

We will evaluate the condition of the repossessed automobiles such as their mileage, accident history and conditions of their mechanical parts, in order to determine the way of disposal, which comprise the followings:

(i)	Sale through finance lease	:	Automobiles in good conditions, which run normally and are accident-free, will generally be sold through finance lease. We follow our usual operational flow under our automobile retail and finance business in selling these automobiles including automobile inspection and cleaning before delivery to customers.
(ii)	One-off sale	:	Automobiles in less satisfactory conditions, which are either (1) of high mileage; (2) manufactured over four years; (3) not accident-free; or (4) not running normally, will be sold in a one-off sale. We send the list of our repossessed automobiles to be sold in one-off sales from time to time to automobile dealers or traders. If they are interested in buying the automobiles on the list, we will negotiate the transaction terms and sell such automobiles for a lump sum payment.
(iii)	Rent through operating lease	:	Subject to the demand for our automobile operating lease business, we may from time to time utilise the repossessed automobiles which function normally and had not been involved in any major accident for use in our automobile operating lease business. We follow our usual operational flow under our automobile operating lease business in renting out these automobiles.

(iv) Converting for our own commercial use : As some of our employees are involved in outdoor fieldwork such as conducting on-site inspection and repossession of our leased automobiles, they may request an automobile for performing their duties. We will assign such employees with repossessed automobiles that function normally for the performance of their duties.

If the repossessed automobiles that do not meet the normal safety requirements, such as with severe paint scratches, and severely damaged automobile parts, they will be sent to third party automobile service workshop for repair, in order to be sold under finance lease or operate as operating lease vehicles. Automobiles with severe accidents histories, the repair cost of which is significantly higher than one-off selling price, will be sold directly through one-off sales.

The following table sets out the number, principal amount, outstanding balance and value recovered as at the Latest Practicable Date for our early terminated finance lease agreements by nature of termination for the years ended 31 December 2020, 2021 and 2022:

	Number of agreements	**Principal amount**	**Outstanding balance**	**Value recovered as at the Latest Practicable Date**	
		RMB'000	*RMB'000*	*RMB'000*	*%*
For the year ended 31 December 2020					
Finance agreements terminated by the Group arose from default in payment	4,619	406,884	352,235	342,834	81.1
Finance lease agreements voluntarily terminated by customers	886	76,632	65,644	64,964	15.4
Finance lease agreements terminated by the Group for reasons other than default in payment	215	18,959	16,520	14,723	3.5
Other(Note 1)	4	322	298	267	—
Total	5,724	502,797	434,697	422,788	100.0
For the year ended 31 December 2021					
Finance agreements terminated by the Group arose from default in payment	3,925	339,251	294,653	282,233	76.1
Finance lease agreements voluntarily terminated by customers	970	84,250	75,548	74,599	20.1
Finance lease agreements terminated by the Group for reasons other than default in payment	197	17,668	15,678	13,906	3.8
Other(Note 1)	1	57	55	55	—
Total	5,093	441,226	385,934	370,793	100.0

	Number of agreements	Principal amount	Outstanding balance	Value recovered as at the Latest Practicable Date	
		RMB'000	*RMB'000*	*RMB'000*	*%*
For the year ended 31 December 2022					
Finance agreements terminated by the Group arose from default in payment	5,334	499,738	431,989	417,002	81.4
Finance lease agreements voluntarily terminated by customers	1,015	95,040	84,115	83,215	16.2
Finance lease agreement terminated by the Group fro reasons other than default in payment	172	15,742	12,923	12,243	2.4
Other*(Note 1)*	—	—	—	—	—
Total	6,521	610,520	529,027	512,460	100.0

Note: "—" represents percentage less than 0.1%.

1. Other represented the number of finance lease agreements terminated due to the customers decided to switch their automobiles to another automobiles of their choice.

	Year ended 31 December		
	2020	**2021**	**2022**
Number of finance lease agreements in effect as at the beginning of the year	16,077	15,839	19,152
Number of early terminated agreements during the year *(Note 1)*	5,724	5,093	6,521
Addition of new finance lease agreements during the year	7,859	11,308	12,754
Early termination rate *(Note 2)*	23.9%	18.8%	20.4%
Number of finance lease agreements terminated by the Group arose from default in payment	4,619	3,925	5,334
Default rate *(Note 3)*	19.3%	14.5%	16.7%
Number of finance lease agreements terminated by the Group for reasons other than default in payment	215	197	172
Other termination rate *(Note 4)*	0.9%	0.7%	0.5%

Notes:

1. As our finance lease agreements generally had a term ranging from two to four years, the number of early terminated agreements during the year may include the agreements entered into prior to the Track Record Period.

2. Early termination rate of finance lease agreements was calculated by dividing the number of early terminated agreements of the year by the sum of the number of finance lease agreements in effect at the beginning of the year and the addition of the number of new finance lease agreements during the year.

3. Default rate of finance lease agreements was calculated by dividing the number of default in payment and finance agreements terminated by the Group of the year by the sum of the number of finance lease agreements in effect at the beginning of the year and the addition of the number of new finance lease agreements during the year.

4. Other termination rate was calculated by dividing the total number of finance agreements terminated other than default in payment of the year by the total number of finance lease agreements in effect at the beginning of the year and the addition of the number of new finance lease agreements during the year.

Our early termination rate and default rate of finance lease agreements decreased from 23.9% and 19.3% for the year ended 31 December 2020 to 18.8% and 14.5% for the year ended 31 December 2021, respectively, mainly due to the increase in our addition of new finance lease agreements for the year ended 31 December 2021, driven by the recovery from the outbreak of the COVID-19 in the PRC in 2020, then increased to 20.4% and 16.7% for the year ended 31 December 2022, respectively, due to the increase in the number of early terminated agreement during the year, driven by the regional outbreaks of COVID-19 variants in the PRC in 2022. The fluctuation of our early termination rate during the Track Record Period mainly depended on (i) the growth rate of the number of early terminated agreements during the year; and (ii) the growth rate of addition of new finance lease agreements during the year. For the year ended 31 December 2021, the number of addition of new finance lease agreements increased by 43.9% as compared to the year ended 31 December 2020, as our business recovered from the adverse impact of COVID-19 in the PRC in 2020, in comparison, the number of early terminated agreements decreased by 11.0% for the corresponding year, hence our early termination rate decreased. For the year ended 31 December 2022, the number of addition of new finance lease agreements increased by 12.8% as compared to the year ended 31 December 2021, however, the number of early terminated agreements increased by 28.0% due to the regional outbreaks of COVID-19 variants in the PRC in 2022, hence our early termination rate increased. Customers may voluntarily terminate the finance lease contracts due to their own considerations such as finance needs.

The actual loss incurred related to the early terminated contracts during the Track Record Period was set out as below, including (i) disposal loss of repossessed automobiles; (ii) provision for inventories; and (iii) finance lease receivables written-off.

	Year ended 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Disposal loss of repossessed automobiles	5,694	5,883	6,750
Provision for inventories	2,876	7,674	6,886
Finance lease receivables written-off	2,459	3,328	2,951
Total	11,029	16,885	16,587

The actual loss incurred from the early terminated contracts increased from RMB11.0 million for the year ended 31 December 2020 to RMB16.9 million for the year ended 31 December 2021, mainly due to the increase in our provision for inventories for our increased number of finance lease agreements during the year. The actual loss incurred from the early terminated contracts remained relatively stable at RMB16.6 million for the year ended 31 December 2022.

The following table sets out the number of repossessed and disposed automobiles, and the value recovered, as at the Latest Practicable Date, from our early terminated finance lease agreements by the source of recovery for the years ended 31 December 2020, 2021 and 2022:

	Number of repossessed and disposed automobiles	**Value recovered**	
		RMB'000	*%*
For the year ended 31 December 2020			
Sale through finance lease	3,837	302,589	71.6
One-off sale	885	41,045	9.7
Rent through operating lease	957	76,427	18.1
Convert for our own commercial use	20	2,726	0.6
Total	5,699	422,787	100.0

	Number of repossessed and disposed automobiles	Value recovered	
		RMB'000	*%*
For the year ended 31 December 2021			
Sale through finance lease	3,893	308,337	83.4
One-off sale	752	35,685	9.7
Rent through operating lease	378	24,498	6.6
Convert for our own commercial use	10	1,039	0.3
Total	5,033	369,559	100.0
For the year ended 31 December 2022			
Sale through finance lease	4,440	382,855	77.8
One-off sale	645	28,409	5.8
Rent through operating lease	1,042	80,509	16.4
Convert for our own commercial use	2	236	—
Total	6,129	492,009	100.0

For the years ended 31 December 2020, 2021 and 2022, the number of instances of customer default on repayments, which refers any payment of principal or interest being overdue for more than three months, were 80, 99 and 126, respectively. The following table sets out the non-performing asset ratio by sales channel for the years indicated:

	As at 31 December		
	2020	**2021**	**2022**
Self-operated sales outlets	0.7%	0.6%	0.7%
Automobile agents	0.7%	2.4%	0.03%

As a result of our risk management system, we have managed to maintain relatively low credit losses 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 non-performing asset ratio as at 31 December 2021 and 2022 were 1.5% and 1.5%, respectively. As such, our non-performing asset ratios as at 31 December 2021 and 2022 were lower than the industry average.

We also initiate legal proceedings against the default or delinquent customers to recover overdue payments and related administrative fees from time to time in order 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. As at the Latest Practicable Date, we had a total of 134 outstanding legal proceedings mainly against our customers.

As at the Latest Practicable Date, out of the early terminated contracts, 99.6%, 99.2% and 98.7% of the automobiles were successfully repossessed and sold, leased or put into our own commercial use, representing 97.3%, 96.1% and 96.9% of the outstanding amount of lease receivables of the early terminated contracts for the years ended 31 December 2020, 2021 and 2022, respectively. As a result of our effective automobile repossession and disposal measures, as well as the legal proceedings we initiated against our default 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 due to default by our customers.

Operational Risk Management

Liquidity risk

Liquidity risk is the risk that we may not have sufficient funds to meet our payment obligations as they become due. We aim at maintaining an appropriate level of liquidity, allowing our Group to meet payment obligations and support our operations.

We believe that our funding strategy that aims to avoid any significant gap between the maturity profile of assets and liabilities and to diversify our sources of funding can minimise our liquidity risk. We use a broad range of financing instruments such as shareholders' equity, interest-bearing loans, automobile finance lease arrangement, factoring of finance lease receivables and convertible bond to maintain diverse funding sources. Please see the section headed "Business — Our Lenders and Funding Capabilities" for further details. We also aim to maintain an appropriate level of liquid assets.

Our liquidity risk management is led by our finance department under the leadership of Ms. Zhang Jinghua, our executive Director who has over 18 years of experience in financial management. For further details of Ms. Zhang's qualifications and experience, please see the section headed "Directors and Senior Management — Executive Directors".

We have adopted the following measures to control and monitor our short-term and long-term liquidity risk exposure:

- strive to match the cash outflow of our borrowings with the cash inflow of our automobile finance leases (generally not more than four years);
- maintain diverse funding sources;
- maintain an appropriate level of liquid assets;
- maintain an appropriate level of unutilised funding facilities; and

- monitor our short-term and long-term liquidity risk using internal metrics and regulatory indicators as set out below:

  — without taking into account the financing of e-hailing vehicle operating lease, current ratio shall not be lower than one;

    The aforesaid automobiles are classified as non-current assets. Thus, the Company considers that the inclusion of such current liabilities in the calculation of current ratio is not appropriate.

  — debt ratio (defined as total assets divided by total liabilities) shall not exceed 85%; and

  — the level of risk assets shall comply with the requirements stipulated by the relevant PRC laws and regulations.

Data Privacy

Our operating risk management is principally led by our vice president of Fujian Xidun, Mr. Chen Xiong. Operating risk is the risk resulting from inadequate internal controls and systems, human errors, information technology system failures or external events. In particular, we face the risk of failing to protect the confidentiality of our customers' personal data. During our credit assessment and approval process, we collect and store personal information about our customers, for example, names, identity card numbers, driving licences, bank card numbers, addresses and mobile phone numbers. We also collect behavioural data on customers' usage of the leased automobiles through the GPS tracking devices installed on the automobiles with customers' consent. We have adopted corresponding internal control measures to ensure the security of our data system and confidentiality of our customers' personal and behavioural data, which we require our employees to strictly adhere to and have established a penalty mechanism to ensure our employees' compliance with our internal control measures. Such measures include, but not limited to the followings:

- Access to our customers' data is restricted by assigning different security clearance level to our employees of different departments. Our employees are generally allowed to access such data for the purpose of conducting our credit assessment and approval, and monitoring and tracking automobile activities. However, they can only access our customers' data for other purposes based on business needs with prior approval of the head of our technical department and Fujian Xidun. We cancel the right of access to customers' personal data for resigned or dismissed employees. In relation to employees on leave for more than one month, we suspend their access to customers' personal data during their leave period. Our employees are required to adhere to all relevant laws and regulations, as well as our internal control measures in relation to the data privacy protection.

- We store the data on customers' usage of the leased automobiles on third party cloud servers, the operators of which are not allowed to disclose such data to other third parties without our prior consents. Our agreement with third party cloud server operators stipulated that third party cloud server operators shall not use or disclose any data to other third parties without our prior consent. We also require third party operators to provide periodical "Service Organisation Control" reports during the service period to verify that the security, availability and confidentiality of cloud servers are effective.

- We store our customers' personal data on our internal server. Our computer systems and information processing facilities are protected by firewalls and anti-virus software to prevent and detect threats by computer viruses and other malicious software. Our employees are not allowed to install any computer software or plug in any external hard drives to our office computers unless approved by our technical department. We have put in place information security measures to implement strict data access control. The passwords for the administrator accounts with higher access rights are set by the database administrator of our IT department. The passwords for the administrator accounts with higher access rights are set by the database administrator of our IT department without revealing to any other person. Any alteration of data, such as addition, deletion, and modification, by way of database back-end operation requires authorisation by our IT department and can only be carried out by the personnel of our IT department.

- Repair and maintenance work on our computer systems and information processing facilities are generally performed by our technical department. For any such repair and maintenance works performed by external parties, the staff of our technical department will monitor such works performed on site. If any of our computer systems and information processing facilities have to be taken away for repair and maintenance work, to the extent possible, we will back up and erase all data stored in such device before such device leaves our properties. We will also scan such device for computer virus or any other malicious software before putting it back into our computer systems.

- Our contracts with third party automobile aftermarket service providers generally stipulate that they are not allowed to disclose or publish any information, including customers' personal data, to other third parties without our prior consents.

We have taken various measures to ensure the collection, storage and use of our customers' personal data are in compliance with applicable laws and regulations. For example, our customers are required to provide consent to our collection, use and disclosure of their personal data before we conduct our credit assessment, either by signing a consent letter or by acknowledging and consenting to our data privacy policy which can be accessed on our mobile applications. Our collection, use and disclosure of our customers' personal data are for the purposes consented to by the data subject, who provided the relevant data and remain the owner of such data, and the personal data will not be utilised for any other purposes without their prior consent. We do not set a fixed duration for how long the personal data will be kept on our system. Therefore, unless the owner of the data requests for deletion, we generally will continue to maintain this data in accordance with our policy to ensure security and confidentiality.

Further, our customers are required to provide consent to the installation of GPS tracking devices on the leased automobiles. As advised by our PRC Legal Advisers, as at the Latest Practicable Date, there was no applicable law and regulation in the PRC in relation to the ownership of GPS tracking data. We generally do not set a fixed duration for how long the GPS tracking data will be kept on our system. Such data will generally be kept for a period of at least thirty days. We will remove the GPS tracking devices installed on the leased automobiles at the end of the lease terms.

During the Track Record Period, we had not been in material breach of any PRC laws or regulations in relation to the privacy and personal information protection during our collection, use, disclosure and protection of personal information. During the Track Record Period, our Directors confirmed that we had not received any complaints from any third party, or been involved in any dispute with any third party, or been investigated or punished by any competent authority in relation to privacy and personal information protection. Taking into account the above, our PRC Legal Advisers are of the view that our Group complied with the applicable PRC laws, rules and regulations relating to the collection, storage, use, disclosure of personal data in all material respects during the Track Record Period.

We have also implemented the following measures to monitor and control our other operational risk exposure:

- maintaining a corporate governance structure with clearly defined duties of the Board, senior management, as well as the various committees and departments;
- formulating and adopting standard commercial contracts for our business operations; and
- maintaining and continuously improving our operational procedures and internal control system, and utilising our information technology system to monitor and control the performance of each procedure.

- We have implemented a bribery prevention policy that forbids our Directors, our staff and agents from accepting benefits and giving benefits to business partners. The policy also contains procedures for handling conflicts of interest and whistleblowing. Whistleblowers are given financial rewards for preventing financial loss if the incident was not discovered.

- We have also implemented an anti-corruption policy that further lists out in detail all the benefits that our Directors, our staff and agents should not receive from business partners, including monetary benefits, entertainment-related benefits, discounts, services, loans, employment, stocks, education and gambling. The policy also forbids the use of Group assets for personal purposes and gambling, and contains rules on gifting between staff and management. The policy requires the establishment of an internal audit function and lists out its roles and responsibilities.

- The Directors, our staff and agents are responsible for abiding by the bribery prevention policy and anti-corruption policy. Penalties are given according to the policies if any violations are raised or detected.

Interest rate risk

Interest rate risk represents exposure to adverse movements in interest rates. The interest rate risk that we face is relatively limited because our assets and liabilities are generally based on fixed interest rates. Our exposure to the risk of changes in market interest rates relates primarily to our interest-bearing borrowings and lease receivables. Our interest rate risk is principally managed by our finance department under the leadership of our executive Director, Ms. Zhang Jinghua. See "Directors and Senior Management — Executive Directors" in the document for further details of Ms. Zhang's qualification and experience.

To manage our interest rate risk, we have adopted the following measures:

- monitoring interest rate fluctuations regularly; and

- tracking the sensitivity of projected net interest income under varying interest rate scenarios.

Legal and Compliance Risk Management

We are subject to regulation and supervision by national, provincial and local government authorities with regard to our finance lease operations, online platforms and mobile applications. XXF Group, Fujian Xidi and Fujian Shenqi are subject to certain regulatory measures, including the Measures for Finance Lease Enterprises (《融資租賃企業監督管理辦法》) prior to 26 May 2020, which stipulates that the risk assets of a finance lease company shall not exceed 10 times of its total net assets; and the Interim Measures for the Supervision and Administration of Finance Lease Companies (《融資租賃公司監督管理暫行辦法》) (the "**Interim Measures**") since 26 May 2020, which stipulates that the risk assets of a finance lease company shall not exceed eight times of its net assets. Please see the section headed "Regulatory Overview" for further details of the applicable laws and regulations. If we fail to comply with these laws and regulations, we may be penalised and be required to rectify.

Our legal and compliance risk is managed by our legal department under the leadership of our legal manager, Ms. Ye Ying, who has over eight years of legal-related experience. During the Track Record Period, we have not been prosecuted nor sanctioned for any material non-compliance by any government authorities. In addition, we have implemented the following measures to strengthen our legal and compliance risk management:

- establishing risk-monitoring thresholds (our level of risk assets not exceeding (i) 10 times of our total net assets prior to 26 May 2020; and (ii) eight times of our total net assets since 26 May 2020) in our system in accordance with the relevant legal and regulatory requirements, to monitor and identify and the irregularities and non-compliance incidents in our operations. The risk assets, registered capital and net assets value of each of the XXF Group, Fujian Xidi and Fujian Shenqi were in compliance with the Measures for Finance Lease Enterprise during the Track Record Period. The following table sets out the risk assets, registered capital and net assets value of each of the XXF Group and Fujian Xidi as at the dates indicated based on the respective statutory/management accounts:

XXF Group

	As at 31 December		
	2020	**2021**	**2022**
Risk assets (total assets net of cash and cash equivalents and pledged and restricted deposits) *(RMB'000)*	1,719,766	2,118,879	2,407,377
Net assets value *(RMB'000)*	601,363	662,792	693,916
Risk assets/Net assets value *(times)*	2.9	3.2	3.5

Fujian Xidi

	As at 31 December		
	2020	**2021**	**2022**
Risk assets (total assets net of cash and cash equivalents and pledged and restricted deposits) *(RMB'000)*	488,477	340,650	467,283
Net assets value *(RMB'000)*	174,080	168,006	169,327
Risk assets/Net assets value *(times)*	2.8	2.0	2.8

Fujian Shenqi had no business operation since its establishment and up to the Latest Practicable Date.

- monitoring legal updates, including updates on the interpretation of applicable laws and regulations by relevant regulatory authorities; and
- engaging lawyers to advise our Group in relation to legal compliance when necessary.

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]**.

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 (*RMB'000*)	Guarantor(s)	Securities
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

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

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					466,228		

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

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]**.

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.

OVERVIEW

We have entered into the following transactions with our connected persons which will constitute continuing connected transactions for our Company under chapter 14A of the Listing Rules upon **[REDACTED]**.

FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

Property Management Services

On [•], XXF Group entered into a property management services framework agreement (the "**Property Management Services Framework Agreement**") with Ningde Yongsheng Property Management Co., Ltd. (寧德市永盛物業管理有限公司) ("**Ningde Yongsheng**"), pursuant to which XXF Group agreed to engage Ningde Yongsheng to provide property management services for certain offices leased by XXF Group or its subsidiaries (the "**Property Management Services**"). The Property Management Services Framework Agreement has a term commencing from the **[REDACTED]** to 31 December 2025.

For each of the three years ended 31 December 2022, the total service fees payable by XXF Group for the Property Management Services amounted to approximately RMB0.3 million, RMB0.2 million and RMB0.1 million, respectively. The service fees to be charged for Property Management Services are determined after arm's length negotiations taking into account the prevailing market price of similar services in the open market and the historical fee rate.

Our Directors estimate that the maximum transaction amounts under the Property Management Services Framework Agreement for each of the three years ending 31 December 2025 will not exceed RMB0.4 million. Such estimate is based on (i) the estimated gross floor area of the properties for which Ningde Yongsheng will provide the Property Management Services; and (ii) the historical transaction amounts during the Track Record Period.

The Property Management Services Framework Agreement is a framework agreement which provides the mechanism for the operation of the connected transaction described therein. It is envisaged that from time to time and as required, individual service contracts may be entered into between XXF Group or its subsidiaries and Ningde Yongsheng or its branches. The individual service contracts may only contain provisions which are in all material respects consistent with the binding principles, guidelines, terms and conditions set out in the Property Management Services Framework Agreement.

Ningde Yongsheng is wholly owned by Fuzhou Shenghui, which is 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. Ningde Yongsheng is therefore a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transactions under the Property Management Services Framework Agreement will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon **[REDACTED]**.

As each of the applicable percentage ratios under the Listing Rules in respect of the annual caps in relation to the Property Management Services Framework Agreement is expected to be less than 0.1% on an annual basis, such transactions will be within the *de minimis* threshold provided under Rule 14A.76 of the Listing Rules upon **[REDACTED]**, and will be exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Connected Guarantees

Mr. Huang, his close associate and Mr. Ye Fuwei provided personal guarantees (the "**Connected Guarantees**") in favour of our Group in respect of certain financing arrangements entered into by our Group. Please refer to the section headed "Relationship with our Single Largest Shareholder — Independence from our Single Largest Shareholder — Financial Independence" of this document for further details.

In addition, Mr. Ye Fuwei individually and/or together with our Group provided personal guarantees in favour of our Group in respect of certain financing arrangements (the "**Mr. Ye Connected Guarantees**") entered into by our Group with an Independent Third Party creditor in an aggregate principal amount of approximately RMB38.9 million with an annual interest rate between 9.98% and 10.00%. Mr. Ye Connected Guarantees were subsisting as at the Latest Practicable Date and are expected to survive after **[REDACTED]**.

Mr. Huang is one of our executive Directors and our substantial shareholder. Mr. Ye Fuwei is one of our executive Directors. As such, each of Mr. Huang, his close associate and Mr. Ye Fuwei is our connected person for the purpose of the Listing Rules. Accordingly, the Connected Guarantees and the Mr. Ye Connected Guarantees will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon **[REDACTED]**.

As our Directors are of the view that each of the Connected Guarantees and the Mr. Ye Connected Guarantees are on normal commercial terms to our Group and the Connected Guarantees and the Mr. Ye Connected Guarantees are not secured by assets of our Group in favour of any of Mr. Huang, his close associate or Mr. Ye Fuwei, the Connected Guarantees and the Mr. Ye Connected Guarantees are exempted from the reporting, annual review, announcement and independent shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules.

BOARD OF DIRECTORS

Our Board currently consists of eight Directors, comprising three executive Directors, two non-executive Directors and three independent non-executive Directors. The powers and duties of our Board include convening general meetings and reporting our Board's work at our Shareholders' meetings, determining our business and investment plans, preparing our annual financial budgets and final reports, formulating proposals for profit distributions and for exercising other powers, functions and duties as conferred by the Articles. None of our Directors and members of our senior management team have any relationship with any other Director or member of our senior management team.

The table below shows certain information in respect of members of our Board:

Name	Age	Date of joining our Group	Date of appointment as our Director	Position(s)	Roles and responsibilities
Mr. Huang Wei (黃偉)	41	25 September 2007	29 March 2019	Chairman, chief executive officer and executive Director	Responsible for the overall management, strategic planning and major operational decisions of our Group
Mr. Ye Fuwei (葉富偉)	35	10 October 2012	28 November 2019	Executive Director and executive vice president	Responsible for overseeing the automobile retail and finance for e-hailing vehicles, the automobile operating lease and other automobile-related business of our Group
Ms. Zhang Jinghua (張景花)	42	1 May 2015	28 November 2019	Executive Director, senior vice president and financial controller	Responsible for the financial management and internal control of our Group
Mr. Liu Wei (劉偉)	36	2 July 2015	28 November 2019	Non-executive Director	Responsible for providing strategic advice and guidance on the business development of our Group
Ms. Xu Rui (徐睿)	39	28 November 2019	28 November 2019	Non-executive Director	Responsible for providing strategic advice and guidance on the business development of our Group
Mr. Wu Fei (吳飛)	51	[•]	[•]	Independent non-executive Director	Responsible for supervising and providing independent advice to the Board

Name	Age	Date of joining our Group	Date of appointment as our Director	Position(s)	Roles and responsibilities
Mr. Fung Che Wai, Anthony (馮志偉)	54	[•]	[•]	Independent non-executive Director	Responsible for supervising and providing independent advice to the Board
Mr. Chen Shuo (陳碩)	56	[•]	[•]	Independent non-executive Director	Responsible for supervising and providing independent advice to the Board

Executive Directors

Mr. Huang Wei (黃偉), aged 41, was appointed as our Director on 29 March 2019 and was re-designated as our executive Director on 28 November 2019. Mr. Huang is also the chairman and chief executive officer of our Group and is primarily responsible for the overall management, strategic planning and major operational decisions of our Group. He also holds directorship in a number of subsidiaries of our Group. Mr. Huang founded XXF Group in September 2007 where he has been serving as the chairman of the board and the general manager since its inception and has been primarily responsible for its overall management and decision-making in its day-to-day business operations.

Prior to founding our Group, from April 2001 to April 2007, Mr. Huang worked at CPTF Optronics Co., Ltd.* (華映光電股份有限公司), a manufacturer of cathode ray monochrome and colour display tubes, where he was in charge of manufacturing.

Since January 2023, Mr. Huang has been serving as the legal representative of Fuzhou Jin'an Non-party Intellectuals Fellowship* (福州市晋安區黨外知識分子聯誼會). Mr. Huang was appointed as a representative of the Sixteenth Fuzhou People's Congress (福州市第十六屆人民代表大會) in January 2022. In November 2020, Mr. Huang was awarded the Advanced Individual in Fighting the New Coronary Pneumonia Epidemic (福建省抗擊新冠肺炎疫情先進個人) by Fujian Provincial Committee of the Communist Party of China and People's Government of Fujian Province. In September 2020, Mr. Huang was awarded the 18th Outstanding Entrepreneurs of Fujian Province (第十八屆福建省優秀企業家) by Fujian Enterprise and Enterpriser Federation* (福建省企業與企業家聯合會). In November 2019, he was awarded the 2019 National Commerce Outstanding Entrepreneur by the Association at China Commercial Enterprise Management* (中國商業企業管理協會). Mr. Huang served as a vice president of Fuzhou Jin'an Federation of Industry and Commerce* (福州市晋安區工商業聯合會) in December 2017.

Mr. Huang was enrolled in the executive master of business administration programme jointly organised by Tsinghua University (清華大學) in the PRC, École des Ponts ParisTech in France and École nationale de l'aviation civile in France in 2019.

Mr. Huang was (i) a director and general manager of Shaanxi Xixiangfeng Automobile Lease Co., Ltd.* (陝西喜相逢汽車租賃有限公司), a then wholly-owned subsidiary of XXF Group established in the PRC and deregistered on 20 July 2015; and (ii) a director and manager of Fujian Anxin, a then wholly-owned subsidiary of XXF Group established in the PRC and deregistered on 9 July 2020. Mr. Huang has confirmed that, to the best of his information, knowledge and belief, each of the companies was deregistered due to the fact that it had not commenced any business since its establishment. Mr. Huang was also (i) an executive partner of Fuzhou Gongcheng Investment Partnership (Limited Partnership)* (福州功成投資合夥企業(有限合夥)), a limited partnership established in the PRC and deregistered on 22 September 2016; and (ii) an executive partner of Fujian Pilot Free Trade Zone Pingtan Area Hongyuan Investment Partnership (Limited Partnership)* (福建自貿試驗區平潭片區宏元投資合夥企業(有限合夥)), a limited partnership established in the PRC and deregistered on 27 September 2020. Mr. Huang has confirmed that, to the best of his information, knowledge and belief, each of the limited partnerships was deregistered due to the fact that it had no business operation immediately prior to its deregistration. Mr. Huang further confirms that each of such companies and partnerships was solvent at the time of its deregistration and as at the Latest Practicable Date, no claim had been made against him and he was not aware of any threatened and potential claims made against him and there are no outstanding claims and/or liabilities as a result of the deregistration of such companies and partnerships.

Mr. Ye Fuwei (葉富偉), aged 35, was appointed as our executive Director on 28 November 2019. Mr. Ye joined our Group in 2012 and has been serving as executive vice president since December 2015. He is primarily responsible for overseeing the automobile finance lease and operating lease, the automobile retail and finance for e-hailing vehicles and other automobile-related business of our Group. Mr. Ye is also a director of XXF Group.

Prior to joining our Group, from July 2007 to October 2011, Mr. Ye served as a director at the sales department of Shanghai Didu Agent Co., Ltd.* (上海帝都房地產經紀有限公司), a real estate agent.

Mr. Ye received his associate degree in human resources management and self-study undergraduate certificate in business administration from Jimei University (集美大學) in the PRC in June 2015 and December 2019, respectively. Mr. Ye was enrolled in the Executive Finance Programme Advanced Financial Management Course, a distance learning programme jointly delivered by Shanghai Advanced Institute of Finance* (上海高級金融學院), an institute affiliated with Shanghai Jiao Tong University (上海交通大學) in the PRC, Shanghai National Accounting Institute* (上海國家會計學院) in the PRC and the Arizona State University in the United States in 2021.

Mr. Ye was appointed as a member of the 10th Jin'an District of Fuzhou Municipal Committee of the Chinese People's Political Consultative Conference* (中國人民政治協商會議第十屆福州市晉安區委員會) in December 2021.

Mr. Ye was a director of Fujian Xiyun, a then indirect subsidiary owned as to 60% by XXF Group and 40% by Fujian Nebula Electronics Co., Ltd.* (福建星雲電子股份有限公司), an Independent Third Party (by virtue of Fujian Xiyun being an insignificant subsidiary of our Company as defined under the Listing Rules) established in the PRC and deregistered on 31 March 2022.

Mr. Ye has confirmed that, to the best of his information, knowledge and belief, the company was deregistered due to the fact that it had no business operation immediately prior to its deregistration. Mr. Ye further confirms that such company was solvent at the time of its deregistration and as at the Latest Practicable Date, no claim had been made against him and he was not aware of any threatened and potential claims made against him and there is no outstanding claims and/or liabilities as a result of the deregistration of such company.

Ms. Zhang Jinghua (張景花), aged 42, was appointed as our executive Director on 28 November 2019. Ms. Zhang joined our Group in 2015 and has been serving as our senior vice president and financial controller since May 2017. She is primarily responsible for the financial management and internal control of our Group. Ms. Zhang is also a director of XXF Group.

Ms. Zhang has over 18 years of experience in financial management. Prior to joining our Group, from September 2011 to April 2015, Ms. Zhang served as an accounting supervisor at Fujian Sunnada Communication Co., Ltd.* (福建三元達通訊股份有限公司) (now known as Suna Co., Ltd* (深南金科股份有限公司)), a service provider of mobile devices and mobile TV network listed on the Shenzhen Stock Exchange (stock code: 002417), where she was primarily responsible for its financial management. From December 2007 to August 2011, Ms. Zhang worked at Fuzhou Shenzhou Digital Co., Ltd.* (福州神州數碼有限公司), a company principally engaged in the wholesales of computer hardware and accessories, where she was primarily responsible for its financial matters. From June 2004 to January 2006, Ms. Zhang worked at CPTF Optronics Co., Ltd.* (華映光電股份有限公司), a manufacturer of cathode ray monochrome and colour display tubes, where she was primarily responsible for its financial and accounting matters.

Ms. Zhang received her bachelor's degree of management in accounting from Northeast Forestry University (東北林業大學) in the PRC in July 2003.

Non-executive Directors

Mr. Liu Wei (劉偉), aged 36, was appointed as our non-executive Director on 28 November 2019. Mr. Liu has been serving as a director of XXF Group since July 2015. Mr. Liu has also been serving as a vice president at Shenghui Logistics Group Co. Ltd.* (盛輝物流集團有限公司) since March 2013 and has been primarily in charge of its information technology department and human resources department.

Mr. Liu received his bachelor's degree in process equipment and control engineering from Fuzhou University (福州大學) in the PRC in June 2009 and his master's degree of science in management and entrepreneurship from University of Sussex in the United Kingdom in January 2013.

Mr. Liu was appointed as a member of the 13th Fuzhou Municipal Committee of the Chinese People's Political Consultative Conference* (中國人民政治協商會議第十三屆福州市委員會) in December 2016.

Mr. Liu was a supervisor of Fujian Shenghui Asset Management Co., Ltd.* (福建省盛輝資產管理有限公司), a limited liability company established in the PRC and deregistered on 2 March 2016. Mr. Liu has confirmed that, to the best of his information, knowledge and belief, the company was deregistered due to the fact that it had not commenced any business since its establishment. Mr. Liu further confirms that such company was solvent at the time of its deregistration and as at the Latest Practicable Date, no claim had been made against him and he was not aware of any threatened and potential claims made against him and there is no outstanding claims and/or liabilities as a result of the deregistration of such company.

Ms. Xu Rui (徐睿), aged 39, was appointed as our non-executive Director on 28 November 2019. Ms. Xu has been serving as the general manager of the investment banking department at SDIC Taikang Trust Co., Ltd. (國投泰康信託有限公司) since October 2016 and has been primarily responsible for equity investment, mergers and acquisitions.

From July 2015 to October 2016, Ms. Xu served as an executive director at Shanghai Touzhong Asset Management Co., Ltd.* (上海投中資產管理有限公司), an asset management company, where she was primarily responsible for investment management. From January 2013 to May 2015, she served as an executive director at Zhongrong International Trust Co., Ltd.* (中融國際信託有限公司), an integrated financial service provider, where she was primarily responsible for financial service management. From January 2009 to December 2012, Ms. Xu worked at Beijing Zhongzheng Wanrong Investment Group Co., Ltd.* (北京中證萬融投資集團有限公司), a company principally engaged in equity investment.

Ms. Xu received her bachelor's degree of arts in business English from Central University of Finance and Economics (中央財經大學) in the PRC in July 2007 and her master's degree in business administration from Peking University (北京大學) in the PRC in June 2014. Ms. Xu also received the fund qualification certificate* (基金從業人員資格證) from Asset Management Association of China* (中國證券投資基金業協會) in November 2016.

Independent Non-executive Directors

Mr. Wu Fei (吳飛), aged 51, was appointed as our independent non-executive Director on [•]. From February 2018 to January 2021, Mr. Wu served as an independent non-executive director of CEFC Hong Kong Financial Investment Company Limited (香港華信金融投資有限公司) (now known as Virtual Mind Holding Company Limited (天機控股有限公司)), an apparel manufacturer and seller listed on the Main Board of the Stock Exchange (stock code: 1520), where he was primarily responsible for supervising and providing independent advice to the board. From December 2016 to December 2019, Mr. Wu served as an independent non-executive director of Fujian Raynen Technology Co., Ltd.* (福建睿能科技股份有限公司), a high-tech company listed on the Shanghai Stock Exchange (stock code: 603933), where he has been primarily responsible for supervising and providing independent advice to the board. Since June 2013, Mr. Wu has been serving as a professor at Shanghai Advanced Institute of Finance of Shanghai Jiao Tong University* (上海交通大學上海高級金融學院). He served as a professor at Jiangxi University of Finance and Economics* (江西財經大學) from November 2010 to October 2013, a member of its Academic Committee* (學術委員會) from October 2009 to June 2013 and an associate dean of its International Academy of Financial Management* (金融管理國際研究院) from March 2012 to June 2013. From June 2004 to March 2010, Mr. Wu served as a senior lecturer presenting finance related lectures at Massey University in New Zealand.

Mr. Wu received his bachelor's degree in industrial economics from South China University of Technology* (華南理工大學) in the PRC in July 1994, his master's degree in financial investment from University of Aberdeen in the United Kingdom in November 2000, and his doctor's degree of philosophy in banking and finance from University College Dublin in the Republic of Ireland in March 2005.

Mr. Wu Fei was a director of Jiangxi Daoerfen Technology Co., Ltd.* (江西道而芬科技有限公司), a limited liability company established in the PRC and deregistered on 6 March 2018. Mr. Wu has confirmed that, to the best of his information, knowledge and belief, the company was deregistered as it had ceased operations. Mr. Wu further confirms that such company was solvent at the time of its deregistration and as at the Latest Practicable Date, no claim had been made against him and he was not aware of any threatened and potential claims made against him and there is no outstanding claims and/or liabilities as a result of the deregistration of such company.

Mr. Fung Che Wai, Anthony (馮志偉), aged 54, was appointed as our independent non-executive Director on [•]. Since November 2021, Mr. Fung has been serving as an independent non-executive director of Zhong An Group Limited (眾安集團有限公司),

a Chinese property developer listed on the Main Board of the Stock Exchange (stock code: 0672), where he is primarily responsible for supervising and providing independent advice to the Board. Since 9 October 2020, Mr. Fung has been serving as an independent non-executive director of KWG Living Group Holdings Limited (合景悠活集團控股有限公司), a comprehensive property management service provider listed on the Main Board of the Stock Exchange (stock code: 3913). Since April 2017, Mr. Fung has been serving as an independent non-executive director of FY Financial (Shenzhen) Co., Ltd. (富銀融資租賃(深圳)有限公司), a financial services company listed on the GEM of the Stock Exchange (stock code: 8452), where he has been primarily responsible for supervising and providing independent advice to the board of directors. From May 2017 to December 2022 and from March 2019 to December 2022, Mr. Fung served as the chief financial officer and company secretary, respectively, of Beijing Enterprises Urban Resources Group Limited (北控城市資源集團有限公司), an integrated waste management solution provider listed on the Main Board of the Stock Exchange (stock code: 3718), where he was primarily responsible for the overall financial and investor relations matters. From June 2017 to October 2021, Mr. Fung served as an independent non-executive director of S&P International Holding Limited (椰豐集團有限公司), a coconut food manufacturer and seller listed on the Main Board of the Stock Exchange (stock code: 1695), where he was primarily responsible for supervising and providing independent advice to the board. From September 2014 to April 2017, Mr. Fung served as an external supervisor of Chery HuiYin Motor Finance Service Co., Ltd.* (奇瑞徽銀汽車金融股份有限公司), an automobile finance joint venture, where he was primarily responsible for monitoring the company's operations as a member of the board of supervisors. From July 2014 to April 2017, Mr. Fung served as the chief financial officer and company secretary of Kong Sun Holdings Limited (江山控股有限公司), a solar power plants investor and operator listed on the Main Board of the Stock Exchange (stock code: 0295), where he was primarily responsible for overall financial operation, company secretarial matters and investor relations. From January 2011 to July 2014, Mr. Fung served as the chief financial officer and company secretary of Zall Development (Cayman) Holding Co., Ltd. (卓爾發展(開曼)控股有限公司) (now known as Zall Smart Commerce Group Ltd. (卓爾智聯集團有限公司)), a property developer listed on the Main Board of the Stock Exchange (stock code: 2098), where he was primarily responsible for financial and compliance matters. From January 2008 to August 2010, Mr. Fung served as the vice president of NagaCorp Ltd. (金界控股有限公司), a licensed casino listed on the Main Board of the Stock Exchange (stock code: 3918), where he was primarily responsible for development of investor relations procedures, policies and strategies for the company and liaison with existing and potential investors as well as analysts. From October 1999 to August 2007, Mr. Fung served as a director of Winsmart Consultants Limited (弘陞投資顧問有限公司), a financial consulting company, where he was primarily responsible for advising the client on corporate finance and investor relations related matters. From August 1992 to September 1999, he successively served as a staff accountant, semi senior accountant, senior accountant and manager in Deloitte Touche Tohmatsu, where he was primarily responsible for audit planning and control.

Mr. Fung received his bachelor's degree of arts in accountancy from Hong Kong Polytechnic University in October 1992. Mr. Fung was admitted as a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants in October 2001 and September 2005, respectively.

Mr. Chen Shuo (陳碩), aged 56, was appointed as our independent non-executive Director on [•]. Since November 2020, he has served as the vice president of China Haichuang Technology (Fujian) Group Co., Ltd* (中海創科技(福建)集團有限公司), an automation and information technology provider in the PRC, where he was primarily responsible for investment development and technological co-operation. From January 2009 to July 2014, Mr. Chen served as the legal representative of Fuzhou Chengjian Construction Drawing Review Firm* (福州成建施工圖審查事務所). From January 2009 to April 2013, Mr. Chen served as the legal representative of Fujian Guowei Construction Design Co., Ltd* (福建國偉建設設計有限公司). From October 2006 to October 2009, Mr. Chen served as a deputy director of Digital City Research Centre of Wuhan University* (武漢大學數字城市研究中心). From July 1989 to September 2020, Mr. Chen worked at Fuzhou Planning and Design Institute* (福州市規劃設計研究院), a survey, planning and design research institute, where he had held a professional title of professor level senior engineer and had served as the vice president and was in charge of the operations and scientific research activities.

Mr. Chen was appointed as a member of the 12th and 13th of the Fuzhou Municipal Committee of the Chinese People's Political Consultative Conference* (中國人民政治協商會議第十二屆及第十三屆福州市委員會), and as a vice president at Fujian Green Construction Innovation Alliance* (福建省綠色建築創新聯盟) in December 2014. In January 2000, Mr. Chen was appointed as the supervisor of master's student at the College of Electrical Engineering of Fuzhou University (福州大學).

Mr. Chen received his bachelor's degree in computer science from Fuzhou University (福州大學) in the PRC in July 1989, and attended postgraduate training in international economics at Xiamen University (廈門大學) in the PRC from March 1996 to May 1998. From February 2002 to August 2002, Mr. Chen was a visiting scholar of the Imperial College of Science, Technology and Medicine in the United Kingdom. From December 2006 to January 2008, Mr. Chen was a visiting scholar at the Department of Engineering Science at the University of Oxford in the United Kingdom. Mr. Chen was admitted as a registered automation system engineer of Chinese Association of Automation in June 2005 and a professor grade senior engineer (with the treatment of professors and researchers) of Fuzhou Planning and Design Institute* (福州市規劃設計研究院) in June 2006.

As at the Latest Practicable Date, none of our Directors and their respective close associates had any interest in any business which competes or is likely to compete, either directly or indirectly with our Group's business which would require disclosure under Rule 8.10 of the Listing Rules.

Save as disclosed above, none of our Directors have held any other directorships in listed companies during the three years immediately preceding the date of this Document. There is no other information relating to the relationship of any of our Directors with other Directors and member of the senior management that should be disclosed pursuant to Rule 13.51(2) or paragraph 41(3) of Appendix 1A of the Listing Rules.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable inquiries, there was no other matter with respect to the appointment of our Directors that needed to be brought to the attention of our Shareholders and there was no information relating to our Directors that was required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

SENIOR MANAGEMENT

Our executive Directors are our senior management who are responsible for the day-to-day operations and management of the business of our Group. Please refer to the paragraph entitled "Board of Directors — Executive Directors" in this section for the biographical details of our executive Directors Mr. Huang Wei, Mr. Ye Fuwei and Ms. Zhang Jinghua.

COMPANY SECRETARY

Mr. Wong Yuk (王旭), aged 51, was appointed as our company secretary on 28 November 2019.

Mr. Wong has over 25 years of work experience in finance and accounting. Since August 2022, Mr. Wong has been serving as an executive director of Tian Cheng Holdings Limited (天成控股有限公司), formerly known as Yue Kan Holding Limited (裕勤控股有限公司), a Hong Kong-based marine construction works subcontractor listed on the Main Board of the Stock Exchange (stock code: 2110), where he has been primarily responsible for financial management and assisting to manage the day-to-day business operations. Since December 2019, Mr. Wong has been serving as an independent non-executive director of Hygieia Group Limited, a cleaning service provider listed on the Main Board of the Stock Exchange (stock code: 1650), where he has been primarily responsible for providing independent opinion and judgement to the board of directors. From May 2017 to February 2019, Mr. Wong served as a senior consultant at Huanian Xinxing Chanye Jituan Company Limited* (華年新興產業集團有限公司) where he was primarily responsible for managing investment projects. From May 2015 to January 2017, Mr. Wong served as the company secretary of Success Dragon International Holdings Limited (勝龍國際控股有限公司), a company principally engaged in the provision of management services for electronic gaming equipment and listed on the Main Board of the Stock Exchange (stock code: 1182). From December 2010 to June 2012, Mr. Wong served as the chief financial officer and company secretary of Yuanda China Holdings Limited (遠大中國控股有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 2789), where he was primarily responsible for financing and investor relations affairs. Mr. Wong started his career in KPMG Hong Kong in September 1996 and left the firm as a senior accountant in April

1999. Mr. Wong also worked for various Hong Kong and Singapore listed companies from October 1999 to November 2010 on financial and accounting affairs both in Hong Kong and the PRC, including subsidiaries of the Swire Group, Hong Kong and China Gas Company Limited, Lung Kee Metal Ltd. and China Oilfield Technology Services Group Ltd. respectively.

Mr. Wong received his bachelor's degree in accountancy from the Hong Kong Polytechnic University in Hong Kong in November 1996. He was admitted as a member of the Hong Kong Institution of Certified Public Accountants in January 2004 and a fellow member of the Association of Chartered Certified Accountants in August 2005.

BOARD COMMITTEES

Audit committee

Our Company [has established] the audit committee on [•] with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph D.3 of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules. The audit committee consists of three members, namely Mr. Fung Che Wai, Anthony, Mr. Wu Fei and Mr. Chen Shuo. Mr. Fung Che Wai, Anthony [has been] appointed as the chairman of the audit committee, and is our independent non-executive Director with the appropriate professional qualifications. The primary duties of the audit committee are to assist our Board by providing an independent view of the effectiveness of the financial reporting system, risk management and internal control systems of our Group, to oversee the audit process, to develop and review our policies and to perform other duties and responsibilities as assigned by our Board.

Remuneration committee

Our Company [has established] the remuneration committee on [•] with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph E.1 of the CG Code as set out in Appendix 14 to the Listing Rules. The remuneration committee has three members, namely Mr. Wu Fei, Mr. Huang Wei and Mr. Fung Che Wai, Anthony. Mr. Wu Fei [has been] appointed as the chairman of the remuneration committee. The primary duties of the remuneration committee are to establish and review the policy and structure of the remuneration for our Directors and senior management and make recommendations on employee benefit arrangement.

Nomination committee

Our Company [has established] the nomination committee on [•] with written terms of reference in compliance with paragraph B.3 of the CG Code as set out in Appendix 14 to the Listing Rules. The nomination committee consists of three members, namely Mr. Huang Wei, Mr. Wu Fei and Mr. Chen Shuo. Mr. Huang Wei [has been] appointed as the chairman of the nomination committee. The primary duties of the nomination committee are to make recommendations to our Board on the appointment of members of our Board.

CORPORATE GOVERNANCE

Our Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of our Group so as to achieve effective accountability.

Our Company has adopted the code provisions stated in the CG Code. Our Company is committed to the view that the Board should include a balanced composition of executive Directors, non-executive Directors and independent non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

Except for the deviation from CG Code provision C.2.1, our corporate governance practices have complied with the CG Code. CG Code provision C.2.1 stipulates that the roles of the chairman and chief executive should be separate and should not be performed by the same individual. Mr. Huang is the chairman and chief executive officer of our Group. In view of the fact that Mr. Huang has been assuming day-to-day responsibilities in operating and managing our Group since September 2007, our Board believes that it is in the best interest of our Group to have Mr. Huang taking up both roles for effective management and business development. Therefore, the Directors consider that the deviation from CG Code provision C.2.1 is appropriate in such circumstance. Notwithstanding the above, our board is of the view that this management structure is effective for our Group's operations and sufficient checks and balances are in place.

Our Directors are aware that upon **[REDACTED]**, we are expected to comply with such code provision. Any such deviation shall however be carefully considered, and the reasons for such deviation shall be given in our interim report and annual report in respect of the relevant period. We are committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders as a whole. Save as disclosed above, we will comply with the code provisions set out in the CG Code after the **[REDACTED]**.

BOARD DIVERSITY POLICY

Our Board has adopted a board diversity policy which sets out the approach to achieve diversity on our Board. Our Company recognises and embraces the benefits of having a diverse Board and sees increasing diversity at Board level as an essential element in supporting the attainment of our Company's strategic objectives and sustainable development. Our Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to talents, skills, gender, age, cultural and educational background, ethnicity, professional experience, independence, knowledge and length of service. We will continue to implement measures and steps to promote and enhance gender diversity at all levels of our Company. We will select potential Board candidates based on merit and his/her potential contribution to our Board while taking into account our board diversity policy and other factors. Our Company will also take into consideration our own business model and specific needs from time to time. All Board appointments will be based on meritocracy and candidates will be considered against objective criteria, having due regard to the benefits of diversity on our Board.

Our Board comprises of eight members, including one female executive Director and one female non-executive Director. Our Directors also have a balanced mix of knowledge, skills and experience, including business development, financial management, investor relations, information technology, manufacturing, teaching, procurement, investment and law. They obtained degrees in various majors including but without limitation to business administration, human resource management, entrepreneurship management, accounting, engineering, economics, finance, language and law. Furthermore, our Board has a wide range of age, ranging from 35 years old to 56 years old. We have taken and will continue to take steps to promote gender diversity at all levels of our Company, including but without limitation at our Board and senior management levels. Taking into account our business model and specific needs as well as the presence of two female Directors out of a total of eight Board members, we consider that the composition of our Board satisfies our board diversity policy.

With regards to gender diversity on the Board, our board diversity policy further provides that our Board shall take opportunities to increase the proportion of female members over time when selecting and making recommendations on suitable candidates for Board appointments. We will also ensure that there is gender diversity when recruiting staff at mid to senior level so that we will have a pipeline of female senior management and potential successors to our Board going forward. It is our objective to maintain an appropriate balance of gender diversity with reference to the stakeholders' expectation and international and local recommended best practices.

Our nomination committee is responsible for ensuring the diversity of our Board members. After **[REDACTED]**, our nomination committee will review our board diversity policy and its implementation from time to time to ensure its implementation and monitor its continued effectiveness and we will disclose the implementation of our board diversity policy in our corporate governance report on an annual basis.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and members of our senior management receive compensation from our Company in the form of salaries, bonuses and other benefits in kind such as contributions to pension plans. The aggregate remuneration (including salaries, wages, bonuses, pension cost and share-based compensation expenses) paid to our Directors for each of the three years ended 31 December 2022 was approximately RMB12.4 million, RMB2.7 million and RMB2.8 million, respectively. Save as disclosed above, no other amounts have been paid or are payable by any member of our Group to our Directors during the Track Record Period.

The aggregate amount of wages, salaries and bonuses, contribution to pension plans, social security costs, other employee benefits and share-based compensation expenses paid to our five highest paid individuals (including our Directors) in respect of each of the three years ended 31 December 2022 was approximately RMB15.1 million, RMB5.0 million and RMB4.0 million, respectively.

No remuneration was paid by us to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office in respect of each of the three years ended 31 December 2022. Further, none of our Directors had waived or agreed to waive any remuneration during the same periods.

Under the arrangement currently in force, the aggregate remuneration (including salaries, wages, bonuses, pension cost and share-based compensation expenses) of our Directors for the year ending 31 December 2023 is estimated to be no more than RMB3.0 million. Our Board will review and determine the remuneration and compensation packages of our Directors and senior management which, following the **[REDACTED]**, will receive recommendation from the remuneration committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group.

[REDACTED] SHARE OPTION SCHEME

Our Company [has adopted] the **[REDACTED]** Share Option Scheme, the purpose of which is to incentivise and reward eligible participants by reason of their contribution or potential contribution to our Company and/or any of our subsidiaries. For details of the **[REDACTED]** Share Option Scheme, please refer to the section headed "Statutory and General Information — D. Other information — 2. **[REDACTED]** Share Option Scheme" in Appendix IV to this document.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on [•]. For details of the Share Option Scheme, please refer to the section headed "Statutory and General Information — D. Other Information — 1. Share Option Scheme" in Appendix IV to this document.

COMPLIANCE ADVISER

Our Company has appointed Quam Capital Limited (previously known as China Tonghai Capital Limited) as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our compliance adviser will advise our Company in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;

- where our Company proposes to use the **[REDACTED]** of the **[REDACTED]** in a manner different from that detailed in this document or where our business activities, developments or results deviate from any forecast, estimate or other information in this document; and

- where the Stock Exchange makes an inquiry of our Company under Rule 13.10 of the Listing Rules.

The term of the appointment of our compliance adviser shall commence on the **[REDACTED]** and end on the date on which our Company distribute our annual report in respect of our financial results for the first full financial year commencing after the **[REDACTED]**.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, the following persons will, immediately prior to and following the completion of the **[REDACTED]** and the **[REDACTED]** (taking no account of any Shares which may be issued pursuant to the exercise of the **[REDACTED]** or Shares which may be issued upon the exercise of any options granted under the **[REDACTED]** Share Option Scheme and any options which may be granted under the Share Option Scheme), have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group:

Name of Shareholder	Nature of interest	Shares held immediately prior to the completion of the [REDACTED] and the [REDACTED](1)		Shares held immediately following the completion of the [REDACTED] and the [REDACTED](1)	
		Number	Approximate percentage	Number	Approximate percentage
Mr. Huang(2)(3)(4)	Interest in controlled corporation	121,263,281 (L)	31.18%	**[REDACTED]** (L)	**[REDACTED]**%
Glorypearl Capital(2)	Beneficial owner	59,913,281 (L)	15.40%	**[REDACTED]** (L)	**[REDACTED]**%
Weichuang Hongjing(3)	Interest in controlled corporation	33,150,000 (L)	8.52%	**[REDACTED]** (L)	**[REDACTED]**%
Shanghai Boyu(3)	Interest in controlled corporation	33,150,000 (L)	8.52%	**[REDACTED]** (L)	**[REDACTED]**%
Precious Luck(3)	Beneficial owner	33,150,000 (L)	8.52%	**[REDACTED]** (L)	**[REDACTED]**%
Teng Yongxiong(5)	Interest in controlled corporation	51,000,000 (L)	13.11%	**[REDACTED]** (L)	**[REDACTED]**%
Tengxin Investment(5)	Interest in controlled corporation	51,000,000 (L)	13.11%	**[REDACTED]** (L)	**[REDACTED]**%
Shanghai Boli Enterprise Management Co., Ltd.(5)	Interest in controlled corporation	51,000,000 (L)	13.11%	**[REDACTED]** (L)	**[REDACTED]**%
Ideal Stand(5)	Beneficial owner	51,000,000 (L)	13.11%	**[REDACTED]** (L)	**[REDACTED]**%
Liu Yonghui(6)	Interest in controlled corporation	45,003,375 (L)	11.57%	**[REDACTED]** (L)	**[REDACTED]**%
Prosperous Splendor(6)	Beneficial owner	45,003,375 (L)	11.57%	**[REDACTED]** (L)	**[REDACTED]**%
Zhuhai Wanhe Jinhua Asset Management Co., Ltd.(7)	Interest in controlled corporation	42,632,812 (L)	10.96%	**[REDACTED]** (L)	**[REDACTED]**%

Name of Shareholder	Nature of interest	Shares held immediately prior to the completion of the [REDACTED] and the [REDACTED](1)		Shares held immediately following the completion of the [REDACTED] and the [REDACTED](1)	
		Number	Approximate percentage	Number	Approximate percentage
Shanghai Jili Enterprise Management Partnership (Limited Partnership)(7)	Interest in controlled corporation	42,632,812 (L)	10.96%	[REDACTED] (L)	[REDACTED]%
Brown Oak Holdings Limited(7)	Beneficial owner	42,632,812 (L)	10.96%	[REDACTED] (L)	[REDACTED]%
Qiu Hui(8)	Interest in controlled corporation	39,125,000 (L)	10.06%	[REDACTED] (L)	[REDACTED]%
Lin Dachun(8)	Interest in controlled corporation	39,125,000 (L)	10.06%	[REDACTED] (L)	[REDACTED]%
Shanghai Xuante(8)	Interest in controlled corporation	39,125,000 (L)	10.06%	[REDACTED] (L)	[REDACTED]%
Charming Tulip Holdings Limited(8)	Beneficial owner	39,125,000 (L)	10.06%	[REDACTED] (L)	[REDACTED]%
Hit Drive Limited	Beneficial owner	26,556,367 (L)	6.83%	[REDACTED] (L)	[REDACTED]%

Notes:

(1) The letter "L" denotes the person's long position in our Shares.

(2) Glorypearl Capital is beneficially and wholly owned by Mr. Huang. By virtue of the SFO, Mr. Huang is deemed to be interested in the Shares held by Glorypearl Capital.

(3) Precious Luck is wholly owned by Shanghai Boyu, a limited partnership controlled by Weichuang Hongjing as the executive partner and general partner. Weichuang Hongjing is owned as to 99% by Mr. Huang. By virtue of the SFO, each of Mr. Huang, Weichuang Hongjing and Shanghai Boyu is deemed to be interested in the Shares held by Precious Luck.

(4) Each of Happy Gain and Southern Fortune directly held 18,000,000 Shares and 10,200,000 Shares, respectively, as at the Latest Practicable Date, and will held **[REDACTED]** Shares and **[REDACTED]** Shares immediately following the completion of the **[REDACTED]** and the **[REDACTED]**. 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. By virtue of the SFO, Mr. Huang is deemed to be interested in the Shares held by Happy Gain and Southern Fortune.

(5) Ideal Stand is wholly owned by Shanghai Boli Enterprise Management Co., Ltd.* (上海渤礫企業管理有限公司), which is wholly owned by Tengxin Investment. Tengxin Investment is owned as to 75% by Mr. Teng Yongxiong, an Independent Third Party. By virtue of the SFO, each of Mr. Teng Yongxiong, Tengxin Investment and Shanghai Boli Enterprise Management Co., Ltd. is deemed to be interested in the Shares held by Ideal Stand.

(6) Prosperous Splendor is owned as to 95.52% by Mr. Liu Yonghui, father of Mr. Liu Wei (our non-executive Director). By virtue of the SFO, Mr. Liu Yonghui is deemed to be interested in the Shares held by Prosperous Splendor.

(7) Brown Oak Holdings Limited is wholly owned by Shanghai Jili Enterprise Management Partnership (Limited Partnership)* (上海霽礫企業管理合夥企業), which is controlled by Zhuhai Wanhe Jinhua Asset Management Co., Ltd.* (珠海萬和錦華資產管理有限公司) as the executive partner and general partner. By virtue of the SFO, each of Zhuhai Wanhe Jinhua Asset Management Co., Ltd. and Shanghai Jili Enterprise Management Partnership (Limited Partnership) is deemed to be interested in the Shares held by Brown Oak Holdings Limited.

(8) Charming Tulip Holdings Limited is wholly owned by Shanghai Xuante, which is owned as to approximately 47.18% by Ms. Qiu Hui and 32.27% by Mr. Lin Dachun. By virtue of the SFO, each of Ms. Qiu Hui, Mr. Lin Dachun and Shanghai Xuante Enterprise Management Co., Ltd. is deemed to be interested in the Shares held by Charming Tulip Holdings Limited.

Except as disclosed in this section, our Directors are not aware of any person who will, immediately following the completion of the **[REDACTED]** and the **[REDACTED]** (assuming the **[REDACTED]** is not exercised and no Shares are to be issued upon the exercise of any options granted under the **[REDACTED]** Share Option Scheme and any options which may be granted under the Share Option Scheme), have beneficial interests or short positions in any Shares or underlying Shares, which would be required to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly interested in 10% or more of the issued voting shares of any member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

SHARE CAPITAL

The following is a description of the authorised and issued Share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately before and following the completion of the **[REDACTED]** (without taking into account the exercise of the **[REDACTED]** or Shares which may be issued pursuant to the exercise of options granted under the **[REDACTED]** Share Option Scheme and options which may be granted under the Share Option Scheme) and the **[REDACTED]** (assuming the **[REDACTED]** is not exercised):

		Nominal value *(HK$)*
Authorised share capital:		
[4,000,000,000]	Shares of HK$0.01 each	[40,000,000]
Issued and to be issued, fully paid or credited as fully paid:		
388,935,273	Shares in issue as at the date of this document	3,889,352.73
[REDACTED]	Shares to be issued pursuant to the **[REDACTED]**	**[REDACTED]**
[REDACTED]	Shares to be issued under the **[REDACTED]**	**[REDACTED]**
[REDACTED]	Total	**[REDACTED]**

ASSUMPTIONS

The above table assumes that the **[REDACTED]** becomes unconditional and the issue of Shares pursuant to the **[REDACTED]** and **[REDACTED]** are made. It takes no account of any Shares which may be issued and allotted pursuant to the exercise of the **[REDACTED]** or pursuant to the exercise of the options granted under the **[REDACTED]** Share Option Scheme and options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

RANKINGS

The **[REDACTED]** will be ordinary Shares in the share capital of our Company and will carry the same rights in all respects with all Shares in issue or to be issued as mentioned in this document and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this document save for the entitlement under the **[REDACTED]**.

GENERAL MANDATE TO ALLOT AND ISSUE NEW SHARES

Subject to the **[REDACTED]** becoming unconditional, our Directors have been granted a general mandate to allot, issue and deal with Shares in the share capital of our Company with a total number of issued shares of not more than the sum of:

(1) 20% of the total number of Shares in issue immediately following the completion of the **[REDACTED]** and the **[REDACTED]** (excluding Shares which may be issued and allotted pursuant to the exercise of the **[REDACTED]** or any options granted under the **[REDACTED]** Share Option Scheme and any options which may be granted under the Share Option Scheme); and

(2) the total number of Shares repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares granted to our Directors referred to below.

Our Directors may, in addition to the Shares which they are authorised to issue under this general mandate, allot, issue or deal with Shares under a rights issue, scrip dividend scheme or similar arrangement, or on the exercise of any option granted under the **[REDACTED]** Share Option Scheme and any options which may be granted under the Share Option Scheme.

This general mandate will remain in effect until the earliest of:

(i) the conclusion of our Company's next annual general meeting; or

(ii) the expiry of the period within which our Company is required by any applicable laws or its articles of association to hold its next annual general meeting; or

(iii) when varied or revoked by an ordinary resolution of the Shareholders in general meeting.

Further information on this general mandate is set out in the section headed "Statutory and General Information — A. Further information about our Group — 3. Resolutions in writing of the Shareholders of our Company passed on [•]" in Appendix IV to this document.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the **[REDACTED]** becoming unconditional, our Directors have been granted a general mandate to exercise all the powers of our Company to repurchase Shares with a total number of Shares of not more than 10% of the total number of Shares in issue immediately following the completion of the **[REDACTED]** and the **[REDACTED]** (excluding Shares which may be issued and allotted pursuant to the exercise of the **[REDACTED]** or any options granted under the **[REDACTED]** Share Option Scheme and any options which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange or any other Stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed "Statutory and General Information — A. Further information about our Group — 6. Repurchases of our Shares" in Appendix IV to this document.

This general mandate to repurchase Shares will remain in effect until the earliest of:

(i) the conclusion of our Company's next annual general meeting; or

(ii) the expiry of the period within which our Company is required by any applicable laws or its articles of association to hold its next annual general meeting; or

(iii) when varied or revoked by an ordinary resolution of the Shareholders in general meeting.

Further information on this general mandate is set out in the section headed "Statutory and General Information — A. Further information about our Group — 3. Resolutions in writing of the Shareholders of our Company passed on [•]" in Appendix IV to this document.

[REDACTED] SHARE OPTION SCHEME AND SHARE OPTION SCHEME

Pursuant to the written resolutions of the Shareholders dated [•], we conditionally adopted the **[REDACTED]** Share Option Scheme and pursuant to the written resolutions of the Shareholders dated [•], we conditionally adopted the Share Option Scheme. Summaries of the principal terms of the **[REDACTED]** Share Option Scheme and Share Option Scheme are respectively set out in the section headed "Statutory and General Information — D. Other Information — 2. **[REDACTED]** Share Option Scheme" and "Statutory and General Information — D. Other Information — 1. Share Option Scheme" in Appendix IV to this document.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Our Company has only one class of shares, namely ordinary shares, each of which carries the same rights as the other shares.

Pursuant to the Cayman Islands Companies Act and the terms of our Memorandum and Articles of Association, our Company may from time to time by ordinary shareholders' resolution (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may reduce or redeem its share capital by shareholders' special resolution. For more details, please see "Summary of the Constitution of Our Company and Cayman Islands Companies Law — 2. Articles of Association — (a) Shares — (iii) Alteration of Capital" in Appendix III to this document.

Pursuant to the Cayman Islands Companies Act and the terms of our Memorandum and Articles of Association, all or any of the special rights attached to the Share or any class of Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that class. For more details, please see "Summary of the Constitution of Our Company and Cayman Islands Companies Act — 2. Articles of Association — (a) Shares — (ii) Variation of Rights of Existing Shares or Classes of Shares" in Appendix III to this document.

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

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

OVERVIEW

We are an established automobile 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 RAFLCs in the PRC in 2021.

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

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

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

We place top priority on the management of the risks associated with our business. As a result of our risk management system, we have managed to maintain relatively low non-performing asset ratios during the Track Record Period. As at 31 December 2020, 2021 and 2022, our non-performing asset ratios were 0.7%, 0.7% and 0.7%, respectively. As a result of our effective automobile repossession and disposal measures, as well as the legal proceeding we initiated against our default customers, as at the Latest Practicable Date, out of the early terminated contracts for the years ended 31 December 2020, 2021 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, representing 97.3%, 96.1% and 96.9% of the outstanding amount of finance lease receivables of such early terminated contracts for the corresponding year, respectively.

BASIS OF PRESENTATION

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

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

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

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

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

Demand for automobile direct finance lease in the PRC

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

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

Interest rate environment

We generate a portion of our revenue from interest arising from our finance lease arrangements. For the years ended 31 December 2020, 2021 and 2022, our finance lease income accounted for 31.3%, 20.0 % and 23.0% of our total revenue for the corresponding year, respectively. Our average effective interest rate charged on newly entered finance lease agreements was at 20.5%, 19.4% and 18.5% for the years ended 31 December 2020, 2021 and 2022, respectively.

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

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

Our funding capabilities

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

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

Our risk management capabilities

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

Products and service mix

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

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

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

Expansion of our self-operated sales outlets

Expansion of our self-operated sales outlets has an effect on our results of operations and financial condition. During the Track Record Period, our self-operated sales outlets were mainly located in tier two, tier three and below cities in the PRC. As at 31 December 2022, we operated one self-operated sales outlet in tier one city in the PRC, 33 self-operated sales outlets in tier two cities in the PRC and 34 self-operated sales outlets in tier three and below cities in the PRC.

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

Impact of outbreak of diseases or epidemic in the PRC

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

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

Any recurrence of an outbreak of COVID-19 or any occurrence of other diseases or epidemics in the PRC may affect our financial results and financial condition.

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

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

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

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

Revenue recognition

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

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

— provides all of the benefits received and consumed simultaneously by the customer;

— creates or enhances an asset that the customer controls as our Group performs; or

— does not create an asset with an alternative use to our Group and our Group has an enforceable right to payment for performance completed to date.

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

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

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

(a) Sales of automobile under finance lease arrangement

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

(b) Finance lease income

Our Group provides automobile finance lease services to customers, with the sales of automobile. The income under finance lease is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial lease receivables.

(c) Automobile operating lease income

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

(d) Other automobile-related 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.

Lease

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

(a) Our Group as a lessee

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

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

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

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

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

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

(b) Our Group as a lessor

Operating lease

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

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

Finance lease

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

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

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

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

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

RESULTS OF OPERATIONS

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

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	749,761	1,171,262	1,141,526
Cost of revenue	(446,163)	(809,506)	(767,079)
Gross profit	303,598	361,756	374,447
Selling and marketing expenses	(75,056)	(83,164)	(81,096)
Administrative expenses	(105,629)	(114,879)	(115,146)
Research and development expenses	(423)	(2,106)	(722)
Provision for credit loss	(2,098)	(3,870)	(4,877)
Fair value (loss)/gain on ordinary shares with redemption right	(6,932)	(4,153)	47,251
Other income, net	23,302	15,960	21,748
Other losses, net	(6,621)	(8,713)	(6,814)
Operating profit	130,141	160,831	234,791
Finance income	1,849	2,008	973
Finance cost	(111,021)	(119,829)	(143,991)
Finance cost, net	(109,172)	(117,821)	(143,018)
Profit before income tax	20,969	43,010	91,773
Income tax expenses	(10,716)	(12,323)	(14,691)
Profit for the year	10,253	30,687	77,082
Profit attributable to:			
— Owners of the Company	12,341	34,112	78,913
— Non-controlling interests	(2,088)	(3,425)	(1,831)
	10,253	30,687	77,082

NON-IFRS MEASURES

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

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

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

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Profit for the year	10,253	30,687	77,082
Add:			
[REDACTED] expenses, net of tax	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Fair value loss/(gain) on ordinary shares with redemption right	6,932	4,153	(47,251)
Adjusted net profit (Non-IFRS measures)	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Adjusted net profit margin (Non-IFRS measures)(*Note*)	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

Note:

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

DESCRIPTION OF SELECTED ITEMS IN CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Revenue

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

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

Automobile retail and finance

We sell our automobiles, including both passenger vehicles and e-hailing vehicles, mainly on direct finance lease. We provide a variety of financing packages to our customers. Our direct finance lease involves leasing of (i) our newly acquired automobiles mainly from auto dealers 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. 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 this business amounted to RMB597.6 million, RMB1,012.4 million and RMB997.1 million, representing 79.7%, 86.4% and 87.4% of our total revenue for the years ended 31 December 2020, 2021 and 2022. Our revenue from automobile retail and finance by way of 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.

Sales of automobile under finance lease

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

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

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

Self-operated sales outlets

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

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

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

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

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

	As at/Year ended 31 December														
	2020					2021					2022				
	Number of new automobiles sold	Number of sales outlets	Revenue from sales of automobile under finance lease from self-operated sales outlets		Average price of new automobiles sold	Number of new automobiles sold	Number of sales outlets	Revenue from sales of automobile under finance lease from self-operated sales outlets		Average price of new automobiles sold	Number of new automobiles sold	Number of sales outlets	Revenue from sales of automobile under finance lease from self-operated sales outlets		Average price of new automobiles sold
			RMB'000	*%*	*RMB'000*			*RMB'000*	*%*	*RMB'000*			*RMB'000*	*%*	*RMB'000*
Eastern PRC	1,457	27	135,709	39.4	93	2,749	25	291,593	37.6	106	2,841	27	293,497	40.1	103
Southern PRC	654	8	60,940	17.7	93	1,452	9	152,993	19.7	105	1,401	10	141,739	19.4	101
Southwestern PRC	652	9	60,847	17.7	93	1,131	9	118,761	15.3	105	997	9	102,967	14.1	103
Central PRC	429	9	39,799	11.6	93	918	8	97,385	12.5	106	792	8	82,129	11.2	104
Northern PRC	332	5	30,717	8.9	93	670	5	70,068	9.0	105	559	5	58,059	7.9	104
Northwestern PRC	175	4	15,573	4.5	89	375	4	38,626	5.0	103	402	4	40,148	5.5	100
Northeastern PRC	7	4	860	0.2	123	65	5	6,873	0.9	106	127	5	12,693	1.8	100
Total	3,706	66	344,445	100.0	93	7,360	65	776,299	100.0	105	7,119	68	731,232	100.0	103

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

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

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

	As at/Year ended 31 December														
	2020					2021					2022				
	Number of new automobiles sold	Number of sales outlets	Revenue from sales of automobile under finance lease from self-operated sales outlets		Average price of new automobiles sold	Number of new automobiles sold	Number of sales outlets	Revenue from sales of automobile under finance lease from self-operated sales outlets		Average price of new automobiles sold	Number of new automobiles sold	Number of sales outlets	Revenue from sales of automobile under finance lease from self-operated sales outlets		Average price of new automobiles sold
			RMB'000	*%*	*RMB'000*			*RMB'000*	*%*	*RMB'000*			*RMB'000*	*%*	*RMB'000*
Tier one city	—	1	—	—	—	—	—	—	—	—	10	1	994	0.1	99
Tier two cities	3,212	30	297,737	86.4	93	6,425	32	678,178	87.4	106	6,008	33	619,084	84.7	103
Tier three and below cities	494	35	46,708	13.6	95	935	33	98,121	12.6	105	1,101	34	111,154	15.2	101
Total	3,706	66	344,445	100.0	93	7,360	65	776,299	100.0	105	7,119	68	731,232	100.0	103

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

Our revenue from sales of automobile under finance lease generated from self-operated sales outlet located in tier one city was nil, nil and RMB1.0 million for the years ended 31 December 2020, 2021 and 2022, accounted for nil, nil and 0.1% of our sales of automobile under finance lease generated from self-operated sales outlets for the corresponding year. As at 31 December 2020, 2021 and 2022, the number of our self-operated sales outlet in tier one city was 1, nil and 1, respectively.

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

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

Automobile agents

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

Finance lease income

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

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

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

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

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

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

Automobile-related services

Our automobile-related services business consists of (i) automobile operating lease; and (ii) other automobile-related services. Our revenue generated from automobile-related services business amounted to RMB152.1 million, RMB158.8 million and RMB144.4 million, representing 20.3%, 13.6% and 12.6% of our total revenue for the years ended 31 December 2020, 2021 and 2022, respectively.

Automobile operating lease

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

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

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

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

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

	As at 31 December		
	2020	**2021**	**2022**
e-hailing operating lease	3,930	4,114	4,122
New energy car-sharing	326	325	—
Other operating lease	604	561	1,101
Total	4,860	5,000	5,223

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

	Year ended 31 December		
	2020	**2021**	**2022**
Switched from e-hailing operating lease to retail and finance	5	—	1,121
The average number automobiles under e-hailing operating lease	3,325	4,072	3,877

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

For our e-hailing operating lease, we had 3,930, 4,114 and 4,122 automobiles, respectively, as at the corresponding date. We increased the number of e-hailing operating lease from 3,930 units as at 31 December 2020 to 4,114 units as at 31 December 2021 to expand our e-hailing operating lease, then maintained the number of e-hailing operating lease automobiles relatively stable as at 31 December 2022. We also provide options for our customers to change the e-hailing vehicles from e-hailing operating lease to e-hailing under finance lease. Such flexibility in our service options can satisfy customers who have financing needs.

During the Track Record Period, the number of e-hailing vehicles switched from e-hailing operating lease to e-hailing under finance lease as required by our customers, was 5 units, nil and 1,121 units, respectively. The significant increase in the number of e-hailing vehicles switched from e-hailing operating lease to e-hailing under 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.

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 under finance lease during the year ended 31 December 2022 to meet our customers' demand and we purchased 897 e-hailing operating lease vehicles in November and December 2022.

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

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

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. 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 RMB12.5 million, respectively. We also assist our car-user customers who look for automobile aftermarket usage solutions through our 52 Car APP to cater their various needs during the automobile usage stage. We do not charge our car-user customers or business-end users for downloading or using our 52 Car APP and 52 Car (Business Version) APP. Instead, we receive service fees from our business-end users based on the agreed percentage typically ranging from 5% to 15% of the transaction value of automobile repair orders through our 52 Car App from our car-user customers. For the years ended 31 December 2020, 2021 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.

Cost of revenue

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

	Year ended 31 December					
	2020		2021		2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Cost of inventories	305,900	68.6	633,364	78.2	595,601	77.6
Depreciation expenses	70,288	15.8	88,192	10.9	83,356	10.9
Auto-insurance premium	40,153	9.0	35,923	4.4	37,356	4.9
Employee benefit expenses	15,200	3.4	30,759	3.8	31,284	4.1
Provision for inventories	2,876	0.6	7,674	0.9	6,886	0.9
Motor vehicle expenses	5,509	1.3	7,265	1.0	7,101	0.9
Transportation expenses	3,217	0.7	4,027	0.5	3,648	0.5
Amortisation expenses	1,992	0.4	2,229	0.3	1,653	0.2
Sales commission to automobile agents	1,028	0.2	75	—	194	—
Total	446,163	100.0	809,506	100.0	767,079	100.0

Note: "—" represents percentage less than 0.1%.

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

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

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

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

	Changes in cost of inventories	
	+/– 5%	**+/– 10%**
	RMB'000	*RMB'000*
Decrease/increase in profit before tax		
Year ended 31 December 2020	–/+ 15,295	–/+ 30,590
Year ended 31 December 2021	–/+ 31,668	–/+ 63,336
Year ended 31 December 2022	–/+ 29,780	–/+ 59,560

Our depreciation expenses mainly represent the depreciation charge of our vehicles for our automobile operating lease business. For the years ended 31 December 2020, 2021 and 2022, our depreciation expenses amounted to RMB70.3 million, RMB88.2 million and RMB83.4 million, representing 15.8%, 10.9% and 10.9% of our total cost of revenue and 53.0%, 61.2% and 66.1% of our revenue generated from automobile operating lease for the corresponding year, respectively. The increase in the amount of depreciation expenses for the year ended 31 December 2021, as compared to the year ended 31 December 2020 was primarily due to the average number of our operating lease vehicles increased from approximately 3,900 for the year ended 31 December 2020 to approximately 4,900 for the year ended 31 December 2021. For the year ended 31 December 2022, our depreciation expenses decreased to RMB83.4 million, mainly due to the average number of our operating lease vehicles decreased to approximately 4,700 for the year ended 31 December 2022.

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. For the years ended 31 December 2020, 2021 and 2022, our auto-insurance premium amounted to RMB40.2 million, RMB35.9 million and RMB37.4 million, representing 9.0%, 4.4% and 4.9% of our total cost of revenue for the corresponding year, respectively. The decrease in auto-insurance premium in the year ended 31 December 2021 as compared to the year ended 31 December 2020, was mainly due to the decrease in our automobile inventory turnover days of which we bore the insurance cost for these automobile inventories as aforementioned. The increase in auto-insurance premium in the year ended 31 December 2022 as compared to the year ended 31 December 2021, was mainly due to the increase in the automobile inventories during the year, of which we bore the insurance cost.

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

Gross profit and gross profit margin

For the years ended 31 December 2020, 2021 and 2022, our gross profit was RMB303.6 million, RMB361.8 million and RMB374.4 million, respectively, while our gross profit margin was 40.5%, 30.9% and 32.8% for the corresponding year, respectively.

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

	Year ended 31 December					
	2020		2021		2022	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Automobile retail and finance	**257,905**	**43.2**	**328,527**	**32.4**	**340,910**	**34.2**
Automobile-related services						
Automobile operating lease						
— e-hailing operating lease	23,438	20.1	25,665	19.3	20,715	17.9
— New energy car-sharing	(1,170)	(22.7)	(4,061)	(102.6)	(1,555)	(196.6)
— Other operating lease	5,639	52.0	(2,361)	(32.1)	(2,586)	(27.8)
Other automobile-related services	17,786	91.1	13,986	95.3	16,963	92.1
Sub-total	**45,693**	**30.0**	**33,229**	**20.9**	**33,537**	**23.2**
Total	**303,598**	**40.5**	**361,756**	**30.9**	**374,447**	**32.8**

Automobile retail and finance

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

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

Automobile-related services

e-hailing operating lease

The gross profit from our e-hailing operating lease amounted to RMB23.4 million, RMB25.7 million and RMB20.7 million for the years ended 31 December 2020, 2021 and 2022, respectively. Our gross profit from our e-hailing operating lease increased from RMB23.4 million for the year ended 31 December 2020 to RMB25.7 million for the year ended 31 December 2021 was mainly due to the increase in revenue from e-hailing operating lease primarily resulted from the increase in the average occupancy rate for e-hailing operating lease from 78.8% for the year ended 31 December 2020 to 90.7% for the year ended 31 December 2021. The gross profit from our e-hailing operating lease decreased to RMB20.7 million for the year ended 31 December 2022 primarily attribute to the decrease in revenue from our e-hailing operating lease resulted from the decrease in the average occupancy rate for e-hailing operating lease from 90.7% for the year ended 31 December 2021 to 85.0% for the year ended 31 December 2022.

The gross profit margin of our e-hailing operating lease was 20.1%, 19.3% and 17.9%, respectively, during the Track Record Period. The gross profit margin of our e-hailing operating lease remained relatively stable at 20.1% and 19.3% for the years ended 31 December 2020 and 2021, respectively. The gross profit margin of our e-hailing operating lease decreased to 17.9% for the year ended 31 December 2022, which was mainly due to the rate of decrease in our revenue from our e-hailing operating lease was higher than the rate of decrease in the relevant cost for our e-hailing operating lease business, which was mainly depreciation charges. The decrease in revenue from our e-hailing operating lease for the year ended 31 December 2022 as compared to the year ended 31 December 2021, was mainly attributable to (i) the decrease in the average occupancy rate from 90.7% to 85.0% for our e-hailing operating lease business for the corresponding year, due to the impact of the regional outbreaks of COVID-19 variants in the PRC in 2022; and (ii) the decrease in the average number of e-hailing vehicles from 4,072 units for the year ended 31 December 2021 to 3,877 units for the year ended 31 December 2022, mainly due to we switched 1,121 e-hailing vehicles from e-hailing operating lease to e-hailing under finance lease, which was driven by more e-hailing customers selected our e-hailing under finance lease service in 2022.

New energy car-sharing

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

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

Other operating lease

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

Other automobile-related services

The gross profit of our other automobile-related services decreased from RMB17.8 million for the year ended 31 December 2020 to RMB14.0 million for the year ended 31 December 2021, which was mainly due to the decrease in revenue from our other automobile-related services. Our gross profit increased to RMB17.0 million for the year ended 31 December 2022, which was mainly attributable to the increase in revenue from our other automobile-related services in 2022.

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

Net interest margin and net interest spread

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

	Year ended 31 December		
	2020	**2021**	**2022**
	(RMB'000, except for percentage)		
Finance lease income	234,705	234,561	262,498
Cost of funding	(98,682)	(108,831)	(131,381)
Net interest income	136,023	125,730	131,117
Average balance of finance lease receivables *(Note 1)*	1,052,541	1,149,328	1,383,649
Average balance of borrowings *(Note 2)*	1,230,067	1,269,390	1,548,119
Average yield of finance lease receivables *(Note 3)*	22.3%	20.4%	19.0%
Average cost of borrowings *(Note 4)*	8.0%	8.6%	8.5%
Net interest spread *(Note 5)*	14.3%	11.8%	10.5%
Net interest margin *(Note 6)*	12.9%	10.9%	9.5%
Average effective interest rate charged for newly entered finance lease agreements *(Note 7)*	20.5%	19.4%	18.5%
Weighted average effective interest rate of borrowings *(Note 8)*	8.5%	8.5%	8.6%

Notes:

(1) Average balance of finance lease receivables is calculated as the sum of the beginning and the ending balance of finance lease receivables for the relevant year divided by two.

(2) Average balance of borrowings is calculated as the sum of the beginning and the ending balance for the relevant year divided by two.

(3) Calculated by dividing finance lease income for the relevant year by the average balance of finance lease receivables.

(4) Calculated by dividing cost of funding for the relevant year by the average balance of borrowings.

(5) Calculated as the difference between average yield of finance lease receivables and average cost of borrowings.

(6) Calculated by dividing net interest income for the relevant year by the average balance of finance lease receivables.

(7) Calculated by dividing sum of effective interest rate of newly entered finance lease agreements by the total number of newly entered finance lease agreements entered for the relevant year.

(8) Calculated by multiplying the effective interest rate of each borrowing by the corresponding ending balance and dividing by the total ending balance of the borrowings as at each year end.

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

Our average yield of finance lease receivables was 22.3%, 20.4% and 19.0% for the years ended 31 December 2020, 2021 and 2022, respectively. The decrease in the average yield of finance lease receivables during the Track Record Period was primarily due to the completion of relatively higher average yield finance lease agreements entered into prior to 2019 which generally had a term ranging from two to four years. According to CIC, the industry average yield of interest-earning assets before 2019 was relatively higher than during the Track Record Period due to higher average effective interest rate per annum charged by RAFLCs prior to 2019. We enjoyed first-mover advantage by operating finance lease business since 2012 ahead of other major third-party RAFLCs. The competition in the RAFLC market in China intensified during 2018 and 2019 with some Internet-backed RAFLCs adopted competitive pricing in order to win more customers, and it was followed by more RAFLCs in order to sustain market share, leading to a downward adjustment of the industry range of the average effective interest rate per annum for finance lease agreements in 2018 and 2019. Our new automobiles have been sold on finance lease generally with a term of two to four years. As such, our sales of automobile under finance lease entered into prior to 2019 with higher average effective interest rate will last through the subsequent two to four years. While we also entered into new sales of automobile under finance lease with lower average effective interest rate subsequent to 2019, hence our average yield of interest-earning assets was lower than prior to 2019. According to CIC, we were able to charge higher average interest rates for the finance lease agreements than other RAFLCs, because of our flexible product offerings, strong offline capability and developed risk management system to expand customer reach and control asset quality. According to CIC, there was no major issue which may exert significant downward pressure on effective interest rates charged by industry players as the Latest Practicable Date. Lower effective interest rates of automobile finance lease services may be charged by industry players from time to time if the RAFLCs offer occasional promotions and more competitive pricing options to car buyers, and fluctuations in market interest rates could also affect the level of effective interest rates charged by RAFLCs. However, the greater market acceptance of automobile finance lease services in the PRC can potentially offset the aforesaid impacts, if any.

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

The decrease in net interest spread from 14.3% for the year ended 31 December 2020 to 11.8% for the year ended 31 December 2021, then remained relatively stable at 10.5% for the year ended 31 December 2022, were primarily due to the decrease in the average yield of finance lease receivables from 22.3% for the year ended 31 December 2020 to 20.4% for the year ended 31 December 2021, then further decreased to 19.0% for the year ended 31 December 2022, while the average cost of borrowings increased from 8.0% for the year ended 31 December 2020 to 8.6% for the year ended 31 December 2021, then remained relatively stable at 8.5% for the year ended 31 December 2022.

The decrease in our net interest margin from 12.9% for the year ended 31 December 2020 to 10.9% for the year ended 31 December 2021, then further decreased to 9.5% for the year ended 31 December 2022, primarily due to the increase in our finance cost during the Track Record Period, driven by our increased borrowings to support our business growth.

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

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

Yield of operating lease

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

	Year ended 31 December		
	2020	**2021**	**2022**
Yield of operating lease	31.6%	28.9%	25.0%

Notes:

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

2. The calculation excluded lease income generated from sub-operating lease of the automobiles rented by us.

Our yield of operating lease decreased from 31.6% for the year ended 31 December 2020 to 28.9% for the year ended 31 December 2021, primarily due to the significant increase in the number of e-hailing vehicles purchased for our automobile operating lease business from 3,930 units as at 31 December 2020 to 4,114 units as at 31 December 2021. Our yield of operating lease decreased to 25.0% for the year ended 31 December 2022, which was mainly due to our automobile operating lease income decreased by 12.6% for the year ended 31 December 2022 as compared to the year ended 31 December 2021; while the average book value of our automobiles under property and equipment decreased by 7.7% for the year ended 31 December 2022 as compared to the year ended 31 December 2021 as result of the decrease in the average number of our operating lease vehicles from approximately 4,900 for the year ended 31 December 2021 to approximately 4,700 for the year ended 31 December 2022.

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

Other income, net

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

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Government grants	24,395	16,676	22,638
Donation	(395)	—	(340)
Others	(698)	(716)	(550)
	23,302	15,960	21,748

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

(a) VAT related tax benefits

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

For general taxpayers among pilot scheme taxpayers approved by the PBOC, CBRC or MOFCOM to engage in finance lease, if they provide services of finance lease of tangible movables and sale-leaseback financing of tangible movables, the portion of their actual amount of VAT which exceeds 3% shall be subject to refund upon levy of the VAT. For general taxpayers among pilot scheme taxpayers approved to engage in finance lease business and sale-leaseback financing by the provincial commerce authorities and national economic and technological development zones authorised by MOFCOM, if the paid capital attains RMB170 million after 1 May 2016, the aforesaid provisions will be applicable to such taxpayer with effect from the month in which the threshold is reached. As we were an entity engaging in finance lease business and its registered capital had attained RMB170 million as at 1 May 2016, we were eligible for the tax refund if it has paid VAT at a rate of over 3%.

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

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

(b) Government subsidies

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

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

Other losses, net

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Loss on disposal of property and equipment	(927)	(2,822)	(2,062)
Others	(5,694)	(5,891)	(4,752)
	(6,621)	(8,713)	(6,814)

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

Selling and marketing expenses

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

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

	Year ended 31 December					
	2020		2021		2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Employee benefit expenses	31,979	42.6	33,214	39.9	33,374	41.2
Depreciation and amortisation	13,042	17.4	15,201	18.3	16,209	20.0
Repair and maintenance	6,316	8.4	9,812	11.8	10,379	12.8
Advertising expenses	8,537	11.4	10,834	13.0	8,423	10.4
Motor vehicle expenses	6,382	8.5	4,711	5.7	5,208	6.4
Travelling expenses	1,592	2.1	1,239	1.5	637	0.8
Office expenses	1,562	2.1	1,458	1.8	1,084	1.3
Rental expenses	2,030	2.7	3,712	4.5	2,511	3.1
Other expenses	3,616	4.8	2,983	3.5	3,271	4.0
	75,056	100.0	83,164	100.0	81,096	100.0

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

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

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

Administrative expenses

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

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

	Year ended 31 December					
	2020		**2021**		**2022**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Employee benefit expenses	62,229	58.9	54,452	47.4	55,178	47.9
[REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Depreciation and amortisation	12,030	11.4	10,987	9.6	10,663	9.3
Travelling expenses	4,568	4.3	3,948	3.4	6,334	5.5
Traffic contravention penalty	4,818	4.6	5,688	5.0	4,305	3.7
Legal and professional expenses	2,119	2.0	3,529	3.1	4,089	3.6
Office expenses	3,427	3.2	3,174	2.8	3,582	3.1
Other taxation expenses	4,029	3.8	6,868	6.0	9,268	8.0
Other expenses	7,776	7.4	8,502	7.3	8,033	7.0
	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Employee benefit expenses mainly consist of salaries, bonuses, social insurance and share-based compensation expenses for our administrative staff. For the years ended 31 December 2020, 2021 and 2022, our employee benefit expenses amounted to RMB62.2 million, RMB54.5 million and RMB55.2 million, respectively. The decrease in employee benefit expenses for the years ended 31 December 2021, as compared to the years ended 31 December 2020 was primarily due to the decrease in the average number of headcounts of sales staff. Our employee benefit expenses remained relatively stable at RMB55.2 million and RMB54.5 million for the years ended 31 December 2021 and 2022, respectively.

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

Up to 31 December 2022, we incurred **[REDACTED]** expenses of RMB**[REDACTED]** million of which RMB**[REDACTED]** million was charged to our administrative expenses and RMB**[REDACTED]** million was capitalised. For details, please refer to the section "Financial Information — **[REDACTED]** Expenses".

Provision for credit loss

Provision for credit loss comprises of provision of trade and other receivables and finance lease receivables. Provision for credit loss was RMB2.1 million, RMB3.9 million and RMB4.9 million for the years ended 31 December 2020, 2021 and 2022, respectively. Our provision for credit loss increased during the Track Record Period was in line with the increase in the average balance of our finance lease receivables for the years ended 31 December 2020, 2021 and 2022, respectively.

Fair value loss/gain on ordinary shares with redemption right

We recorded fair value gain on ordinary shares with redemption right of RMB47.3 million in the year ended 31 December 2022, primarily due to a decrease in the fair value of ordinary shares with redemption right issued by our Company to certain **[REDACTED]** Investors during the year ended 31 December 2018 to 2021, which was mainly attributable to a decrease in our Group's underlying equity value based on the valuation by an independent valuer. In the valuation of our Group, the independent valuer has taken into account effect of the economic condition of China in general and the stabilising performance during the year ended 31 December 2022. For details about the issuance of ordinary shares with redemption right, see "History, Reorganization and Corporate Structure — **[REDACTED]** Investments;" for details about our latest performance, see "Summary — Recent Developments."

Research and development expenses

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

Finance cost, net

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

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

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Finance cost:			
Cost of funding*(Note)*	(98,682)	(108,831)	(131,381)
Interest expenses on other borrowings	(10,887)	(10,122)	(11,807)
Interest expenses on lease liabilities	(1,452)	(876)	(803)
	(111,021)	(119,829)	(143,991)
Finance income:			
Bank interest income	763	320	228
Net gain on extension of borrowing from a **[REDACTED]** Investor	—	683	—
Imputed interest income from deposits for borrowings	1,086	1,005	745
	1,849	2,008	973
Finance cost, net	(109,172)	(117,821)	(143,018)

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

Our cost of funding mainly represents interest expenses of our borrowings for the purchase of automobiles for lease. For the years ended 31 December 2020, 2021 and 2022, our costs of funding amounted to RMB98.7 million, RMB108.8 million and RMB131.4 million, respectively. The increasing trend of our cost of funding during the Track Record Period was primarily due to the overall increase in borrowing to finance our automobile retail and finance business as well as our automobile operating lease business for e-hailing vehicles.

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

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Interest-bearing loans	71,722	51,564	41,265
Automobile finance lease arrangements	37,430	62,441	97,765
Factoring of finance lease receivables	417	3,197	3,403
Asset-backed securities	—	1,751	755
Total	109,569	118,953	143,188

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

	Changes in costs of funding		
	+/– 1%	**+/– 3%**	**+/– 5%**
	RMB'000	*RMB'000*	*RMB'000*
Decrease/increase in profit before tax			
Year ended 31 December 2020	–/+ 987	–/+ 2,960	–/+ 4,934
Year ended 31 December 2021	–/+ 1,088	–/+ 3,265	–/+ 5,442
Year ended 31 December 2022	–/+ 1,314	–/+ 3,941	–/+ 6,569

Income tax expenses

Our PRC subsidiaries are subject to the enterprise income tax in the PRC. The income tax of our Group in respect of its operations in the PRC was calculated at the tax rate of 25% on the assessable profits for the Track Record Period, other than our two subsidiaries certified as High and New Technology Enterprises (HNTE) which is entitled to concessionary tax rate of 15% for three consecutive years from 2020 to 2022. Since 2022, one of the certified subsidiary did not renew the HNTE certificate and therefore the tax rate was changed to 25%.

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

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

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

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

REVIEW OF HISTORICAL RESULTS OF OPERATION

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

Revenue

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

(i) Automobile retail and finance

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

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

(ii) Automobile-related services

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

Cost of revenue

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

Gross profit and gross profit margin

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

Other income, net

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

Other losses, net

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

Selling and marketing expenses

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

Administrative expenses

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

Research and development expenses

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

Finance cost, net

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

Income tax expenses

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

Profit for the year

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

Non-IFRS measures

Adjusted net profit (Non-IFRS measures) and adjusted net profit margin (Non-IFRS measures)

Our adjusted net profit (Non-IFRS measures) decreased from RMB49.5 million for the year ended 31 December 2021 to RMB42.4 million for the year ended 31 December 2022, mainly due to the decrease in total revenue from RMB1,171.3 million to RMB1,141.5 million for the corresponding year. The decrease in total revenue for the year ended 31 December 2022 as compared to the year ended 31 December 2021 was mainly due to (i) the decrease in revenue from sales of automobile under finance lease from RMB777.9 million for the year ended 31 December 2021 to RMB734.6 million for the year ended 31 December 2022, or 5.6% decrease for the corresponding year, caused by the regional outbreaks of COVID-19 variants in the PRC in 2022; and (ii) the decrease in revenue from e-hailing operating lease from RMB132.8 million for the year ended 31 December 2021 to RMB115.9 million the year ended 31 December 2022 or 12.7% decrease for the corresponding year, affected by (a) the decrease in the average occupancy rate from 90.7% to 85.0% for our e-hailing operating lease business for the corresponding year, due to the impact of the regional outbreaks of COVID-19 variants in the PRC in 2022; and (b) the decrease in the average number of e-hailing vehicles from 4,072 units for the year ended 31 December 2021 to 3,877 units for the year ended 31 December 2022, which was driven by more e-hailing customers selected our e-hailing under finance lease service in 2022, resulting the revenue from these switched e-hailing vehicles were recorded in finance lease income instead of e-hailing operating lease.

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

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

Revenue

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

(i) Automobile retail and finance

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

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

(ii) Automobile-related services

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

Cost of revenue

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

Gross profit and gross profit margin

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

Other income, net

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

Other losses, net

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

Selling and marketing expenses

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

Administrative expenses

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

Research and development expenses

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

Finance cost, net

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

Income tax expenses

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

Profit for the year

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

Non-IFRS measures

Adjusted net profit (Non-IFRS measures) and adjusted net profit margin (Non-IFRS measures)

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

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

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

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

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

Operating activities

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

For the year ended 31 December 2020, our Group had net cash generated from operating activities of RMB229.9 million, mainly as a result of operating cash flows before changes in working capital of RMB240.3 million, income tax paid of RMB15.7 million, interest paid of RMB125.6 million and positive changes in working capital of RMB130.9 million. Changes in working capital mainly represented (i) the decrease in trade and other receivables and finance lease receivables of RMB100.1 million mainly as a result of the impact of the outbreak of COVID-19 in the PRC in 2020 which resulted in (a) the decrease in the number of new finance lease agreements entered during the year ended 31 December 2020; and (b) the increase in the number of early termination of the existing finance lease agreements and led to repossession during the year ended 31 December 2020; and (ii) the decrease in inventories of RMB41.5 million primarily as a result of the decrease in the number of finance lease agreements terminated during the fourth quarter in 2020 as compared to that during the corresponding period in 2019.

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

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

We experienced the net cash used in operating activities for business growth during the Track Record Period. This was mainly due to the fact that our new automobile purchases are mainly financed by debt financings, such debt financings are included in another cash flow category, namely net cash generated from financing activities.

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

Investing activities

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

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

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

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

Financing activities

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

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

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

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

Capital Management

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

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

Our Group monitors capital on the basis of the gearing ratio. The gearing ratio at the end of the Track Record Period were as follows:

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Borrowings	1,155,958	1,382,822	1,713,415
Lease liabilities	19,161	14,305	13,856
Less: cash and cash equivalents	(11,880)	(79,373)	(201,078)
Net debt	1,163,239	1,317,754	1,526,193
Total equity	408,172	443,512	506,614
Total capital	1,571,411	1,761,266	2,032,807
Gearing ratio	74.0%	74.8%	75.1%

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

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

Net Current Assets/(Liabilities)

We recorded net current liabilities of RMB57.7 million and RMB147.2 million as at 31 December 2020 and 2021, and net current assets of RMB41.8 million and RMB28.9 million as at 31 December 2022 and 30 April 2023, respectively. The following table sets out our current assets and current liabilities as at the dates indicated:

	As at 31 December			As at
	2020	**2021**	**2022**	**30 April 2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Current assets				
Inventories	142,021	141,883	193,634	[157,545]
Finance lease receivables	379,303	464,397	560,061	[593,046]
Trade receivables	6,837	6,741	9,940	[4,778]
Prepayments, deposits and other receivables	238,405	244,535	265,968	[283,465]
Amount due from shareholders	5,733	5,569	6,085	[6,008]
Restricted cash	9,675	5,000	4,534	[3,714]
Cash and cash equivalents	11,880	79,373	201,078	[163,673]
Total current assets	793,854	947,498	1,241,300	[1,212,229]
Current liabilities				
Borrowings	708,578	726,603	828,573	[887,117]
Ordinary shares with redemption right	—	196,640	163,129	[161,082]
Amounts due to shareholders	7,687	7,467	8,158	[8,056]
Trade payables	41,565	68,463	105,860	[32,660]
Other payables and accruals	83,054	78,544	78,939	[79,543]
Lease liabilities	6,419	5,781	6,087	[6,003]
Current income tax payables	4,246	11,225	8,786	[8,908]
Total current liabilities	851,549	1,094,723	1,199,532	[1,183,369]
Net current assets/(liabilities)	(57,695)	(147,225)	41,768	[28,860]

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

We recorded net current assets of RMB41.8 million as at 31 December 2022, as compared to net current liabilities of RMB147.2 million as at 31 December 2021, primarily due to (i) the increase in cash and cash equivalent from RMB79.3 million as at 31 December 2021 to RMB201.1 million as at 31 December 2022, mainly resulted from our net cash generated from financing activities and partially offset by our net cash used in operating and investing activities; (ii) the increase in inventories from RMB141.9 million as at 31 December 2021 to RMB193.6 million as at 31 December 2022 mainly attributable to the increase in the purchase of our automobiles in December 2022 as compared to that as at 31 December 2021; (iii) the increase in finance lease receivables mainly resulted from the increase in the average number of finance lease agreements for the year ended 31 December 2022 as compared to the year ended 31 December 2021; (iv) the decrease in ordinary shares with redemption right from RMB196.6 million as at 31 December 2021 to RMB163.1 million as at 31 December 2022, mainly attributable to the fair value change for the year ended 31 December 2022; and partially offset by (v) the increase in borrowings from RMB726.6 million as at 31 December 2021 to RMB828.6 million as at 31 December 2022 mainly attributable to the increase in purchase of the automobiles used for our finance lease and operating lease business; and (vi) the increase in trade payables from RMB68.5 million as at 31 December 2021 to RMB105.9 million as at 31 December 2022, mainly due to the increase in purchase of automobiles in December 2022.

Our cash and cash equivalent decreased from RMB201.1 million as at 31 December 2022 to RMB[163.7] million as at 30 April 2023, mainly due to the increase in the payments of automobile purchases during the period.

As at 30 April 2023, being the latest practicable date for the purpose of indebtedness statement, we had net current assets of RMB[28.9] million.

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

Liquidity

Liquidity risk refers to the risk that 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. See "Risk Management and Operations — Liquidity Risk" for further details.

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

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

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

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

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

	On demand/ Less than one year	**Between one and two years**	**Between two and five years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2020				
Finance lease receivables	524,722	403,494	350,496	1,278,712
Borrowings (automobile retail and finance)	612,045	247,552	142,648	1,002,245
Maturity gap	(87,323)	155,942	207,848	276,467
As at 31 December 2021				
Finance lease receivables	647,928	528,257	491,920	1,668,105
Borrowings (automobile retail and finance)	733,943	424,533	320,549	1,479,025
Maturity gap	(86,015)	103,724	171,371	189,080
As at 31 December 2022				
Finance lease receivables	752,427	597,330	492,366	1,842,123
Borrowings (automobile retail and finance)	841,840	500,565	350,307	1,692,712
Maturity gap	(89,413)	96,765	142,059	149,411

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

For our finance assets and liabilities with the category of "on demand/less than one year", we had a negative net liquidity gap of approximately RMB268.1 million, RMB132.5 million and RMB74.7 million, as at 31 December 2020, 2021 and 2022, respectively. For our finance lease receivables and the relevant borrowings under the automobile and finance segment with the category of "on demand/less than one year", we had a maturity gap of approximately RMB87.3 million, RMB86.0 million and RMB89.4 million, as at 31 December 2020, 2021 and 2022, respectively. Our negative net liquidity gap and negative maturity gap for the category of "on demand/less than one year" do not indicate that we have a liquidity issue. Set out below is further information relating to our liquidity position:

(i) our automobiles under inventories category that were not pledged amounted to approximately RMB65.8 million, RMB74.5 million 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.

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

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

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

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

As at 30 April 2023, being the latest practicable date for the purpose of indebtedness statement, we had aggregate facilities of RMB[4,751.1] million, of which RMB[4,005.8] million was unutilised.

As at 31 December 2020, 2021 and 2022, finance lease receivables amounted to RMB787.3 million, RMB1,227.6 million and RMB1,357.8 million was pledged as collaterals for our borrowings. As at 30 April 2023, being the latest practicable date for the purpose of indebtedness statement, the finance lease receivables available for utilisation in obtaining additional borrowings was RMB[62.7] million.

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

Capital Expenditure

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

Working Capital

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

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

DESCRIPTION OF CERTAIN ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Property and equipment

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

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

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Right-of-use assets	18,115	13,936	13,646
Buildings	3,830	3,685	3,540
Office equipment	3,840	2,395	1,626
Automobiles	398,052	324,096	342,766
Leasehold improvements	7,334	9,026	6,126
	431,171	353,138	367,704

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

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

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

Intangible assets

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

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Computer softwares	3,324	1,229	238
Self-developed applications	18,807	22,061	18,844
Intangible assets under development	4,532	831	2,697
	26,663	24,121	21,779

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

Impairment assessment

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

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

For the purpose of impairment test on software under development as at 31 December 2020, 2021 and 2022, the recoverable amounts of the finance lease business units were determined based on value-in-use calculations.

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

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

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

	As at 31 December		
	2020	**2021**	**2022**
Average yield of finance lease receivables	22.3%	20.4%	19.0%

We do not foresee any reasonable change in the key assumptions used in the value-in-use calculations that will cause the recoverable amount of software under development to be less than its carrying amount.

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

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

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
CGU of finance lease business	67,189	68,990	78,427

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

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

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

Inventories

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

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Automobiles	146,130	148,151	197,625
Vehicle telematics equipment	1,655	1,559	2,106
	147,785	149,710	199,731
Provision for inventories	(5,764)	(7,827)	(6,097)
	142,021	141,883	193,634

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

	As at 31 December			Subsequent sales/ utilisation of the Group's inventory as at the Latest Practicable Date
	2020	**2021**	**2022**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0–30 days	93,457	104,906	146,023	141,852
31–60 days	13,705	19,844	19,149	18,063
61–90 days	14,651	6,678	10,926	9,762
91–365 days	21,431	15,451	21,759	20,852
Over 365 days	4,541	2,831	1,874	1,727
Total	147,785	149,710	199,731	192,256

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

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

The following table sets out our average inventory turnover days for automobile finance lease business for the years indicated:

	For the year ended 31 December		
	2020	**2021**	**2022**
Average inventory turnover days for automobile finance lease *(Note)*	96	54	58

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

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

As at the Latest Practicable Date, RMB192.3 million or 96.3% of our inventories outstanding as at 31 December 2022 were sold or utilised.

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

Our Directors believe that automobiles are in general durable and not fast obsolete. As such, the inventories aged over 90 days as at 31 December 2022 that were not subsequently sold or utilised as at the Latest Practicable Date does not imply that such inventories are unable to be sold or utilised.

Finance lease receivables

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

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Finance lease receivables			
— Finance lease receivables, gross	1,278,712	1,668,105	1,842,123
— Unearned finance income	(267,651)	(360,224)	(358,496)
Finance lease receivables, net	1,011,061	1,307,881	1,483,627
Less: allowance for impairment of finance lease receivables	(9,372)	(10,915)	(13,296)
Carrying amount of finance lease receivables	1,001,689	1,296,966	1,470,331

Our finance lease receivables increased from RMB1,001.7 million as at 31 December 2020 to RMB1,297.0 million as at 31 December 2021, primarily attributable to the increase in the total number of finance lease agreements that were in effect which was mainly caused by the recovery of our sales of automobile under finance lease from the impact of the outbreak of COVID-19 in the PRC in 2020. Our finance lease receivables further increased to RMB1,470.3 million as at 31 December 2022, primarily due to the increased number of finance lease agreements that were in effect from 19,152 as at 31 December 2021 to 20,577 as at 31 December 2022.

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

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets	622,386	832,569	910,270
Current assets	379,303	464,397	560,061
	1,001,689	1,296,966	1,470,331

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

	As at 31 December					
	2020		**2021**		**2022**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Eastern PRC	435,225	43.0	524,325	40.1	587,622	39.6
Southern PRC	173,812	17.2	233,435	17.8	294,778	19.9
Southwestern PRC	174,472	17.3	210,415	16.1	217,881	14.7
Central PRC	103,659	10.3	150,554	11.5	163,759	11.0
Northern PRC	74,248	7.3	116,262	8.9	126,007	8.5
Northwestern PRC	37,619	3.7	57,488	4.4	73,184	4.9
Northeastern PRC	12,026	1.2	15,402	1.2	20,394	1.4
Total	1,011,061	100.0	1,307,881	100.0	1,483,627	100.0

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

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Tier one city	5,367	1,044	29,965
Tier two cities	848,324	1,121,293	1,241,026
Tier three and below cities	157,370	185,544	212,636
Total	1,011,061	1,307,881	1,483,627

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

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Finance lease receivables, gross			
— Within one year	524,722	647,928	752,427
— Between one and two years	403,494	528,257	597,330
— Between two and five years	350,496	491,920	492,366
	1,278,712	1,668,105	1,842,123
Finance lease receivables, net			
— Within one year	383,816	469,316	566,894
— Between one and two years	318,039	409,520	479,080
— Between two and five years	309,206	429,045	437,653
	1,011,061	1,307,881	1,483,627

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

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Not past due	955,256	1,233,278	1,398,133
Past due			
Up to one month	38,020	54,337	60,501
One to three months	10,806	11,638	14,569
Three to six months	3,412	4,158	5,578
Six to twelve months	2,723	3,266	3,331
Over twelve months	844	1,204	1,515
Finance lease receivables, net	1,011,061	1,307,881	1,483,627
Less: allowance for impairment of finance lease receivables	(9,372)	(10,915)	(13,296)
Carrying amount of finance lease receivables	1,001,689	1,296,966	1,470,331

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

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

	As at 31 December		
	2020	**2021**	**2022**
	(RMB'000, except for percentage)		
Finance lease receivables, net	1,011,061	1,307,881	1,483,627
Allowance for impairment of finance lease receivables	9,372	10,915	13,296
Allowance to net finance lease receivables ratio*(Note 1)*	0.9%	0.8%	0.9%
Past due net finance lease receivables			
Over one month	17,785	20,266	24,993
Over three months	6,979	8,628	10,424
Over six months	3,567	4,470	4,846
Over one year	844	1,204	1,515
Past due ratio*(Note 2)*			
Over one month	1.8%	1.5%	1.7%
Over three months	0.7%	0.7%	0.7%
Over six months	0.4%	0.3%	0.3%
Over one year	0.1%	0.1%	0.1%
Past due coverage ratio*(Note 3)*			
Over one month	52.7%	53.9%	53.2%
Over three months	134.3%	126.5%	127.5%
Over six months	262.7%	244.2%	274.4%
Over one year	1,110.2%	906.5%	877.6%

Notes:

1. Represents allowance for impairment of finance lease receivables as at the end of that corresponding year divided by net finance lease receivables as at the end of that corresponding year.

2. Represents past due net finance lease receivables as at the end of that corresponding year divided by total net finance lease receivables as at the end of the corresponding year.

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

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

Our over one month past due coverage ratio remained relatively stable at 52.7%, 53.9% and 53.2% as at 31 December 2020, 2021 and 2022.

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

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

As at the Latest Practicable Date, RMB375.0 million or 20.4% of our finance lease receivables as at 31 December 2022 had been settled. The low subsequent settlement was mainly because the majority of the lease payments were not yet due as at the Latest Practicable Date. Our finance lease receivables were settled by our customers according to payment schedule under the finance lease agreements which generally have a term ranging from two to four years, and we have made sufficient allowance for impairment of finance lease receivables to cover the potential customers' default, therefore there is no major recoverability issue.

Trade receivables

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

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	7,106	7,026	10,567
Less: allowance for impairment of trade receivables	(269)	(285)	(627)
	6,837	6,741	9,940

Our trade receivables remained stable at RMB6.7 million as at 31 December 2021 as compared to RMB6.8 million as at 31 December 2020. Our trade receivables then increased to RMB9.9 million as at 31 December 2022, primarily attributable to the trade receivables for the promotion service we provided to one of our business-end customers in November and December 2022.

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

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Up to three months	6,572	6,591	9,052
Three to six months	51	108	445
Over six months	214	42	443
	6,837	6,741	9,940

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

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

	For the year ended 31 December		
	2020	**2021**	**2022**
Average trade receivables turnover days*(Note)*	15	16	21

Note: Average trade receivables turnover days was calculated using the average balance of trade receivables divided by revenue from automobile-related services for the relevant year and multiplied by 365 days for the years ended 31 December 2020, 2021 and 2022. Average balance of trade receivables is calculated as the sum of the beginning and the ending balance for the relevant year divided by two.

Our average trade receivables turnover days were 15 days, 16 days and 21 days for the years ended 31 December 2020, 2021 and 2022, respectively. Our average trade receivables turnover days remained stable at 16 days for the year ended 31 December 2021 as compared to 15 days for the year ended 31 December 2020, then increased to 21 days for the year ended 31 December 2022, mainly due to the trade receivables for the promotion service we provided to one of our business-end customers in November and December 2022.

As at the Latest Practicable Date, RMB9.0 million or 85.5% of our trade receivables outstanding as at 31 December 2022 had been settled.

Prepayment, deposits and other receivables

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

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
Non-current assets:			
Deposits	20,646	13,037	32,157
	20,646	13,037	32,157
Current assets:			
Deposits	13,427	24,274	18,528
Purchase rebate receivables	5,641	2,811	4,880
Value added tax refund receivables	10,214	13,222	11,309
Other receivables	21,478	28,001	28,882
	50,760	68,308	63,599
Less: allowance on impairment of other receivables	(683)	(262)	(278)
	50,077	68,046	63,321
Total financial assets	70,723	81,083	95,478
Non-financial assets			
Current			
Prepayment for inventories	41,813	61,217	62,232
Prepayment for auto-insurance premium	26,338	31,199	42,499
Prepaid **[REDACTED]** expenses	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Prepaid expenses	18,105	22,400	20,317
Other tax recoverable	94,570	55,988	70,823
Other receivables	1,238	1,205	1,603
Total non-financial assets	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Total prepayments, deposits and other receivables	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

As at the Latest Practicable Date, RMB20.8 million or 29.4% of our other tax recoverable as at 31 December 2022 was subsequently utilised.

As at the Latest Practicable Date, RMB60.5 million or 97.2% of our prepayment for inventories as at 31 December 2022 were utilised.

As at the Latest Practicable Date, RMB138.8 million or 46.6% of total prepayments, deposits and other receivables as at 31 December 2022 were utilised.

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

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

Financial assets at fair value through profit or loss

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

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

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

In 2021, we acquired the interest in Hangzhou Jinmuji New Energy Technology Partnership (Limited Partnership)* (杭州金木吉新能源科技合夥企業(有限合夥)) ("**Hangzhou Jinmuji**"), in which we had 33.33% equity interest, to engage in investment in electric car charging ports. Hangzhou Jinmuji was incorporated in the PRC and has its principal place of business in the PRC. Hangzhou Jinmuji had a finite life of 7 years. Please refer to note 23 to Accountant's Report as set out in Appendix I for more details. The table below sets out the changes in these assets as at the dates indicated:

	As at 31 December	
	2021	**2022**
	RMB'000	*RMB'000*
At 1 January		
— Asset-backed securities	8,000	5,992
— Interest in a partnership	20,000	20,000
	28,000	25,992
Disposal of financial assets at fair value through profit or loss	(2,000)	(6,343)
Fair value (loss)/gain on revaluation recognised in profit or loss	(8)	1,998
	25,992	21,647

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

Trade payables

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

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	22,215	58,463	64,493
Bills payables	19,350	10,000	41,367
	41,565	68,463	105,860

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

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

	For the year ended 31 December		
	2020	**2021**	**2022**
Average trade payables turnover days*(Note)*	36	32	53

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

Our average trade payables turnover days were 36 days, 32 days and 53 days for the years ended 31 December 2020, 2021 and 2022, respectively. Our average trade payables turnover days slightly decreased from 36 days for the year ended 31 December 2020 to 32 days for the year ended 31 December 2021, primarily due to the decrease in bills payable by RMB9.4 million. Our average trade payables turnover days increased from 32 days for the year ended 31 December 2021 to 53 days for the year ended 31 December 2022, mainly due to the increase in bills payable by RMB31.4 million as at 31 December 2022 as compared to 31 December 2021.

As at the Latest Practicable Date, RMB104.6 million or 98.8% of our trade payables outstanding as at 31 December 2022 had been settled.

Other payables and accruals

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

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

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

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

We had dividend payable of RMB3.4 million as at 31 December 2022, which will be settled prior to **[REDACTED]**.

Amounts due to Shareholders

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

Amounts due from Shareholders

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

Investment in a partnership

In 2021, the Group acquired the interest in Hangzhou Jinmuji New Energy Technology Partnership (Limited Partnership)* (杭州金木吉新能源科技合夥企業(有限合夥)) ("Hangzhou Jinmuji"), in which the Group had 33.33% equity interest, to engage in investment in electric car charging ports. Hangzhou Jinmuji was incorporated in the PRC and has its principal place of business in the PRC. Hangzhou Jinmuji had a finite life of 7 years. As at 31 December 2022, the fair value of the Group's interest in Hangzhou Jinmuji amounted to RMB21.6 million.

CAPITAL COMMITMENTS

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

INDEBTEDNESS

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

	As at 31 December			As at 30 April
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Borrowings	1,155,958	1,382,822	1,713,415	[1,814,807]
Ordinary shares with redemption right	177,886	196,640	163,129	[161,082]
Lease liabilities	19,161	14,305	13,856	[13,957]
Total	1,353,005	1,593,767	1,890,400	[1,989,846]

Borrowings

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

	As at 31 December			As at 30 April
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Bank borrowings, secured	8,977	13,430	23,077	[27,925]
Bank borrowings, unsecured	9,527	22,610	16,182	[8,834]
Other borrowings, secured	1,135,954	1,337,537	1,609,668	[1,733,217]
Other borrowings, unsecured	1,500	9,245	64,488	[44,831]
	1,155,958	1,382,822	1,713,415	[1,814,807]
Less: non-current portion	(447,380)	(656,219)	(884,842)	[(927,690)]
Current portion	708,578	726,603	828,573	[887,117]

As at 31 December 2020, 2021 and 2022 and 30 April 2023, our Group's borrowings are primarily denominated in RMB. We may be subject to certain restrictions in connection with our borrowings. For details, please see the section headed "Business — Our Lenders and Funding Capabilities — Events of default." We have capital management measures in place to monitor our funding requirements and the restrictions. We consider our capital management measures to have been effective in managing liquidity risk.

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

	As at 31 December			As at 30 April
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Within one year	708,578	726,603	828,573	[887,117]
Between one and two years	302,828	367,118	510,668	[535,392]
Between two and five years	144,552	289,101	374,174	[392,298]
	1,155,958	1,382,822	1,713,415	[1,814,807]

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

	As at 31 December		
	2020	**2021**	**2022**
Weighted average effective interest rate	8.5%	8.5%	8.6%

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

As at 31 December 2020, 2021 and 2022, and 30 April 2023, our borrowings of RMB1,144.9 million, RMB1,351.0 million, RMB1,632.7 million and RMB[1,761.1] million were secured by personal guarantee and indemnity provided by our Directors, 50% equity interest in Fujian Xidi and certain assets of our Group. As at 30 April 2023, being the latest practicable date for the purpose of indebtedness statement, our borrowings of RMB[999.2] million secured by personal guarantee and indemnity provided by Directors, of which RMB[567.9] million will be released prior to our **[REDACTED]**.

As at 31 December 2020, 2021 and 2022, finance lease receivables amounted to RMB787.3 million, RMB1,227.6 million and RMB1,357.8 million was pledged as collaterals for our borrowings. As at 30 April 2023, being the latest practicable date for the purpose of indebtedness statement, the finance lease receivables available for utilisation in obtaining additional borrowings was RMB[62.7] million.

As at 30 April 2023, being the latest practicable date for the purpose of indebtedness statement, we had aggregate facilities of RMB[4,751.1] million, of which RMB[4,005.8] million was unutilised. Among the aggregate facilities of RMB[4,751.1] million, aggregate facilities of RMB[681.2] million was secured by personal guarantee and indemnity provided by our Directors, of which RMB[439.6] million was unutilised.

Ordinary shares with redemption right

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

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

Our Group has engaged an independent valuer to determine the underlying share value of our Group by discounted cash flow method and adopted equity allocation model to determine the fair value of the ordinary shares with redemption right as of the date of issuance and at the end of each reporting period. As at 31 December 2020, 2021 and 2022, fair value of the ordinary shares with redemption right amounted to RMB177.9 million, RMB196.6 million and RMB163.1 million respectively, resulting in a fair value loss of RMB6.9 million, RMB4.2 million and a fair value gain of RMB47.3 million for the corresponding year and exchange loss arising from translation of RMB11.0 million and RMB5.4 million for the years ended 31 December 2020 and 2021, and exchange gain arising from translation of RMB16.2 million for the year ended 31 December 2022, respectively.

For the year ended 31 December 2022, due to the impact of the regional outbreaks of COVID-19 variants in the PRC and the fluctuation of the capital market environment, we have adopted a more prudent expected long term growth rate which in turn lowered the estimate of the equity value. As such, the value of ordinary shares with redemption right has declined after applying the equity allocation model. Accordingly, the fair value gain of RMB47.3 million was recognised for the year ended 31 December 2022.

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

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of year	181,966	177,886	196,640
Issuance of ordinary shares with redemption right	—	20,000	—
Changes in fair value through profit or loss	6,932	4,153	(47,251)
Change in fair value due to own credit risk	—	—	(2,432)
Exchange difference arising from translation	(11,012)	(5,399)	16,172
At the end of year	177,886	196,640	163,129
Less: non-current portion	(177,886)	—	—
Current portion	—	196,640	163,129

Lease liabilities

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

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

	As at 31 December			As at 30 April
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Current	6,419	5,781	6,087	[6,003]
Non-current	12,742	8,524	7,769	[7,954]
	19,161	14,305	13,856	[13,957]

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

Contingent liabilities

As at 30 April 2023, we had no material contingent liabilities.

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

OFF-BALANCE SHEET ARRANGEMENT

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

TRANSACTIONS WITH RELATED PARTIES

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

KEY FINANCIAL RATIOS

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

	For the year ended 31 December		
	2020	**2021**	**2022**
Gross profit margin (%)[(1)]	40.5	30.9	32.8
Net profit margin (%)[(2)]	1.4	2.6	6.8
Return on equity (%)[(3)]	2.5	6.9	15.2
Return on total assets (%)[(4)]	0.5	1.4	3.0

	As at 31 December		
	2020	**2021**	**2022**
Current ratio (times)[(5)]	0.9	0.9	1.0
Quick ratio (times)[(6)]	0.8	0.7	0.9
Gearing ratio (%)[(7)]	74.0	74.8	75.1
Risk assets to equity ratio (times)[(8)]	4.6	4.8	4.8
Non-performing asset ratio (%)[(9)]	0.7	0.7	0.7
Allowance coverage ratio for non-performing assets (%)[(10)]	134.3	126.5	127.5
Ratio of allowance for impairment losses to net finance lease receivables (%)[(11)]	0.9	0.8	0.9
Capital adequacy ratio [(12)]	83.8%	83.1%	84.8%
Liquidity ratio (due in one month) [(13)]	142.3%	118.1%	116.2%

Notes:

(1) Gross profit margin represents gross profit divided by revenue for the respective year and multiplied by 100%. See "Financial Information — Review of Historical Results of Operation" for more details on our gross profit margin.

(2) Net profit margin represents profit for the respective year divided by revenue for the respective year and multiplied by 100%. See "Financial Information — Review of Historical Results of Operation" for more details on our net profit margin.

(3) Return on equity represents profit for the respective year divided by the total equity as at the respective dates and multiplied by 100%.

(4) Return on total assets represents profit for the respective year divided by the total assets as at the respective dates and multiplied by 100%.

(5) Current ratio represents total current assets divided by the total current liabilities as at the respective dates.

(6) Quick ratio represents total current assets less inventories divided by the total current liabilities as at the respective dates.

(7) Gearing ratio represents net debt divided by total capital. Net debt is calculated as total borrowings (including borrowings, and lease liabilities) less cash and cash equivalents. We do not consider the amount of ordinary shares with redemption right when calculating net debt. Total capital is calculated as 'total equity' as shown in the consolidated statement of financial position plus net debt.

(8) Risk assets to equity ratio represents risk assets divided by total equity as at the respective dates. Risk assets are the total amount of residual assets determined by deducting cash, bank deposit, PRC treasury securities and entrusted leased assets from the total assets.

(9) Non-performing asset ratio represents the percentage of non-performing assets in the total finance lease receivables, net, before deducting allowance for impairment of finance lease receivables.

(10) Allowance coverage ratio for non-performing assets represents allowance for impairment of finance lease receivables divided by the balance of non-performing assets.

(11) Ratio of allowance for impairment losses to net finance lease receivables represents allowance for impairments of finance lease receivables divided by the amount of net finance lease receivables as at the respective dates.

(12) Capital adequacy ratio represents total capital divided by risk assets as at the respective dates. Total capital is calculated as 'total equity' as shown in the consolidated statement of financial position plus net debt. Net debt is calculated as total borrowings (including "borrowings and lease liabilities" as shown in the consolidated statement of financial position) less cash and cash equivalents. Risk assets are the total amount of residual assets determined by deducting cash, bank deposit, PRC treasury securities and entrusted leased assets from the total assets.

(13) Liquidity ratio due in one month represents finance lease receivables due in one month divided by relevant borrowings under the automobile retail and finance segment as at the respective dates.

Return on equity

Our return on equity increased from 2.5% for the year ended 31 December 2020 to 6.9% for the year ended 31 December 2021 and 15.7% for the year ended 31 December 2022, primarily driven by the increase in net profit for the year ended 31 December 2021 and 2022, as compared to the year ended 31 December 2020 and 2021, respectively.

Return on total assets

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

Current ratio

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

Quick ratio

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

Gearing ratio

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

Risk assets to equity ratio

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

Our risk assets to equity ratio remained relatively stable at 4.6 times, 4.8 times and 4.8 times as at 31 December 2020, 2021 and 2022.

Non-performing asset ratio

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

Allowance coverage ratio for non-performing assets

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

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

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

Capital adequacy ratio

Our capital adequacy ratios remained relatively stable at 83.8%, 83.1% and 84.8% as at 31 December 2020, 2021 and 2022.

Liquidity ratio due in one month

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

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

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

DIVIDENDS AND DIVIDEND POLICY

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

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

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

DISTRIBUTABLE RESERVES

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

[REDACTED] EXPENSES

Our **[REDACTED]** expenses mainly comprise professional fees paid and payable to the professional parties for their services rendered in relation to the **[REDACTED]** and the **[REDACTED]**. **[REDACTED]** expenses in connection with the **[REDACTED]** consist primarily of **[REDACTED]** and professional fees. We estimate that total expenses in relation to the **[REDACTED]** (assuming an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]** and no exercise of the **[REDACTED]**) will be RMB**[REDACTED]** million, comprising (a) **[REDACTED]** of approximately RMB**[REDACTED]** million; (b) sponsor fees of RMB**[REDACTED]** million; and (c) non-**[REDACTED]** related expenses of approximately RMB**[REDACTED]** million, including (1) fees and expenses of legal advisers and the Reporting Accountant of approximately RMB**[REDACTED]** million; and (2) other fees and expenses of approximately RMB**[REDACTED]** million, representing approximately **[REDACTED]**% of the gross **[REDACTED]** of the **[REDACTED]** (assuming an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]** and no exercise of the **[REDACTED]**). Up to 31 December 2022, we incurred **[REDACTED]** expenses of RMB**[REDACTED]** million, of which (a) RMB**[REDACTED]** million was charged to our administrative expenses during the Track Record Period; (b) RMB**[REDACTED]** million was charged to our administrative expenses prior to the Track Record Period; and (c) RMB**[REDACTED]** million will be deducted from equity upon **[REDACTED]**. We expect to incur additional **[REDACTED]** expenses of RMB**[REDACTED]** million, of which RMB**[REDACTED]** million expected to be recognised as administrative expenses and RMB**[REDACTED]** million (together with the previously incurred **[REDACTED]** expenses recorded as prepayment) expected to be recognised as a deduction in equity for the year ending 31 December 2022. The **[REDACTED]** expenses directly attributable to the issue of our shares will be deducted from equity upon **[REDACTED]**.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

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

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

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

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

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

Our Directors confirm that after performing all the due diligence work which our Directors consider appropriate, save as disclosed in "Summary — Recent Development and No Material Adverse Change", there had been no material adverse change in our financial or trading position or prospects since 31 December 2022 and up to the date of this document, and that there has been no event since 31 December 2022 which would materially affect the information shown in the Accountant's Report, the text of which as set out in Appendix I to this document. Our Directors also confirm that there has not been any material change in our indebtedness and contingent liabilities since 31 December 2022.

FUTURE PLANS

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

REASONS FOR THE [REDACTED]

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

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

[REDACTED]

The estimated **[REDACTED]** of the **[REDACTED]**, after deducting **[REDACTED]** and estimated total expenses paid and payable by us in connection thereto, are estimated to be HK$**[REDACTED]** million (equivalent to RMB**[REDACTED]** million) before any exercise of the **[REDACTED]**, at the **[REDACTED]** of HK$**[REDACTED]** per Share. We intend to use the **[REDACTED]** of the **[REDACTED]** for the following purposes:

- HK$**[REDACTED]** million (equivalent to RMB**[REDACTED]** million or approximately **[REDACTED]**% of our estimated **[REDACTED]**) for purchasing automobiles, so as to increase our revenue. We normally formulate procurement plans in relation to the models and quantity of the automobiles based on the market demand and conditions at the material time with reference to sales review and feedbacks from sales outlets managers. In general, as confirmed by our Directors, we are inclined to focus most of our resources in procuring automobiles of approximately 10 brands, with a view to maximising our bargaining power to obtain more favourable terms and offers and ensure stable supply from our automobile suppliers. The brands we intended to procure include NISSAN (東風日產), Volkswagen (上汽大眾), TOYOTA (一汽豐田), CHERY (奇瑞汽車), Hyundai (北京現代), BAIC Motor (北京汽車), JAC (江汽集團), AEOLUS (東風風神) and BAIC BJEV (北汽新能源). We will select vehicle models based on the customers' demand in the prevailing market accordingly. In terms of vehicle usage, 80% of automobiles to be purchased will be utilised for our automobile retail and finance business as passenger vehicles, and the remaining 20% will be utilised for our e-hailing operating lease business. Of the new automobiles to be acquired, (i) approximately 80% of the automobiles are fossil fuel automobiles and (ii) the remaining approximately 20% of the automobiles are new energy automobiles.

The **[REDACTED]** earmarked for purchasing new automobiles are for financing part of our automobile procurement needs in 2023. We plan to utilise the **[REDACTED]** to acquire 392 new automobiles for our automobile retail and finance lease business, representing 5.5% of the total number of new automobiles sold under finance lease for the year ended 31 December 2022, and 98 new automobiles for our operating lease business, representing less than 1.9% of the total number of automobiles under our operating lease business as at 31 December 2022. Having considered that, among other things, according to CIC, (i) the loan volume of direct finance lease market in China is expected to reach 0.6 million units in 2027, representing a CAGR of 15.6% from 2022 to 2027; and (ii) the market size of automobile operating lease market in China in terms of gross merchandise volume is projected to increase to RMB82.6 billion in 2027, representing a CAGR of 5.4% from 2022 to 2027, our Directors believe that our procurement plan is supported by market demand and the **[REDACTED]** from the **[REDACTED]** will help strengthen our financial resources in purchasing more automobiles to capture the potential growth in the automobile retail and finance market and the automobile operating lease market;

For the years ended 31 December 2020 and 2021, we purchased 232 units and 51 units of new energy automobiles, respectively, mainly operated as e-hailing operating lease. For the year ended 31 December 2022, we purchased 1,445 units of new energy automobiles mainly operated as e-hailing operating lease, and 164 units of new energy automobiles for our automobile retail and finance. The table below sets out the revenue from our new energy vehicles, including brand new vehicles and repossessed vehicles, under automobile retail and finance and automobile-related services, and the revenue share of the corresponding segment 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	—	—	—	—	16,982	2.3
Finance lease income	5,173	2.2	1,879	0.8	3,461	1.3
Automobile-related services						
New energy car-sharing	5,166	100.0	3,959	100.0	791	100.0
e-hailing operating lease	95,781	82.1	106,800	80.4	97,203	83.8
Total	106,057	14.1	112,638	9.6	118,437	10.4

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

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

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

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

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

	Expected periods of allocation of the [REDACTED]			
	From [the date of the [REDACTED]] to December 2023	**From January 2024 to June 2024**	**From July 2024 to December 2024**	**Total**
The number of automobiles to be procured	490	—	—	490
The number of sales outlets to be opened	8	3	—	11
Funding requirements				
Purchase of Automobiles *(RMB'000)*	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Expansion of sales network *(RMB'000)*	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Purchase of office and renovation costs *(RMB'000)*	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Rental and utility expenses *(RMB'000)*	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Staff costs *(RMB'000)*	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Total *(RMB'000)*				**[REDACTED]**

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

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

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

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

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

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

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

If the **[REDACTED]** is exercised in full, the **[REDACTED]** from the **[REDACTED]** will increase to HK$**[REDACTED]** million (equivalent to RMB**[REDACTED]** million), at the **[REDACTED]** of HK$**[REDACTED]** per Share.

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

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ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION

The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountant, [PricewaterhouseCoopers], Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of HKSIR 200, Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

[To insert letterhead] ***[DRAFT]***

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF XXF GROUP HOLDINGS LIMITED AND QUAM CAPITAL LIMITED

Introduction

We report on the historical financial information of XXF Group Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-84, which comprises the consolidated statements of financial position as at 31 December 2020, 2021 and 2022, statements of financial position of the Company as at 31 December 2020, 2021 and 2022, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2020, 2021 and 2022 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-84 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [date] (the "Document") in connection with the initial **[REDACTED]** of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at 31 December 2020, 2021 and 2022 and the consolidated financial position of the Group as at 31 December 2020, 2021 and 2022 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Note 2.1 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "LISTING RULES") AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 13 to the Historical Financial Information which states that no dividends have been paid by XXF Group Holdings Limited in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

[PricewaterhouseCoopers]
Certified Public Accountants
Hong Kong, [Date]

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by [PricewaterhouseCoopers] in accordance with International Standards on Auditing issued by the IAASB ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 December		
		2020	**2021**	**2022**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	5	749,761	1,171,262	1,141,526
Cost of revenue	8	(446,163)	(809,506)	(767,079)
Gross profit		303,598	361,756	374,447
Selling and marketing expenses	8	(75,056)	(83,164)	(81,096)
Administrative expenses	8	(105,629)	(114,879)	(115,146)
Research and development expenses	8	(423)	(2,106)	(722)
Provision for credit loss		(2,098)	(3,870)	(4,877)
Fair value (loss)/gain on ordinary shares with redemption right		(6,932)	(4,153)	47,251
Other income, net	6	23,302	15,960	21,748
Other losses, net	7	(6,621)	(8,713)	(6,814)
Operating profit		130,141	160,831	234,791
Finance income	10	1,849	2,008	973
Finance cost	10	(111,021)	(119,829)	(143,991)
Finance cost, net		(109,172)	(117,821)	(143,018)
Profit before income tax		20,969	43,010	91,773
Income tax expenses	11	(10,716)	(12,323)	(14,691)
Profit for the year		10,253	30,687	77,082
Profit attributable to:				
— Owners of the Company		12,341	34,112	78,913
— Non-controlling interests		(2,088)	(3,425)	(1,831)
		10,253	30,687	77,082

		Year ended 31 December		
		2020	**2021**	**2022**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Profit for the year		10,253	30,687	77,082
Other comprehensive income/(loss) for the year				
Items that will not be reclassified to profit or loss:				
Exchange difference arising from the translation of the Company's functional currency to presentation currency		9,778	5,631	(17,966)
Changes in fair value of ordinary share with redemption right due to own credit risk		—	—	2,432
Items that will be reclassified to profit or loss:				
Exchange difference arising from the translation of a subsidiary's functional currency to presentation currency		2,376	(978)	1,554
		12,154	4,653	(13,980)
Total comprehensive income for the year		22,407	35,340	63,102
Total comprehensive income for the year attributable to:				
— Owners of the Company		24,495	38,765	64,993
— Non-controlling interests		(2,088)	(3,425)	(1,831)
		22,407	35,340	63,102
Earnings per share for profit attributable to owners of the Company for the year (RMB cents)				
— Basic	12	3.86	10.67	24.68
— Diluted	12	3.86	9.92	8.14

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 31 December 2020, 2021 and 2022

		As at 31 December		
		2020	**2021**	**2022**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Non-current assets				
Property and equipment	14	431,171	353,138	367,704
Intangible assets	15	26,663	24,121	21,779
Finance lease receivables	18	622,386	832,569	910,270
Deposits	20	20,646	13,037	32,157
Financial assets at fair value through profit or loss	23	—	25,992	21,647
Deferred income tax assets	30	3,009	6,623	3,900
		1,103,875	1,255,480	1,357,457
Current assets				
Inventories	22	142,021	141,883	193,634
Finance lease receivables	18	379,303	464,397	560,061
Trade receivables	19	6,837	6,741	9,940
Prepayments, deposits and other receivables	20	238,405	244,535	265,968
Amounts due from shareholders	34	5,733	5,569	6,085
Restricted cash	21(b)	9,675	5,000	4,534
Cash and cash equivalents	21(a)	11,880	79,373	201,078
		793,854	947,498	1,241,300
Total assets		1,897,729	2,202,978	2,598,757
Equity and liabilities				
Equity attributable to owners of the Company				
Share capital	24	2,858	2,858	2,858
Other reserves and retained earnings	24, 25	393,681	432,446	497,379
		396,539	435,304	500,237
Non-controlling interests		11,633	8,208	6,377
Total equity		408,172	443,512	506,614

		As at 31 December		
		2020	**2021**	**2022**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Liabilities				
Non-current liabilities				
Borrowings	28	447,380	656,219	884,842
Lease liabilities	14(b)	12,742	8,524	7,769
Ordinary shares with redemption right	29	177,886	—	—
		638,008	664,743	892,611
Current liabilities				
Borrowings	28	708,578	726,603	828,573
Ordinary shares with redemption right	29	—	196,640	163,129
Amounts due to shareholders	34	7,687	7,467	8,158
Trade payables	26	41,565	68,463	105,860
Other payables and accruals	27	83,054	78,544	78,939
Lease liabilities	14(b)	6,419	5,781	6,087
Current income tax payables		4,246	11,225	8,786
		851,549	1,094,723	1,199,532
Total liabilities		1,489,557	1,759,466	2,092,143
Total equity and liabilities		1,897,729	2,202,978	2,598,757

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

As at 31 December 2020, 2021 and 2022

		As at 31 December		
		2020	**2021**	**2022**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Non-current asset				
Investment in a subsidiary	16	1,013,379	1,002,856	1,095,671
Current assets				
Prepayments	20	12,136	6,485	8,646
Amounts due from shareholders	34	16,447	15,977	17,456
Cash and cash equivalents		4	16	44
		28,587	22,478	26,146
Total assets		1,041,966	1,025,334	1,121,817
Equity				
Equity attributable to equity holders of the Company				
Share capital	24	2,858	2,858	2,858
Other reserves	25	863,544	839,950	917,232
Accumulated losses	25	(28,118)	(51,489)	(14,408)
Total equity		838,284	791,319	905,682
Liabilities				
Non-current liabilities				
Ordinary shares with redemption right	29	177,886	—	—
Current liabilities				
Ordinary shares with redemption right	29	—	196,640	163,129
Accruals and other payables	27	2,872	2,747	5,352
Amounts due to subsidiaries		22,924	34,626	47,654
		25,796	234,013	216,135
Total liabilities		203,682	234,013	216,135
Total equity and liabilities		1,041,966	1,025,332	1,121,817

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital *RMB'000*	Share premium *(Note 25)* *RMB'000*	Other reserves *(Note 25)* *RMB'000*	Retained earnings *(Note 25)* *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2020	2,858	326,067	1,180	41,939	372,044	13,721	385,765
Comprehensive income							
Profit for the year	—	—	—	12,341	12,341	(2,088)	10,253
Exchange difference arising from translation of functional currency to presentation currency	—	—	12,154	—	12,154	—	12,154
Total comprehensive income for the year	—	—	12,154	12,341	24,495	(2,088)	22,407
Transactions with owners in their capacity as owners							
Transfer to statutory reserve	—	—	3,457	(3,457)	—	—	—
Total transactions with owners in their capacity as owners	—	—	3,457	(3,457)	—	—	—
Balance at 31 December 2020	2,858	326,067	16,791	50,823	396,539	11,633	408,172
Balance at 1 January 2021	2,858	326,067	16,791	50,823	396,539	11,633	408,172
Comprehensive income							
Profit for the year	—	—	—	34,112	34,112	(3,425)	30,687
Exchange difference arising from translation of functional currency to presentation currency	—	—	4,653	—	4,653	—	4,653
Total comprehensive income for the year	—	—	4,653	34,112	38,765	(3,425)	35,340
Transactions with owners in their capacity as owners							
Transfer to statutory reserve	—	—	6,123	(6,123)	—	—	—
Total transactions with owners in their capacity as owners	—	—	6,123	(6,123)	—	—	—
Balance at 31 December 2021	2,858	326,067	27,567	78,812	435,304	8,208	443,512

	Share capital *RMB'000*	Share premium *(Note 25)* *RMB'000*	Other reserves *(Note 25)* *RMB'000*	Retained earnings *(Note 25)* *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2022	2,858	326,067	27,567	78,812	435,304	8,208	443,512
Comprehensive income							
Profit for the period	—	—	—	78,913	78,913	(1,831)	77,082
Exchange difference arising from translation of functional currency to presentation currency	—	—	(16,412)	—	(16,412)	—	(16,412)
Changes in fair value of ordinary share with redemption right due to own credit risk	—	—	2,432	—	2,432	—	2,432
Total comprehensive income for the period	—	—	(13,980)	78,913	64,933	(1,831)	63,102
Transactions with owners in their capacity as owners							
Transfer to statutory reserve	—	—	3,774	(3,774)	—	—	—
Total transactions with owners in their capacity as owners	—	—	3,774	(3,774)	—	—	—
Balance at 31 December 2022	2,858	326,067	17,361	153,951	500,237	6,377	506,614

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December		
		2020	**2021**	**2022**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Cash flows from operating activities				
Cash generated from operations	31(a)	371,211	29,930	83,869
Income tax paid		(15,737)	(8,958)	(14,406)
Interest paid		(125,593)	(98,381)	(143,463)
Net cash generated from/(used in) from operating activities		229,881	(77,409)	(74,000)
Cash flows from investing activities				
Interest received		763	320	228
Proceeds from disposal of property and equipment	31(b)	8,023	24,615	29,823
Payment for purchase of property and equipment	31(c)	(166,908)	(45,623)	(137,912)
Payment for addition of intangible assets		(13,097)	(11,484)	(11,272)
Payment for acquisition of financial assets at fair value through profit or loss		—	(28,000)	—
Proceeds for sales of financial assets at fair value through profit or loss		—	2,000	—
Net cash used in investing activities		(171,219)	(58,172)	(119,133)

		Year ended 31 December		
		2020	**2021**	**2022**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Cash flows from financing activities				
Issuance of ordinary shares with redemption right	31(d)	—	20,000	—
Proceeds from borrowings	31(d)	638,873	1,168,915	1,338,324
Repayments of borrowings	31(d)	(772,327)	(963,754)	(1,003,175)
Repayment of lease liabilities	31(d)	(9,812)	(8,114)	(7,255)
Placement of deposits for borrowings		(6,625)	(16,986)	(29,216)
Redemption of deposits for borrowings		8,702	14,040	18,545
Prepaid **[REDACTED]** expenses		**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Dividend paid to owners of the companies now comprising the Group		(13,509)	(6,323)	—
Capital injection to the Company upon issuance of shares to give effect to the Reorganisation		214,068	—	—
Deemed distribution to the shareholders of XXF Group for purchasing the **[REDACTED]** Business		(219,331)	—	—
Net cash (used in)/generated from financing activities		**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Net (decrease)/increase in cash and cash equivalents		(104,347)	67,493	121,694
Cash and cash equivalents at beginning of year		119,160	11,880	79,373
Effect on foreign exchange rate difference		(2,933)	—	11
Cash and cash equivalents at end of year		11,880	79,373	201,078

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION AND REORGANISATION

1.1 General information

The Company was incorporated in the Cayman Islands on 29 March 2019 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. The Company and the companies shown in Note 37 below now comprising the Group (together, the "Group") are principally engaged in the provision of automobile services, including automobiles retail, automobiles financing, automobiles rental and automobile-related services in the People's Republic of China (the "PRC") (the "**[REDACTED]** Business").

The ultimate owners of the Group are Mr. Huang Wei, Ms. Chen Jia, Mr. Liu Donghu, Mr. Pan Qiu, Ms. Mao Lin, Ms. Yang Yufen, Mr. Li Huan, Mr. Lin Yanfeng, Mr. Ye Fuwei, Mr. Liu Hao, Mr. Liu Wei, Mr. Liu Yonghui, Tengxin Investment Company Limited, Beijing Chesheng Technology Company Limited ("**[REDACTED]** Investor 1", see onshore reorganisation step (i) in Note 1.2), Zhuhai Wanhe Xingsheng Investment Management Center (Limited Partnership) ("**[REDACTED]** Investor 2", see onshore reorganisation steps (ii) and (iii) in Note 1.2), Ms. Choo Beng Hiang ("**[REDACTED]** Investor 3", see onshore reorganisation step (iv) in Note 1.2), Fuzhou Bojia Investment Co., Ltd., Hangzhou Chain Reaction Investment Partnership Enterprise (Limited Partnership) ("Hangzhou Chain Reaction") and Hangzhou Good Hope Chehang Investment Partnership Enterprise (Limited Partnership) ("Good Hope Chehang").

1.2 History of the Group

Prior to the incorporation of the Company and the completion of the reorganisation (the "Reorganisation") as described below, the **[REDACTED]** Business was carried out by Xixiangfeng Finance Lease Group Co., Ltd. ("XXF Group", formerly known as formerly known as Fujian Xixiangfeng Automobile Service Co., Ltd. and Xixiangfeng Group Co., Ltd), and its subsidiaries (collectively, the "Operating Companies").

In preparation for the **[REDACTED]** of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited (the "**[REDACTED]**"), the Group underwent the Reorganisation which primarily consists of setting up holding an intermediate holding companies to form the Group, and also introduction of strategic investors to the Group. The Reorganisation is principally involved the following steps:

Onshore reorganisation steps

(i) On 27 November 2018, **[REDACTED]** Investor 1, **[REDACTED]** Investor 2, each of those being an independent party, entered into a series of agreements (collectively the "Investment Agreements") with XXF Group and all its then shareholders, pursuant to which XXF Group agreed to allot and issue 12,789,844 ordinary shares with redemption right of par value of RMB1.00 each to **[REDACTED]** Investor 1 for a total cash consideration of RMB30,000,000. The redemption right is to be cancelled upon success of **[REDACTED]**. The transaction was completed on 4 March 2019. (Series A Shares as described in Note 29)

(ii) Pursuant to the Investment Agreements, XXF Group agreed to allot and issue 21,316,406 ordinary shares with redemption right of par value of RMB1.00 each to the **[REDACTED]** Investor 2, for a total cash consideration of RMB50,000,000. The redemption right is to be cancelled upon success of **[REDACTED]**. The transaction was completed on 4 March 2019. (Series A Shares as described in Note 29)

(iii) Pursuant to the Investment Agreements, Hangzhou Chain Reaction agreed to transfer 21,316,406 shares of XXF Group to **[REDACTED]** Investor 2, for a total cash consideration of RMB50,000,000. Redemption right and certain other rights are given to shares acquired by **[REDACTED]** Investor 2 by XXF Group. The transaction was completed on 12 April 2019. (Series B Shares as described in Note 29)

(iv) On 30 April 2020, pursuant to a share transfer agreement entered into between Well Creative Investment Limited, a company incorporated in Hong Kong and wholly-owned by **[REDACTED]** Investor 3 and Hangzhou Good Hope Investment Management Company Limited ("Good Hope Investment"), Well Creative Investment Limited acquired 6,821,250 ordinary shares of XXF Group from Good Hope Investment at a consideration of RMB16,000,000.

(v) XXF Group (Hong Kong) Limited ("XXF HK") acquired the entire equity interest in XXF Group from the then registered shareholders of XXF Group as disclosed in the step (v) of the offshore reorganisation steps. As a result, XXF Group became a wholly foreign-owned enterprise and was wholly owned by the Company indirectly.

(vi) On 2 December 2019, pursuant to a share transfer agreement entered into between XXF Group and **[REDACTED]** Investor 1, XXF Group acquired 5.88% of equity interests in Fujian Xidi Automobile Sale Co., Ltd. ("Fujian Xidi") from **[REDACTED]** Investor 1 at a consideration of RMB20,000,000. (Series C Shares as described in Note 29)

Offshore reorganisation steps

(i) On 26 March 2019, Glorypearl Capital Resources Company Limited ("Glorypearl Capital") was incorporated in the BVI with limited liability. Glorypearl Capital issued and allotted 1 shares at USD1 to Mr. Huang Wei.

(ii) The Company was incorporated in the Cayman Islands on 29 March 2019. The initial authorised share capital of the Company was HK$380,000 divided into 38,000,000 Shares of HK$0.01 each. Upon incorporation, one Share, representing the then entire issued share capital of the Company, was allotted and issued to the initial subscriber and such Share was transferred to Glorypearl Capital on the same day. The Company became a wholly-owned subsidiary of Glorypearl Capital.

(iii) On 8 March 2019, Celestial Bonanza Group Limited ("Celestial Bonanza") was incorporated in the British Virgin Islands (the "BVI") with limited liability and is authorised to issue 50,000 shares of a single class, each with a par value of US$1.00, of which 1 share has been allotted and issued to the Company for cash at par upon incorporation. Celestial Bonanza became a wholly-owned subsidiary of the Company.

(iv) XXF HK was incorporated in Hong Kong as a limited liability company on 2 May 2019 with the initial issued share capital of HK$1.00 of one share of HK$1.00, which was issued and allotted to the initial subscriber on the same day. On 9 May 2019, one share of XXF HK was transferred to Celestial Bonanza at the consideration of HK$1.00. XXF HK became an indirect wholly-owned subsidiary of the Company.

(v) During the period of 27 August 2019 to 28 November 2019, XXF HK acquired the entire equity interest in XXF Group from the then registered shareholders of XXF Group at the total consideration of RMB384,347,500, which was determined with reference to the paid-up share capital of XXF Group and/or their investment cost in XXF Group. During the same period, the Company issued and allotted a number of shares in the same portion to the respective then shareholders of XXF Group, totalling 319,746,093 ordinary shares and 55,422,656 ordinary shares with redemption right, with total proceed of RMB384,347,499. Upon the completion of the transactions, the Group was beneficially owned by the ultimate owners as disclosed in Note 1.1.

(vi) On 2 December 2019, an agreement was entered into between **[REDACTED]** Investor 1 and the Company. Pursuant to the agreement, the Company issued and allotted 6,821,250 ordinary shares with redemption right to Hit Drive Limited, an offshore investment holding company related to **[REDACTED]** Investor 1, at a consideration of RMB20,000,000, representing the consideration for XXF Group acquiring the 5.88% interests in Fujian Xidi as set out in onshore reorganisation step (vi).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of significant accounting policies adopted in the preparation of the Historical Financial Information. These policies have been consistently applied to all the years and periods presented, unless otherwise stated.

2.1 Basis of preparation

This note provides a list of significant accounting policies adopted in the preparation of the Historical Financial Information. These policies have been consistently applied to all the years and periods presented, unless otherwise stated. The Historical Financial Information is for the Group consisting of the Company and the companies now comprising the Group.

(i) Compliance with IFRSs

The Historical Financial Information of the Group has been prepared in accordance with the principal accounting policies as set out below which are in accordance with International Financial Reporting Standards ("IFRSs") issued by International Accounting Standards Board ("IASB").

(ii) Historical cost convention

The Historical Financial Information has been prepared on a historical cost basis, except for financial assets and financial liabilities (including derivative instruments) that are measured at fair value.

(iii) Critical accounting estimates

The preparation of the Historical Financial Information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information, are disclosed in Note 4.

(iv) New standards, amendments and interpretation not yet adopted

Standards	Subject of amendment	Effective for accounting period beginning on or after
Amendments to IAS1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12	Deferred Tax Related to Assets and Liabilities Arising From a Single Transaction	1 January 2023
IFRS 17	Insurance Contracts	1 January 2023
Amendments to IAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
HK Interpretation 5 (Revised)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group has commenced, but not yet completed, an assessment of the impact of the new standard and amendments to standards on its results of operations and financial position. However, none of the above new standards and amendments to standards is expected to have a significant effect on the financial statements.

2.2 Principles of consolidation

(a) Consolidation

A subsidiary is an entity over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(i) Business combinations

The Group applies the acquisition method of accounting to account for business combinations not under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by IFRS.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(ii) Changes in ownership interests in subsidiaries without change of control

Transaction with non-controlling interests that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associated company, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(b) Separate financial statements

Investments in subsidiaries are carried at cost less impairment. Cost includes direct attributable costs of investment. On disposal of investments in subsidiaries, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss. The results of subsidiaries are accounted for by the Company on the basis of dividend received or receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers ("CODM"). The chief operating decision-makers, who are responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Group that make strategic decisions.

2.4 Foreign currencies

(a) Functional and presentation currency

Items included in the Historical Financial Information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Historical Financial Information are presented in RMB, which is the Group's presentation currency. The functional currency of the Company is Hong Kong Dollar ("HK$").

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statements of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statements of comprehensive income within the "Finance cost, net". All other foreign exchange gains and losses are presented in the consolidated statements of comprehensive income within "Other losses, net".

(c) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.5 Property and equipment

Property and equipment are initially stated at cost. The cost of an item of property and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent costs are include in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statements of comprehensive income during the financial period in which they are incurred.

The property and equipment are depreciated on the straight line method to allocate the cost to their residual values over their estimated useful lives, summarised as follows:

Right-of-use assets	Shorter of lease term or useful life
Building	30 years
Office equipment	5 years
Leasehold improvement	Shorter of lease term or 5 years
Automobiles	5–8 years

The assets' residual values and useful lives of assets are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the assets' carrying amount is greater than its estimated recoverable amount (Note 2.7).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other losses, net" in the consolidated statements of comprehensive income.

2.6 Intangible assets

The Group's intangible assets mainly include acquired computer software and self-developed software.

Intangible assets can be recognised only when future economic benefits expected to be obtained from the use of item will flow into the Group and its costs can be measured reliably. Intangible assets acquired separately are measured on initial recognition at cost.

Intangible assets with a finite useful life are amortised using the straight-line method over their estimated useful economic life. At each balance sheet date, intangible assets are reviewed for indications of impairment or changes in estimated future benefits. If such indications exit, the intangible assets are analysed to assess whether their carrying amount is fully recoverable. An impairment loss is recognised if the carrying amount exceeds the recoverable amount.

(a) Acquired computer software

Separately acquired computer software are shown at historical cost. The computer software acquired are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

(b) Self-developed applications

Costs associated with maintaining self-developed applications are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the product so that it will be available for use;
- it is technically feasible to complete the product and use or sell it;
- there is an ability to use or sell the products;
- it can be demonstrated how the products will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the products are available; and
- the expenditure attributable to the products during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the application product include the application development employee costs and an appropriate portion of relevant overheads.

Research expenditure and development expenditure that do not meet the criteria in (b) above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

The estimated useful lives of intangible assets are as follows:

Software	5 years
Self-developed applications	3 years

2.7 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the each report date.

2.8 Financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group derecognises a financial asset only when (1) the contractual rights to the cash flows from the asset expire, or (2) when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, or (3) when it transfers the financial asset and gives up the control of the transferred assets though the Group neither transfers nor retains substantially all the risks and rewards of ownership. Where a transfer of a financial asset in its entirety meets the criteria for de-recognition, the difference between the two amounts below is recognised in the consolidated statement of profit and loss:

- the carrying amount of the financial asset transferred;
- the sum of the consideration received from the transfer and the cumulative gain or loss that has been recognised directly in equity.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability.

De-recognition of financial assets sold on condition of repurchase is determined by the economic substance of the transaction. If a financial asset is sold under an agreement to repurchase the same or substantially the same asset at a fixed price or at the sale price plus a reasonable return, the Group will not derecognise the asset. If a financial asset is sold together with an option to repurchase the financial asset at its fair value at the time of repurchase (in case of transferor sells such financial asset), the Group will derecognise the financial asset.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Financial assets measured at amortised cost

  The Group measures financial assets at amortised cost when both of the following conditions are met:

  — the asset is held within a business model whose objective is to collect the contractual cash flows; and

  — the contractual terms give rise to cash flows that are solely payments of principal and interest.

  Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other losses, net together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of comprehensive income.

- Financial assets measured at fair value through other comprehensive income

  The Group measures financial assets at FVOCI when both of the following conditions are met:

  — the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

  — the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

  Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the consolidated statement of comprehensive income.

- Financial assets measured at fair value through profit or loss

  All financial assets that are other than those categorised as financial assets measured at amortised cost or financial assets at FVOCI are categorised as financial assets measured at FVPL.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in the consolidated statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(d) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and financial assets measured at fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables and finance lease receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The provision matrix is determined based on historical observed default rates over the expected life of trade and finance lease receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Impairment on other financial assets at amortised cost are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivables has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.10 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 to 90 days and therefore are all classified as current.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 3.1 for a description of the Group's impairment policies.

2.11 Inventories

Inventories mainly represent vehicles for finance lease and vehicle telematics equipment. Inventories are stated at the lower of cost and net realisable value. Cost of vehicle includes the purchase price of motor vehicle, licensing fee, tax and cost of telematics equipment installed.

Net realisable value is the estimated selling price in the ordinary course of business and the estimated costs necessary to make the sale.

2.12 Cash and cash equivalent

In the consolidated statements of cash flows, cash and cash equivalents include cash on hand and other short-term highly liquid investments with original maturities of three months that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, in the consolidated statements of financial position.

2.13 Share capital

Ordinary shares is classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.14 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.15 Borrowings

Borrowings are recognised initially at fair values, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statements of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.16 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the consolidated statements of comprehensive income in the year in which they are incurred. The interest expenses associated with the borrowings of the Group, including cost of funding for finance lease and interest expenses for general operations, are recognised as finance costs.

2.17 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statements of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.18 Employee benefits

(a) Pension obligations

The Group participates in a defined contribution plan. A defined contribution plan is a pension plan under which the Group pays fixed contributions, on a mandatory, contractual or voluntary basis, into a separate entity. The Group's subsidiaries operating in the PRC have to make contribution to staff retirement scheme managed by local government authorities in accordance with the relevant rules and regulations. Contributions to these schemes are charged to the consolidated statement of comprehensive income as and when incurred. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The contributions are recognised as employment costs when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Housing funds, medical insurances and other social insurances

PRC employees of the Group are entitled to participate in various government-supervised housing funds, medical insurance and other social insurance plan. The Group contributes to these funds based on certain percentages of the salaries of these employees on a monthly basis. The Group's liability in respect of these funds is limited to the contribution payable in each period. Contributions to the housing funds, medical insurances and other social insurance are expensed as incurred.

(c) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(d) Bonus plans

The expected cost of bonuses is recognised as a liability when the Group has a present legal or constructive obligation for payment of bonus as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for profit sharing and bonus plans are expected to be settled within 1 year and are measured at the amounts expected to be paid when they are settled.

(e) Equity-settled share-based payment

Share-based payment expenses should be recognised over the period during which the employees provide the relevant services. This period may commence prior to the grant date. In this situation, the entity estimates the grant date fair value of the equity instruments for the purposes of recognising the services received during the period between service commencement date and grant date. Once the grant date has been established, the entity revises the earlier estimate so that the amounts recognised for services received is ultimately based on the grant date fair value of the equity instruments.

The fair value of shares granted to employees for consideration of par value was recognised as an expense over the relevant service period, being the vesting period of the shares. The fair value is measured at the grant date of the shares and is recognised in equity in the share-based payment reserve. The number of shares expected to vest is estimated based on the non-market vesting conditions. The estimates are revised at the end of each reporting period and adjustments are recognised in profit or loss and the share-based payment reserve.

2.19 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants are recognised as income over the period necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to assets are deducted against the carrying amount of the assets.

2.20 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Where the Group expects a provision to be reimbursed by another party, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost expense.

2.21 Contingent liabilities

A contingent liability is:

(a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence and non-occurrence of or more uncertain future events not wholly within the control of the Group.

(b) A present obligation that arises from past events but is not recognised because:

- It is not probably that an outflow of resources embodying economic benefit will be required to settle the obligations; or
- The amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognised on the consolidated statements of financial position of the Group.

2.22 Revenue recognition

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

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

— provides all of the benefits received and consumed simultaneously by the customer;

— creates or enhances an asset that the customer controls as the Group performs; or

— does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

Further details of the Group's revenue and other income recognition policies are as follows:

(a) Sales of automobiles under finance lease arrangement

Revenue from sale of new motor vehicle under finance lease arrangement where the Group earns a selling margin as a dealer are recognised upon transfer of control to customer which generally coincides with the time when the motor vehicles are delivered and accepted by the customers, which is determined as the lower of the fair value of the underlying automobiles and the present value of the lease payment accruing to the Group. The corresponding leased asset is derecognised when finance lease receivables is recognised on the consolidated statements of financial position (Note 2.23(b)). Non-lease service component, if any, are separated and accounted under Note 2.22(d)(2).

(b) Finance lease income

The Group provides auto vehicle finance lease services to individual customers, with the sales of auto vehicles (Note 2.22(a)). The income under finance lease is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the finance lease receivables (Note 2.23(b)).

(c) Automobiles rental

The Group provides auto vehicle operating lease services to individual and corporate customers. Revenue from these services is recognised on a straight-line basis in accordance with the terms of the operating leases. For detail of the policy please refer to Note 2.23(b).

(d) Other automobile-related services

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

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

2.23 Lease

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

(a) The Group as a lessee

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

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

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

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

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

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

(b) The Group as a lessor

Operating leases

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

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

Finance lease

Leases where the Group has transferred substantially all risks and rewards incidental to ownership of the leased assets to the lessees are classified as finance leases. When the Group earns a selling profit from dealership of automobile under finance lease. The Group will recognise as sales revenue (Note 2.23(a)), arising from the leased assets, at a lower of the fair value or present value of the minimum lease payments computed at a market interest rate. The difference between the sales revenue and the cost of sales is the selling profit or loss. The Group does not consider itself to be a dealer when leasing a repossessed automobile from previously default leases.

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

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

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

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

2.24 Vendor rebate

Volume-related vendor rebates are recognised as a deduction from cost of sales on accruals basis with reference to the expected entitlement earned up to the reporting date for each relevant supplier contract. Rebates relating to items purchased but still held at the reporting date are deducted from the carrying value of these items so that the cost of inventories is recorded net of applicable rebates.

2.25 Ordinary shares with redemption right

Ordinary shares with redemption right are redeemable upon occurrence of certain future events and at the option of the holders.

The ordinary shares with redemption right are designated as financial liabilities at fair value through profit or loss. They are initially recognised at fair value. Any directly attributable transaction costs are recognised at finance costs in the consolidated statement of comprehensive income.

Subsequent to initial recognition, the ordinary shares with redemption right are carried at fair value with changes in fair value recognised in the consolidated statement of comprehensive income, except for the portion attributable to credit risk change that should be charged to other comprehensive income.

2.26 Dividend

Dividend declared to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out under policies approved by the board of directors. The management identifies and evaluates financial risks in close co-operation with the Group's operating units.

(a) Market risk

(i) Currency risk

The Group mainly operates with most of the transactions settled in Renminbi ("RMB"). In respect of transactions settled in Hong Kong Dollars, the Group did not have significant exposure to foreign exchange rate risk during the year due to these transactions being generally denominated in the functional currency of the respective group entities. Management does not consider there to be any significant currency risk associated with the Company.

(ii) Cash flow and fair value interest risk

The Group's interest rate risk mainly arises from the Group's borrowings, lease liabilities and finance lease receivables. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk; while borrowings, lease liabilities and finance lease receivables at fixed rates expose the Group to fair value interest rate risk.

If interest rates on the borrowings at variable rates had risen/fallen 100 basis points while all other variables had been held constant, the Group's profit after tax for the years ended 31 December 2020, 2021 and 2022 would have been approximately RMB1,125,000 lower/higher, RMB876,000 lower/higher and RMB354,000 lower/higher, respectively.

If interest rates on the cash and cash equivalents had risen/fallen 100 basis points while other variables had been held constant, the Group's profit after tax for the years ended 31 December 2020, 2021 and 2022 would have been approximately RMB64,000 higher/lower, RMB557,000 higher/lower and RMB2,065,000 higher/lower, respectively.

The exposure of the Group's borrowings to interest rate changes and the contractual re-pricing dates of the borrowings at the end of the reporting period are as follows:

	As of 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Variable rate borrowings	149,984	116,738	47,139
Other borrowings			
— repricing dates:			
1 year or less	310,815	660,331	798,254
1 to 2 years	376,934	335,774	495,161
2 to 5 years	318,225	269,979	372,861
	1,155,958	1,382,822	1,713,415

The Group manages its interest rate risk by performing regular review and continually monitoring its interest rate exposure and tracking the sensitivity of projected net interest income under varying interest rate scenarios. To manage its exposure to interest rate risks, the Group regulates the proportion of variable rate borrowings in its financing portfolio and reacts to the change in interest rates through pricing of its finance leases to customers.

(b) Credit risk

Credit risk refer to the risk that the counter-party will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group are cash at banks, trade and other receivables and finance lease receivables. For trade receivables and finance leases receivables, the Group adopts policy of dealing only with customers of appropriate credit profile. For other financial assets, the Group adopts the policy that exposure to credit risks are monitored on an ongoing basis.

Majority of bank balances and fixed deposits are deposited with reputable banks. Management considers the Group has limited credit risk with its banks which are state-owned or large medium sized commercial banks in the PRC and reputable banks or financial institution outside of the PRC and are assessed as having low credit risk. Therefore, the expected credit loss is minimal.

The Group has no significant concentration of credit risk. The Group has put in place policies to ensure that transactions are conducted with customers with an appropriate credit history. The Group will charge a market interest rate based on their credit worthiness. The Group also performs periodic credit evaluations of its customers based on their past payment patterns and other factors. For individual customers who purchased the motor vehicles under finance lease arrangement, the Group has policies in place to review their credit worthiness periodically after inception.

Credit risk policy

The Group has credit policy to monitor the level of credit risk. In general the credit record for each customer or debtor are regularly assessed, based on the customer or debtor's financial condition, their credit records and other factors such as current market condition.

For finance lease receivables, the Group monitors the credit worthiness of the customers closely with reference to factors such as instalment payment pattern and usage of automobiles by the Group's real time GPS tracking device. In the event of any delinquent payment, the Group keeps the right to collect the overdue interest on the default amount, until the overdue payment have been fully paid. Generally, if any monthly repayment is overdue for 20 to 30 days, the Group will arrange staff to repossess the leased assets, and engage in enforcement activities (including repayment reminders and negotiation with lessee) for repayment of overdue amounts. Those finance lease receivables, for which the customers missed the schedule instalment for three months or more, or the lessee is unlikely to pay the credit obligations to the Group in full, will be considered as default. The group has a designated team focusing on recovery of finance lease receivables that has become default. The team would execute various actions, including but not limited to, initialling legal proceeding against customers in default to recover the overdue receivables. The Group considers those finance lease receivables for write off when a lessee fails to make contractual payments for twelve months, and there is no realistic prospect of recovery.

For trade and other receivables, including amounts due from related parties, the Group monitors debtors with long outstanding balances and will engage in enforcement activities to recover the receivables due. The Group closely monitors trade and other receivables collection pattern. Those overdue trade and other receivables with financial difficulties, declining credit standing and poor historical payment pattern, are considered as default. The Group will write off these unrecovered receivables after all possible means of debt recovery activities.

Where finance lease receivables, trade or other receivables have been written off, the Group continues to attempt to recover the receivable due. Where recoveries are made, these are recognised in consolidated statements of comprehensive income.

Expected credit loss measurement

The simplified approach is applied for measuring the expected credit losses which use a lifetime expected loss allowance for all trade receivables and finance lease receivables. The measurement of expected credit losses is a probability-weighted estimate of credit losses, i.e. a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default.

The assessment of the probability-weighted estimate of credit losses is based on historical data, adjusted by forward-looking information on macroeconomic factors affecting the ability of the debtors to settle the receivables. Generally, the loss given default is the difference between all contractual cash flows that are due to the Group in accordance with the contracts, and cash flows that the Group expects to receive ("expected cash shortfalls"), given that the Group has historically recovered partial amounts owing via the proceeds from the finance lease of collected vehicles and other legal means. The expected cash shortfalls are discounted using effective interest rate determined at initial recognition for trade receivables, and implied discount rate used in the measurement of the finance lease receivables for finance lease receivables.

Forward-looking information

The calculation of expected credit loss ("ECL") incorporates forward-looking information, includes, the Group has performed historical analysis and identified the key economic variables impacting credit risk and ECL for the receivable portfolio.

Judgment has been applied in this process of determining the key economic variables and their associated impact on the loss rate, forecasts of these economic variables are estimated by statistical method, and the impact of these economic variables on the loss rate was determined by statistical regression analysis. Economic variables identified included GDP growth, unemployment rates and money supply ("M1"), etc.

As at 31 December 2022, 2021 and 2020, the loss allowance was determined as follows for both trade receivables and finance lease receivables:

	As at 31 December 2022		
	Gross carrying amount	**Expected loss rate**	**Loss allowance**
	RMB'000		*RMB'000*
Finance lease receivables:			
Not yet past due	1,398,133	0.11%	1,538
Past due:			
Less than 1 month	60,501	2.28%	1,380
1 to 3 months	14,569	21.42%	3,121
3 to 6 months	5,578	43.23%	2,411
6 to 12 months	3,331	100.00%	3,331
Over 1 year	1,515	100.00%	1,515
	1,483,627		13,296

	As at 31 December 2022		
	Gross carrying amount	**Expected loss rate**	**Loss allowance**
	RMB'000		*RMB'000*
Trade receivables:			
Not yet past due	7,477	0.01%	1
Past due:			
Less than 6 months	2,061	1.01%	21
6 to 12 months	596	35.09%	209
1 to 2 years	189	80.69%	152
2 to 3 years	15	100.00%	15
Over 3 years	229	100.00%	229
	10,567		627
	1,494,194		13,923

	As at 31 December 2021		
	Gross carrying amount	**Expected loss rate**	**Loss allowance**
	RMB'000		*RMB'000*
Finance lease receivables:			
Not yet past due	1,233,278	0.10%	1,234
Past due:			
Less than 1 month	54,337	2.00%	1,087
1 to 3 months	11,638	19.20%	2,234
3 to 6 months	4,158	45.46%	1,890
6 to 12 months	3,266	100.00%	3,266
Over 1 year	1,204	100.00%	1,204
	1,307,881		10,915
Trade receivables:			
Not yet past due	5,396	0.01%	1
Past due:			
Less than 6 months	1,305	0.17%	2
6 to 12 months	63	39.41%	24
1 to 2 years	25	84.44%	21
2 to 3 years	78	99.72%	78
Over 3 years	159	100.00%	159
	7,026		285
	1,314,907		11,200

	As at 31 December 2020		
	Gross carrying amount	Expected loss rate	Loss allowance
	RMB'000		*RMB'000*
Finance lease receivables:			
Not yet past due	955,256	0.12%	1,146
Past due:			
Less than 1 month	38,020	1.93%	734
1 to 3 months	10,806	21.00%	2,269
3 to 6 months	3,412	48.53%	1,656
6 to 12 months	2,723	100.00%	2,723
Over 1 year	844	100.00%	844
	1,011,061		9,372
Trade receivables:			
Not yet past due	4,588	0.00%	—
Past due:			
Less than 6 months	2,142	5.00%	107
6 to 12 months	121	10.00%	12
1 to 2 years	78	20.00%	16
2 to 3 years	85	50.00%	42
Over 3 years	92	100.00%	92
	7,106		269
	1,018,167		9,641

The ageing analysis of finance lease receivables and trade receivables are disclosed in Notes 18 and 19 of this Historical Financial Information respectively.

For other financial assets at amortised cost, the Group applies either a 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition then impairment is measured as lifetime expected credit losses. Management, considered among other factors, analysed historical pattern and concluded that the expected credit losses for other financial assets at amortised cost to be immaterial as the credit risk is assessed as low.

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Group manages its liquidity risk by ensuring the availability of funding through its ability to operate profitably, maintaining sufficient cash to enable it to meet its normal operating commitments, having adequate amount of committed credit facilities. The fair value of non-current financial assets and liabilities are determined from the cash flows analyses, discounted at market bank borrowing rates of an equivalent instrument at reporting date.

The table below analyses the maturity profile of the Group's financial liabilities based on contractual undiscounted cash flows:

	On demand/ Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2020						
Trade payables	41,565	—	—	—	41,565	41,565
Other payables	48,170	—	—	—	48,170	48,170
Amounts due to shareholders	7,687	—	—	—	7,687	7,687
Lease liabilities	7,333	6,828	6,722	—	20,883	19,161
Ordinary shares with redemption right	—	188,228	—	—	188,228	177,886
Borrowings	773,436	332,582	155,251	—	1,261,269	1,155,958
	878,191	527,638	161,973	—	1,567,802	1,450,427
At 31 December 2021						
Trade payables	68,463	—	—	—	68,463	68,463
Other payables	37,869	—	—	—	37,869	37,869
Amounts due to shareholders	7,467	—	—	—	7,467	7,467
Lease liabilities	6,409	4,774	4,285	—	15,468	14,305
Ordinary shares with redemption right	206,656	—	—	—	206,656	196,640
Borrowings	831,872	437,155	323,693	—	1,592,720	1,382,822
	1,158,736	441,929	327,978	—	1,928,643	1,707,566
At 31 December 2022						
Trade payables	105,860	—	—	—	105,860	105,860
Other payables	33,186	—	—	—	33,186	33,186
Amounts due to shareholders	8,158	—	—	—	8,158	8,158
Lease liabilities	6,680	4,548	3,727	—	14,955	13,856
Ordinary shares with redemption right	237,768	—	—	—	237,768	163,129
Borrowings	961,026	585,085	405,718	—	1,951,829	1,713,415
	1,352,678	589,633	409,445	—	2,351,756	2,037,604

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'borrowings' and "lease liabilities" as shown in the consolidated statement of financial position) less cash and cash equivalents. The Group does not consider the amount of ordinary shares with redemption right when calculating net debt. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

The gearing ratio of the Group as at 31 December 2020, 2021 and 2022 was as follows:

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Total borrowings	1,155,958	1,382,822	1,713,415
Lease liabilities	19,161	14,305	13,856
Less: cash and cash equivalents	(11,880)	(79,373)	(201,078)
Net debt	1,163,239	1,317,754	1,526,193
Total equity	408,172	443,512	506,614
Total capital	1,571,411	1,761,266	2,032,807
Gearing ratio	74.03%	74.82%	75.08%

3.3 Fair value estimation

(a) Fair value hierarchy

Financial assets and financial liabilities measured at fair value in the consolidated statements of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

The carrying amounts of the Group's current financial assets, including trade and other receivables, finance lease receivables, amounts due from related parties, cash and cash equivalents, restricted cash and; current financial liabilities, including trade payables, other payables and accruals, lease liabilities and borrowings, approximate their fair values as at the reporting date due to their short term maturities. The carrying value of non-current financial assets and liabilities approximate its fair value as at the reporting date.

The following table presents the Group's assets and liabilities that are measured at fair value:

	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurements				
As at 31 December 2020				
Financial liabilities at FVPL				
Ordinary shares with redemption right	—	—	(177,886)	(177,886)
Total financial liabilities	—	—	(177,886)	(177,886)
Recurring fair value measurements				
As at 31 December 2021				
Financial assets at FVPL				
Assets-backed securities	3,234	—	2,758	5,992
Interest in a partnership	—	—	20,000	20,000
Total financial assets	3,234	—	22,758	25,992
Financial liabilities at FVPL				
Ordinary shares with redemption right	—	—	(196,640)	(196,640)
Total financial liabilities	—	—	(196,640)	(196,640)
Recurring fair value measurements				
As at 31 December 2022				
Financial assets at FVPL				
Interest in a partnership	—	—	21,647	21,647
Total financial assets	—	—	21,647	21,647
Financial liabilities at FVPL				
Ordinary shares with redemption right	—	—	(163,129)	(163,129)
Total financial liabilities	—	—	(163,129)	(163,129)

There were no transfer of financial assets and liabilities between the fair value hierarchy classification during the years ended 31 December 2020, 2021 and 2022.

Financial instrument in Level 1

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Financial instrument in Level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Financial instrument in Level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

(b) Fair value measurement using significant unobservable inputs (Level 3)

Specific valuation techniques used to value financial instruments include:

- Discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and discount rate;

- A combination of observable and unobservable inputs, including risk-free rate, expected volatility, discount rate for lack of marketability, market multiples, etc.

Level 3 instruments of the Group's assets and liabilities include unlisted asset-backed securities, unlisted equity investment and ordinary shares with redemption right. The changes in ordinary shares with redemption right and their major assumptions used in the valuation, are presented in the Note 29.

The following table summarises the quantitative information about the significant unobservable inputs used in Level 3 fair value measurements:

Ordinary shares with redemption rights

Description	**Fair value as at 31 December 2022** *RMB'000*	**Valuation technique**	**Unobservable inputs**	**Range of inputs**	**Relationship of unobservable inputs to fair value**
Ordinary shares with redemption right	(163,129)	Discounted cash flow and equity allocation model	Volatility	52.20%	The higher the volatility, the higher the fair value
			Possibility under **[REDACTED]** scenario	90%	The higher the possibility under **[REDACTED]** scenario, the lower the fair value
			Long-term average growth	4.30%	The higher the long-term average growth rate, the higher the fair value

Description	Fair value as at 31 December 2021 *RMB'000*	Valuation technique	Unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
Ordinary shares with redemption right	(196,640)	Discounted cash flow and equity allocation model	Volatility	52.70%	The higher the volatility, the higher the fair value
			Possibility under **[REDACTED]** scenario	90%	The higher the possibility under **[REDACTED]** scenario, the lower the fair value
			Long-term average growth	10.89%	The higher the long-term average growth rate, the higher the fair value

Description	Fair value as at 31 December 2020 *RMB'000*	Valuation technique	Unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
Ordinary shares with redemption right	(177,886)	Discounted cash flow and equity allocation model	Volatility	51.10%	The higher the volatility, the higher the fair value
			Possibility under **[REDACTED]** scenario	90%	The higher the possibility under **[REDACTED]** scenario, the lower the fair value
			Long-term average growth	11.05%	The higher the long-term average growth rate, the higher the fair value

If the Group's volatility had increased/decreased by 5% with all other variables held constant, the profit before income tax for the year ended 31 December 2020, 2021 and 2022 would have been approximately RMB347,000 higher/RMB350,000 lower, RMB319,000 higher/RMB385,000 lower and RMB207,000 higher/RMB201,000 lower.

If the possibility under **[REDACTED]** scenario had increased/decreased by 5% with all other variables held constant, the profit before income tax for the year ended 31 December 2020, 2021 and 2022 would have been approximately RMB2,269,000 lower/higher, RMB4,302,000 lower/higher and RMB4,860,000 lower/higher.

If the long-term average growth rate had increased/decreased by 2% with all other variables held constant, the profit before income tax for the year ended 31 December 2020, 2021 and 2022 would have been approximately RMB21,143,000 higher/RMB19,921,000 lower, RMB24,030,000 higher/RMB22,758,000 lower and RMB17,763,000 higher/RMB16,717,000 lower.

Unlisted assets-backed securities

For unlisted assets-backed securities, bond yield of 8.26% was the significant unobservable input applied for the fair value as at 31 December 2021. If the bond yield had increased/decreased by 5% with all other variables held constant, the profit before income tax for the year ended 31 December 2021 would have been approximately RMB129,000 lower/RMB142,000 higher.

Interest in a partnership

Description	Fair value as at 31 December 2022 *RMB'000*	Valuation technique	Unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
Interest in a partnership	21,647	Market approach	Lack of marketability discount ("LoMD")	33.0%	The lower the LoMD, the higher the fair value

If the LoMD had increased/decreased by 5% with all other variables held constant, the profit before income tax for the year ended 31 December 2022 would have been RMB2,183,000 lower/RMB1,494,000 higher.

The fair value of interest in a partnership approximates its carrying amount of assets and liabilities as at 31 December 2021.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Revenue recognition

The Group's finance lease service involves both income from dealership of automobiles and provision of financing to customer. The allocation of lease income towards sales of automobile revenue and finance lease income requires accounting estimation. The Group measures the fair value of the automobile and recognises revenue from sales of automobile upon inception of lease. The Group makes use of public information to measure the amount of automobiles selling price as the Group does not sell automobiles without financing services. Information such as, competitors and suppliers quotes for similar products are considered to estimate the selling price for sales of automobiles.

(b) Provision for credit losses of trade and other receivables and finance lease receivables

Management reviews its receivables for objective evidence of provision on a monthly basis. The provision policy for trade receivables and finance lease receivables of the Group is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness, past collection of each customer and forward looking information. If the financial conditions of customers of the Group were to deteriorate, resulting in impairment of their ability to make payments, additional provision may be required.

Details of provision of expected credit losses are disclosed in Note 3.1(b).

(c) Current and deferred income tax

The Group is subject to income taxes under the PRC and Hong Kong. Significant judgement is required in determining the provision for income taxes in different jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

In addition, a deferred income tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised based upon the likely timing and the level of future taxable profits of the individual entities together with tax planning strategies.

(d) Estimation of fair value of financial liabilities at FVPL

The financial instruments issued by the Group including convertible bond and ordinary shares with redemption right are not traded in an active market and the respective fair values are determined using valuation techniques. The discounted cash flow method was used to determine the total equity value of the Group and the equity allocation model was adopted to determine the fair value of the ordinary shares with redemption right. Key assumptions, such as discount rate, risk-free interest rate and volatility are disclosed in Note 29. Any changes in key assumptions (as disclosed in note 3.3) used in the equity allocation model and the binomial model will have impacts on the fair values.

(e) Impairment of non-financial assets

The Group follows the guidance of IAS 36 "Impairment of Assets" to determine when assets are impaired, which requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the recoverable amount of assets is less than their carrying balance, including factors such as the industry performance and changes in operational and financing cash flows. For the purpose of assessing impairment, assets (including intangible assets) are grouped at the lowest level for which there are separately identifiable cash flows (a CGU). The recoverable amount of the CGU has been determined higher of value in use or fair value less cost of disposal. These calculations require the use of estimates, including operating results, income and expenses of the business, future economic conditions on growth rates and future returns.

5 REVENUE AND SEGMENT INFORMATION

The Executive Directors have been identified as the chief operating decision-makers ("CODM") of the Group who review the Group's internal reporting in order to assess performance and allocate resources. The Executive Directors regard the Group's business as a single operating segment and review financial information accordingly.

Other information, together with the segment information, provided to the CODM, is measured in a manner consistent with that applied in these financial statements. There was no separate segment assets and segment liabilities information provided to the CODM, as CODM does not use this information to allocate resources to or evaluate the performance of the operating segments.

Geographical information

The Group's revenue is mainly derived from customers in the PRC. The principal assets of the Group were also located in the PRC as at 31 December 2020, 2021 and 2022. Accordingly, no analysis by geographical segment is provided.

Information about major customers

There are no single external customers contributed to more than 10% revenue of the Group during the years ended 31 December 2020, 2021 and 2022.

Revenue during the Track Record Period are as follows:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Sales of automobiles under finance lease	362,934	777,856	734,600
Finance lease income	234,705	234,561	262,498
Operating lease income	132,606	144,163	126,018
Other automobile-related services	19,516	14,682	18,410
	749,761	1,171,262	1,141,526
Revenue from leases under IFRS 16	730,245	1,156,580	1,123,116
Revenue from contract with customer under IFRS 15	19,516	14,682	18,410
	749,761	1,171,262	1,141,526

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Timing of revenue recognition for revenue from contract with customer under IFRS 15			
Recognised at a point in time	1,502	1,602	1,715
Recognised over time	18,014	13,080	16,695
	19,516	14,682	18,410

Liabilities related to contract with customers

The Group has recognised the following liabilities related to contracts with customers:

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Contract liabilities, included in other payables and accruals *(Note 27)*	1,998	1,644	910

Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised during the Track Record Period relates to carried-forward contract liabilities:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Revenue recognised that was included in the contract liability balance at the beginning of the year	394	1,998	1,644

All contracts are for periods of one year or less or are billed based on time incurred. As permitted under IFRS 15 practical expedient, the transaction price allocated to the unsatisfied performance obligations is not disclosed.

6 OTHER INCOME, NET

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Government grants *(Note)*	24,395	16,676	22,638
Donation	(395)	—	(340)
Others	(698)	(716)	(550)
	23,302	15,960	21,748

Note: Government grants primarily consist of the fiscal support that local governments offer to the Group entities engaged in the finance leasing business in the PRC. There are no unfulfilled conditions or other contingencies attaching to these grants.

7 OTHER LOSSES, NET

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Loss on disposal of property and equipment, net	(927)	(2,822)	(2,062)
Others	(5,694)	(5,891)	(4,752)
	(6,621)	(8,713)	(6,814)

8 EXPENSES BY NATURE

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Costs of inventory	305,900	633,364	595,601
Sales commission	1,028	75	194
Auto-insurance premium	40,153	35,923	37,356
Employee benefit expenses *(Note 9)*	109,823	120,530	120,558
Advertising expenses	8,537	10,834	8,423
Depreciation expenses *(Note 14)*	86,996	102,583	98,267
Amortisation expenses *(Note 15)*	10,357	14,026	13,614
Transportation expenses	3,217	4,027	3,648
Rental expenses	2,402	4,295	2,584
Traffic contravention penalty and handling fee	4,818	5,688	4,305
Travelling expenses	6,160	5,187	6,971
[REDACTED] expenses	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Auditors' remuneration	272	721	315
Legal and professional expenses	2,867	3,391	4,245
Office expenses	4,989	4,632	4,666
Motor vehicle expenses	12,792	13,245	13,401
Provision for inventories	2,876	7,674	6,886
Repair and maintenance	6,615	9,937	10,615
Other taxes	2,270	6,868	9,268
Other expenses	10,566	8,924	9,432
	[REDACTED]	**[REDACTED]**	**[REDACTED]**

9 EMPLOYEE BENEFIT EXPENSES (INCLUDING SALES COMMISSION TO STAFF)

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Wages, salaries and bonuses	94,740	77,969	75,165
Contribution to defined contribution plans and social security costs	9,659	16,492	15,970
Sales commission	15,200	30,759	31,284
	119,599	125,220	122,419
Capitalised as intangible assets	(9,776)	(4,690)	(1,861)
	109,823	120,530	120,558

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for each of the years ended 31 December 2020, 2021 and 2022 include 2, 2 and 3 directors whose emoluments are reflected in the analysis shown in Note 35. The emoluments payable to the remaining 3, 3 and 2 individuals for each of the years ended 31 December 2020, 2021 and 2022 are as follows:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Wages, salaries and bonuses	2,535	2,000	1,092
Contribution to defined contribution plans and social security costs	140	257	128
	2,675	2,257	1,220

The emoluments fell within the following bands:

	Year ended 31 December		
	2020	**2021**	**2022**
HK$500,001 to HK$1,000,000	2	3	2
HK$1,000,001 to HK$1,500,000	1	—	—
	3	3	2

10 FINANCE COST, NET

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Finance cost:			
Costs of funding *(Note)*	(98,682)	(108,831)	(131,381)
Interest expenses on other borrowings	(10,887)	(10,122)	(11,807)
Interest expenses on lease liabilities	(1,452)	(876)	(803)
	(111,021)	(119,829)	(143,991)
Finance income:			
Bank interest income	763	320	228
Net gain on extension of borrowing from **[REDACTED]** Investor 1 *(Note 28)*	—	683	—
Imputed interest income from deposits for borrowings	1,086	1,005	745
	1,849	2,008	973
Finance cost, net	(109,172)	(117,821)	(143,018)

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

11 INCOME TAX EXPENSES

The income tax expenses of the Group is analysed as follows:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Income tax expenses			
Current income tax	1,887	15,937	11,968
Deferred income tax *(Note 30)*	8,829	(3,614)	2,723
	10,716	12,323	14,691

A reconciliation of the tax charge applicable to profit before income taxes using the applicable tax rates for relevant tax jurisdictions to the tax expenses is as follows:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Profit before income tax	20,969	43,010	91,773
Tax calculated at PRC statutory income tax rate of 25%	5,242	10,753	22,943
Effect of preferential tax rates applicable to relevant jurisdictions/group entities	(373)	(426)	(624)
Tax effects of:			
Expenses not deductible for tax purposes	3,981	1,781	2,019
Income not taxable for tax purpose	—	—	(12,137)
Tax loss not recognised	1,866	1,775	1,250
Withholding tax	—	—	1,240
Additional tax deductible allowed	—	(1,560)	—
	10,716	12,323	14,691

For the years ended 31 December 2020, 2021 and 2022, the weighted average applicable tax rate were 23%, 23% and 24%, respectively. The change in weighted average applicable tax rate was mainly caused by a change in mix of profits earned or losses incurred by the group entities.

During the year ended 31 December 2022, income not taxable for tax purpose mainly represented the fair value gain of ordinary shares with redemption right.

1 Cayman Islands Income Tax

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

2 British Virgin Islands Income Tax

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

3 Hong Kong Income Tax

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

4 Withholding Tax

The Group is subject to withholding tax at the rate of 10% on the distributions of profits generated from the Group's major PRC subsidiaries which are directly owned by the Group's subsidiaries incorporated in Hong Kong.

5 PRC Enterprise Income Tax ("EIT")

The income tax of the Group in respect of its operations in PRC was calculated at the tax rate of 25% on the assessable profits for the Track Record Period, other than two subsidiaries who certified as High and New Technology Enterprises (HNTE) which were entitled to concessionary tax rate of 15% for three consecutive years from 2019 to 2021 and 2020 to 2022, respectively. Since 2022, one of the certified subsidiary did not renew the HNTE Certificate and therefore the tax rate was changed to 25%.

12 EARNINGS PER SHARE

	Year ended 31 December		
	2020	2021	2022
Profit attributable to owners of the Company (RMB'000)	12,341	34,112	78,913
Weighted average number of ordinary shares in issue	319,746,094	319,746,094	319,746,094
Diluted impact on profit (RMB'000)	—	4,153	(47,251)
Diluted profit attributable to owners of the Company (RMB'000)	12,341	38,265	31,662
Numbers of ordinary shares with redemption right with potential dilutive effect	—	65,935,366	69,189,179
Weighted average number of issued ordinary shares for calculating diluted profit per share	319,746,094	385,729,262	388,395,273
Profit per share			
— Basic (RMB cents per share)	3.86	10.67	24.68
— Diluted (RMB cents per share)	3.86	9.92	8.14

(i) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the Track Record Period.

The earnings per share presented below has not been taken into account the proposed **[REDACTED]** pursuant to the resolutions by the shareholders passed on [date] as the proposed **[REDACTED]** has not become effective as at the date of this report.

(ii) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

Diluted earnings per share for the years ended 31 December 2020 were the same as the basic earnings per share as the effect of the ordinary shares with redemption right would have been anti-dilutive.

For the year ended 31 December 2021 and 2022, the ordinary share with redemption right was dilutive and has been taken into account in the calculation of diluted EPS.

13 DIVIDEND

No dividend has been paid or declared by the Company since its incorporation.

14 PROPERTY AND EQUIPMENT

(a) Property and equipment

	Right-of-use assets	Building	Office equipment	Auto-mobiles	Leasehold improvement	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As of 1 January 2020						
Cost	52,900	4,638	11,282	348,025	20,007	436,852
Accumulated depreciation	(23,091)	(664)	(5,447)	(35,970)	(9,068)	(74,240)
Net book amount	29,809	3,974	5,835	312,055	10,939	362,612
For the year ended 31 December 2020						
Opening net book amount	29,809	3,974	5,835	312,055	10,939	362,612
Addition	1,928	—	368	169,578	291	172,165
Depreciation charge	(9,115)	(144)	(2,048)	(71,793)	(3,896)	(86,996)
Transfer to inventories	—	—	—	(3,005)	—	(3,005)
Disposal	(4,507)	—	(315)	(8,783)	—	(13,605)
Closing net book amount	18,115	3,830	3,840	398,052	7,334	431,171
As of 31 December 2020						
Cost	45,506	4,638	10,930	501,913	20,298	583,285
Accumulated depreciation	(27,391)	(808)	(7,090)	(103,861)	(12,964)	(152,114)
Net book amount	18,115	3,830	3,840	398,052	7,334	431,171
For the year ended 31 December 2021						
Opening net book amount	18,115	3,830	3,840	398,052	7,334	431,171
Addition	7,819	—	1,442	50,538	5,771	65,570
Depreciation charge	(7,124)	(145)	(1,626)	(89,609)	(4,079)	(102,583)
Transfer to inventories	—	—	—	(9,022)	—	(9,022)
Disposal	(4,874)	—	(1,261)	(25,863)	—	(31,998)
Closing net book amount	13,936	3,685	2,395	324,096	9,026	353,138

	Right-of-use assets	Building	Office equipment	Auto-mobiles	Leasehold improvement	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As of 31 December 2021						
Cost	48,451	4,638	10,329	511,206	26,069	600,693
Accumulated depreciation	(34,515)	(953)	(7,934)	(187,110)	(17,043)	(247,555)
Net book amount	13,936	3,685	2,395	324,096	9,026	353,138
For the year ended 31 December 2022						
Opening net book amount	13,936	3,685	2,395	324,096	9,026	353,138
Addition	6,861	—	358	206,018	344	213,581
Depreciation charge	(6,940)	(145)	(1,093)	(86,845)	(3,244)	(98,267)
Transfer to inventories	—	—	—	(68,808)	—	(68,808)
Disposal	(211)	—	(34)	(31,695)	—	(31,940)
Closing net book amount	13,646	3,540	1,626	342,766	6,126	367,704
As of 31 December 2022						
Cost	54,209	4,638	10,427	530,963	26,413	626,650
Accumulated depreciation	(40,563)	(1,098)	(8,801)	(188,197)	(20,287)	(258,946)
Net book amount	13,646	3,540	1,626	342,766	6,126	367,704

Depreciation expenses have been charged to the consolidated statement of comprehensive income as follows:

	Year ended 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Cost of revenue	70,288	88,192	83,357
Selling and marketing expenses	9,547	8,233	7,376
Administrative expenses	7,161	6,158	7,534
Research and development expenses	—	—	—
	86,996	102,583	98,267

As at 31 December 2020, 2021 and 2022, automobiles of RMB390,872,000, RMB317,981,000 and RMB247,673,000 were subject to operating leases, respectively.

(b) Leases

This note provides information for leases where the Group is a lessee.

(i) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following balances relating to the leases:

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Right-of-use assets			
Office and shop premises	17,936	13,831	13,512
Staff quarters	179	79	114
Car parks	—	26	20
	18,115	13,936	13,646
Lease liabilities			
Current	6,419	5,781	6,087
Non-current	12,742	8,524	7,769
	19,161	14,305	13,856

Additions to the right-of-use assets during the year ended 31 December 2020, 2021 and 2022 amounted to RMB1,928,000, RMB7,819,000 and RMB6,861,000, representing the lease of office and shop premises, staff quarters and car parks.

(ii) Amounts recognised in the consolidated statement of comprehensive income

The consolidated statement of comprehensive income shows the following amounts relating to the leases:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Depreciation charge of right-of-use assets *(Note 8)*	9,115	7,124	6,940
Expenses relating to short-term leases *(Note 8)*	2,402	4,295	2,584
Interest expense *(Note 10)*	1,452	876	803
	12,969	12,295	10,327

Depreciation expenses related to right-of-use assets are recognised as below:

	Year ended 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Right-of-use assets			
Office and shop premises	8,560	6,977	6,853
Staff quarters	405	146	82
Car parks	150	1	5
	9,115	7,124	6,940

The total cash outflow for leases for the years ended 31 December 2020, 2021 and 2022 amounted to RMB13,666,000, RMB13,285,000 and RMB11,688,000.

(iii) The Group's leasing activities and how these are accounted for

The Group leases various properties including office, shop premises, staff quarters and car parks. The lease terms are between one to seven years.

Lease entered by the Group were generally with lease term of 1 to 7 years without renewal option. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets must not be used as security for borrowing purposes.

15 INTANGIBLE ASSETS

	Computer software	Self-developed application	Intangible assets under development	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As of 1 January 2020				
Cost	5,377	25,948	4,686	36,011
Accumulated amortisation	(2,115)	(9,973)	—	(12,088)
Net book amount	3,262	15,975	4,686	23,923
For the year ended 31 December 2020				
Opening net book amount	3,262	15,975	4,686	23,923
Additions	1,729	—	11,368	13,097
Transfer upon completion	—	11,522	(11,522)	—
Amortisation charge	(1,667)	(8,690)	—	(10,357)
Closing net book amount	3,324	18,807	4,532	26,663
As of 31 December 2020				
Cost	7,106	37,470	4,532	49,108
Accumulated amortisation	(3,782)	(18,663)	—	(22,445)
Net book amount	3,324	18,807	4,532	26,663

	Computer software *RMB'000*	**Self-developed application** *RMB'000*	**Intangible assets under development** *RMB'000*	**Total** *RMB'000*
For the year ended 31 December 2021				
Opening net book amount	3,324	18,807	4,532	26,663
Additions	163	—	11,321	11,484
Transfer upon completion	—	15,022	(15,022)	—
Amortisation charge	(2,258)	(11,768)	—	(14,026)
Closing net book amount	1,229	22,061	831	24,121
As of 31 December 2021				
Cost	7,269	52,493	831	60,593
Accumulated amortisation	(6,040)	(30,432)	—	(36,472)
Net book amount	1,229	22,061	831	24,121
For the year ended 31 December 2022				
Opening net book amount	1,229	22,061	831	24,121
Additions	—	—	11,272	11,272
Transfer upon completion	—	9,406	(9,406)	—
Amortisation charge	(991)	(12,623)	—	(13,614)
Closing net book amount	238	18,844	2,697	21,779
As of 31 December 2022				
Cost	7,269	61,900	2,697	71,866
Accumulated amortisation	(7,031)	(43,056)	—	(50,087)
Net book amount	238	18,844	2,697	21,779

Amortisation expenses have been charged to the consolidated statement of comprehensive income as follows:

	Year ended 31 December		
	2020 *RMB'000*	**2021** *RMB'000*	**2022** *RMB'000*
Cost of revenues	1,992	2,229	1,652
Selling expenses	3,495	6,968	8,833
Administrative expenses	4,870	4,829	3,129
	10,357	14,026	13,614

The intangible assets under development were completed within 1 year and no provision is provided.

Impairment assessment

The Group has developed the software which is internally used for finance lease operation. The Group has recognised RMB4,532,000, RMB831,000 and RMB2,697,000 of intangible assets under development as at 31 December 2020, 2021 and 2022 respectively based on the stage of completion. The intangible assets under development would be completed within 12 months and the amount would be transferred to "self-developed software" upon the completion.

The carrying amounts of intangible assets under development of RMB4,532,000, RMB831,000 and RMB2,697,000 as at 31 December 2020, 2021 and 2022 are attributable to the Group's CGU of finance lease business.

The recoverable amount of the CGU is determined based on a value-in-use calculation which uses cash flow projection based on a five-year financial budgets approved by the management. The financial budgets are prepared based on a five-year business plan which is appropriate after considering the sustainability of business growth, stability of core business developments and achievement of business targets.

For CGU of finance lease business, the pre-tax WACC applied to cash flow projections was around 15.1%. The pre-tax discount rate was derived from the post-tax weighted average cost of capital of the cash generating unit with adoption of Capital Asset Pricing Model ("**CAPM**") to estimate the cost of equity. The CAPM inputs, including levered beta and historical debt-to-capital ratio, were obtained via market data of comparable companies which are listed in major exchange markets and focused in the leasing industry and these inputs were relatively stable throughout the Track Record Period.

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

	As at 31 December		
	2020	**2021**	**2022**
Average yield of finance lease receivables	22.3%	20.4%	19.0%

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

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

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
CGU of finance lease business	67,189	68,990	78,427

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

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

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

16 SUBSIDIARIES

The Company

The investment in a subsidiary of the Company represents the fair values of the **[REDACTED]** Business attributable to owners of the Company transferred under the Company upon the completion of the Reorganisation (Note 1.2) on 28 November 2019.

The management determined the fair value less cost of disposal of investment in subsidiary, being the equity value of the Group exclude the net liabilities of the Company to be higher than its carrying amount.

The Group

Particulars of the subsidiaries for the Group as at 31 December 2020, 2021 and 2022 are set out in Note 37.

Material non-controlling interests

The total non-controlling interests as at 31 December 2020, 2021 and 2022 represents net equity shared by non-controlling shareholders of RMB11,633,000, RMB8,208,000 and RMB6,377,000, respectively.

On 30 November 2017, the Group entered into an agreement with Ningde Transport Investment Group Company Limited ("Ningde Transport Investment") to incorporate Fujian ZyooCar where the Group owns 51% equity interest. 17,150,000 shares at RMB1.00 each were subscribed by Ningde Transport Investment Group Company Limited.

During the year ended 31 December 2022, the Group has entered in to a supplemental agreement with Ningde Transport Investment which was subsequently terminated during the year with no impact to the non-controlling interest as at 31 December 2022.

Summarised financial information on subsidiaries with material non-controlling interests

Set out below are the summarised financial information for the subsidiaries that has non-controlling interests that are material to the Group.

Summarised statements of financial position

	Fujian ZyooCar		
	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Current			
Assets	27,749	26,945	41,146
Liabilities	(19,782)	(19,695)	(30,664)
Current net assets	7,967	7,250	10,482
Non-current			
Assets	16,618	10,649	3,682
Liabilities	(845)	(1,149)	(1,149)
Non-current net assets	15,773	9,500	2,533
Net assets	23,740	16,750	13,015
Accumulated non-controlling interests	11,633	8,208	6,377

Summarised statements of comprehensive income

	Fujian ZyooCar		
	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	5,579	4,345	4,447
Loss before income tax	(4,252)	(6,997)	(3,632)
Income tax expense/(credits)	(9)	7	(104)
Loss for the year	(4,261)	(6,990)	(3,736)
Other comprehensive income	—	—	—
Total comprehensive loss	(4,261)	(6,990)	(3,736)
Total comprehensive loss allocated to non-controlling interests	(2,088)	(3,425)	(1,831)

Summarised cash flows

	Fujian ZyooCar Year ended 31 December 2020 *RMB'000*	 2021 *RMB'000*	 2022 *RMB'000*
Cash flows from operating activities			
Cash generated from operations	1,563	1,573	621
Income tax paid	—	—	—
Net cash generated from operating activities	1,563	1,573	621
Net cash used in investing activities	(1,939)	(673)	(197)
Net cash generated from financing activities	—	—	—
Net (decrease)/increase in cash and cash equivalents	(376)	900	424
Cash and cash equivalents at beginning of year	494	118	1,018
Cash and cash equivalents at end of year	118	1,018	1,442

17 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 December 2020 *RMB'000*	 2021 *RMB'000*	 2022 *RMB'000*
Assets as per consolidated statements of financial position			
Financial assets at fair value through profit or loss	—	25,992	21,647
Financial asset at amortised cost:			
Finance lease receivables *(Note 18)*	1,001,689	1,296,966	1,470,331
Trade receivables *(Note 19)*	6,837	6,741	9,940
Deposits and other receivables	70,723	81,083	95,478
Amounts due from shareholders	5,733	5,569	6,085
Restricted cash *(Note 21(b))*	9,675	5,000	4,534
Cash and cash equivalents *(Note 21(a))*	11,880	79,373	201,078
	1,106,537	1,500,724	1,809,093
Liabilities as per consolidated statements of financial position			
Financial liabilities at fair value through profit or loss:			
Ordinary shares with redemption right *(Note 29)*	177,886	196,640	163,129
Financial liabilities at amortised cost:			
Borrowings *(Note 28)*	1,155,958	1,382,822	1,713,415
Amounts due to shareholders	7,687	7,467	8,158
Lease liabilities *(Note 14(b))*	19,161	14,305	13,856
Trade payables *(Note 26)*	41,565	68,463	105,860
Other payables (excluding advances from customers, contract liabilities, staff costs and welfare accruals and other tax payables)	48,170	37,869	33,186
	1,450,427	1,707,566	2,037,604

18 FINANCE LEASE RECEIVABLES

The Group provides automobile financing lease services. Details of finance lease receivables as at 31 December 2020, 2021 and 2022 is as below:

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Finance lease receivables			
— Finance lease receivables, gross	1,278,712	1,668,105	1,842,123
— Unearned finance income	(267,651)	(360,224)	(358,496)
Finance lease receivables, net	1,011,061	1,307,881	1,483,627
Less: allowance for impairment of finance lease receivables	(9,372)	(10,915)	(13,296)
Carrying amount of finance lease receivables	1,001,689	1,296,966	1,470,331

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Finance lease receivables, gross			
— Within one year	524,722	647,928	752,427
— Between one and two years	403,494	528,257	597,330
— Between two and five years	350,496	491,920	492,366
	1,278,712	1,668,105	1,842,123
Finance lease receivables, net			
— Within one year	383,816	469,316	566,894
— Between one and two years	318,039	409,520	479,080
— Between two and five years	309,206	429,045	437,653
	1,011,061	1,307,881	1,483,627

An ageing analysis of finance lease receivables is as follows:

	As at 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Not past due	955,256	1,233,278	1,398,133
Past due			
Up to 1 month	38,020	54,337	60,501
1 to 3 months	10,806	11,638	14,569
3 to 6 months	3,412	4,158	5,578
6 to 12 months	2,723	3,266	3,331
Over 12 months	844	1,204	1,515
Finance lease receivables	1,011,061	1,307,881	1,483,627
Less: allowance for impairment of finance lease receivables	(9,372)	(10,915)	(13,296)
Carrying amount of finance lease receivables	1,001,689	1,296,966	1,470,331

As of 31 December 2020, 2021 and 2022, carrying amounts of the finance lease receivables are denominated in RMB and approximate their fair values at each of the reporting dates.

Movements on the Group's allowance for impairment of finance lease receivables are as follows:

	As at 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	8,670	9,372	10,915
Recovery of finance receivables written-off	772	596	812
Charge for the year	2,389	4,275	4,520
Written-off	(2,459)	(3,328)	(2,951)
At end of year	9,372	10,915	13,296

19 TRADE RECEIVABLES

	As at 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	7,106	7,026	10,567
Less: allowance for impairment of trade receivables	(269)	(285)	(627)
	6,837	6,741	9,940

As of 31 December 2020, 2021 and 2022, the carrying amounts of trade receivables are primarily denominated in RMB and approximate their fair values at each of the reporting dates.

Trade receivables are non-interest bearing and are generally on 15 to 30 days terms. The credit terms are assessed and approved on a case by case basis.

An ageing analysis of trade receivables (net of allowance for impairment) based on invoice date is as follows:

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Up to 3 months	6,572	6,591	9,052
3 to 6 months	51	108	445
Over 6 months	214	42	443
	6,837	6,741	9,940

Movements on the Group's allowance for impairment of trade receivables are as follows:

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	239	269	285
Charge for the year, net	30	16	342
At end of year	269	285	627

20 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Group

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
Non-current assets:			
Deposits	20,646	13,037	32,157
	20,646	13,037	32,157
Current assets:			
Deposits	13,427	24,274	18,528
Purchase rebate receivables	5,641	2,811	4,880
Value added tax refund receivables	10,214	13,222	11,309
Other receivables	21,478	28,001	28,882
	50,760	68,308	63,599
Less: allowance on impairment of other receivables	(683)	(262)	(278)
	50,077	68,046	63,321
Total financial assets	70,723	81,083	95,478

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Non-financial assets			
Current			
Prepayment for inventories	41,813	61,217	62,232
Prepayment for auto-insurance premium	26,338	31,199	42,499
Prepaid **[REDACTED]** expenses	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Prepaid expenses	18,105	22,400	20,317
Other tax recoverable	94,570	55,988	70,823
Other receivables	1,238	1,205	1,603
Total non-financial assets	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Total prepayments, deposits and other receivables	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

The Company

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Current assets:			
Prepaid **[REDACTED]** expenses	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Prepaid expenses	5,872	2,005	3,473
	[REDACTED]	**[REDACTED]**	**[REDACTED]**

21 CASH AND BANK BALANCE

(a) Cash and cash equivalents

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Cash at licensed payment platforms *(Note (i))*	2,959	4,639	6,117
Cash at banks *(Note (ii))*	8,921	74,734	194,961
	11,880	79,373	201,078

Notes:

(i) Cash at licensed payment platforms, which are denominated in RMB, are deposited with major licensed payment platforms in the PRC. The balances are unsecured and non-interest bearing.

(ii) Cash at banks earns interest either at floating rates based on daily bank deposit rates or fixed rates determined at deposit dates, The Group's cash at banks denominated in RMB are deposited with reputable banks in the PRC with insignificant credit risk. As at 31 December 2020, 2021 and 2022, the Group had cash at banks amounting to RMB8,527,000, RMB74,283,000 and RMB194,701,000 respectively held in the PRC. These cash and banks are subject to the rules and regulations of foreign exchange control promulgated by the PRC securement.

The carrying amounts of the Group's cash at licensed payment platforms and cash at banks are denominated in the following currencies:

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
RMB	11,809	79,310	200,768
HK$	71	63	310
	11,880	79,373	201,078

(b) Restricted cash

Cash that is restricted as to withdrawal for use or pledged as security is reported separately on the face of the consolidated statement of financial position, and is not included in the total cash and cash equivalents in the consolidated statements of cash flows (Note 31).

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Term deposits pledged for bills payable			
— Current	9,675	5,000	4,534

As of 31 December 2020, 2021 and 2022, the Group's restricted cash are denominated in Renminbi.

22 INVENTORIES

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Automobiles	146,130	148,151	197,625
Vehicle telematics equipment	1,655	1,559	2,106
	147,785	149,710	199,731
Provision for inventories	(5,764)	(7,827)	(6,097)
	142,021	141,883	193,634

Automobiles included new and repossessed automobiles. For the years ended 31 December 2020, 2021 and 2022, the cost of inventories recognised as expenses included in cost of revenue amounted to approximately RMB305,900,000, RMB633,364,000 and RMB595,601,000 respectively.

23 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2021	**2022**
	RMB'000	*RMB'000*
At 1 January		
— Asset-backed securities	8,000	5,992
— Interest in a partnership	20,000	20,000
	28,000	25,992
Disposal of financial assets at fair value through profit or loss	(2,000)	(6,343)
Fair value (loss)/gain on revaluation recognised in profit or loss	(8)	1,998
	25,992	21,647

(a) Asset-backed securities

Asset-backed securities are denominated in RMB. Its fair value is analysed as follow:

	2021	**2022**
	RMB'000	*RMB'000*
At 1 January	—	5,992
Acquisition of financial assets at fair value through profit or loss	8,000	—
Fair value loss on revaluation recognised in profit or loss	(8)	351
Disposal/redemption of financial assets at fair value through profit or loss	(2,000)	(6,343)
At 31 December	5,992	—

On 31 March 2021, the Group acquired 80,000 units of asset-backed securities from Sinolink Securities Company Limited. The Group sold 20,000 units of asset-backed securities during the year ended 31 December 2021. The remaining 60,000 units of asset-backed securities were redeemed during the year ended 31 December 2022.

(b) Interest in a partnership

Name of entity	Place of incorporation	Principal place of operation	Measurement method	Proportion of issued shares/ registers capital held by the Group	As at 31 December 2021 *RMB'000*	As at 31 December 2022 *RMB'000*	Principal activities
杭州金木吉新能源科技合夥企業（有限合夥）	The PRC	The PRC	Fair value through profit or loss	33.33%	20,000	21,647	Investment in electric car charging ports

The limited partnership had a finite life of 7 years. The net assets value of the partnership will be distributed to the partners in proportion to the respective contribution ratio at the end of its term. The Group does not have control or significant influence over the limited partnership as a limited partner. As such, the interest in the limited partnership is measured at fair value through profit and loss.

Summarised financial information of a partnership

Summarised financial information in respect of a partnership is set out below. The summarised financial information below represents amounts shown in a partnership's financial statements prepared in accordance with IFRSs.

	As at 31 December 2021	As at 31 December 2022
	RMB'000	*RMB'000*
Current assets	33,285	64,095
Current liabilities	(243)	(1,688)

	Year ended 31 December 2021	Year ended 31 December 2022
	RMB'000	*RMB'000*
Revenue	—	18,526
Expenses, including income tax	(25)	(16,161)
(Loss)/profit for the year	(25)	2,365

24 SHARE CAPITAL

Share capital of the Company

	Number of Ordinary shares	Share capital nominal value	
		HK$'000	*RMB'000*
Authorised:			
At 1 January 2020, 31 December 2020, 2021 and 2022	1,000,000,000	10,000	9,016
Issued and fully paid:			
At 1 January 2020, 31 December 2020, 2021 and 2022	319,746,094	3,198	2,858
Ordinary share with redemption right as financial liabilities (Note 29)			
At 1 January 2020 and 31 December 2020	62,243,906	622	556
Issue of ordinary shares with redemption right *(Note a)*	6,945,273	69	62
At 31 December 2021 and 2022	69,189,179	691	618
Total	388,935,273	3,889	3,476

Share capital of the Company

Note a: The ordinary shares with redemption rights of the Company are designated as financial liabilities at fair value through profit or loss. Detail of this type of share are disclosed in Note 29.

25 OTHER RESERVES AND RETAINED EARNINGS

The Group

	Share premium	Capital reserve	Exchange reserve	Statutory reserve *(Note a)*	Other	Retained earnings	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balances as at 1 January 2020	326,067	(23,505)	(829)	25,514	—	41,939	369,186
Profit for the year	—	—	—	—	—	12,341	12,341
Other comprehensive income for the year	—	—	12,154	—	—	—	12,154
Transactions with owners:							
Transfer to statutory reserve	—	—	—	3,457	—	(3,457)	—
Balances as at 31 December 2020	326,067	(23,505)	11,325	28,971	—	50,823	393,681
Balances as at 1 January 2021	326,067	(23,505)	11,325	28,971	—	50,823	393,681
Profit for the year	—	—	—	—	—	34,112	34,112
Other comprehensive income for the year	—	—	4,653	—	—	—	4,653
Transactions with owners:							
Transfer to statutory reserve	—	—	—	6,123	—	(6,123)	—
Balances as at 31 December 2021	326,067	(23,505)	15,978	35,094	—	78,812	432,446
Balances as at 1 January 2022	326,067	(23,505)	15,978	35,094	—	78,812	432,446
Profit for the year	—	—	—	—	—	78,913	78,913
Exchange difference arising from translation of functional currency to presentation currency	—	—	(16,412)	—	—	—	(16,412)
Changes in fair value of ordinary share with redemption right due to own credit risk	—	—	—	—	2,432	—	2,432
Transactions with owners:							
Transfer to statutory reserve	—	—	—	3,774	—	(3,774)	—
Balances as at 31 December 2022	326,067	(23,505)	(434)	38,868	2,432	153,951	497,379

Notes:

(a) In accordance with the relevant applicable PRC regulations, the PRC subsidiaries are required to appropriate to reserve fund an amount of not less than 10% of the profit after income tax, calculated based on the PRC accounting standards. Should the accumulated total of this reserve fund reaches 50% of the registered capital of the PRC subsidiaries, the subsidiaries will not be required to make any further appropriation. The reserve fund can only be used, upon approval by the shareholders' meeting or similar authorities, to offset accumulated losses or increase capital.

The Company

	Share premium	Exchange reserve	Accumulated losses	Other	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance as at 1 January 2020	916,311	(1,057)	(14,332)	—	900,922
Loss for the year	—	—	(13,786)	—	(13,786)
Currency translation differences	—	(51,710)	—	—	(51,710)
Balances as at 31 December 2020	916,311	(52,767)	(28,118)	—	835,426
Balance as at 1 January 2021	916,311	(52,767)	(28,118)	—	835,426
Loss for the year	—	—	(23,371)	—	(23,371)
Currency translation differences	—	(23,594)	—	—	(23,594)
Balances as at 31 December 2021	916,311	(76,361)	(51,489)	—	788,461
Balances as at 1 January 2022	916,311	(76,361)	(51,489)	—	788,461
Profit for the year	—	—	37,081	—	37,081
Change in fair value of ordinary share with redemption right due to own credit risk	—	—	—	2,432	2,432
Currency translation differences	—	74,850	—	—	74,850
Balances as at 31 December 2022	916,311	(1,511)	(14,408)	2,432	902,824

26 TRADE PAYABLES

	As at 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	22,215	58,463	64,493
Bills payables	19,350	10,000	41,367
	41,565	68,463	105,860

Trade payables approximate their fair values and are denominated in RMB. The average credit period taken for trade purchase is generally 30 to 90 days.

An ageing analysis of trade payables based on invoice date is as follows:

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Up to 3 months	20,026	56,388	62,296
3 to 6 months	20	—	52
Over 6 months	2,169	2,075	2,145
	22,215	58,463	64,493

27 OTHER PAYABLES AND ACCRUALS

The Group

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Advance receipt from potential customers	7,793	10,956	7,223
Contract liabilities *(Note 5)*	1,998	1,644	910
Staff costs and welfare accruals	11,645	14,225	21,601
Other tax payables	6,035	6,348	6,079
Deposit from lessees	30,760	26,810	18,688
Accrued **[REDACTED]** expenses	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Dividend payable	9,688	3,365	3,365
Advance receipt for scrap sales of inventories	4,487	5,149	6,083
Others	7,923	7,359	9,679
	[REDACTED]	**[REDACTED]**	**[REDACTED]**

The directors confirmed that dividend payable will be settled prior to the **[REDACTED]**.

The Company

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Accrued **[REDACTED]** expenses	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Staff costs and welfare accruals	70	51	—
Others	77	9	41
	[REDACTED]	**[REDACTED]**	**[REDACTED]**

28 BORROWINGS

	As at 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Bank borrowings, secured	8,977	13,430	23,077
Bank borrowings, unsecured	9,527	22,610	16,182
Other borrowings, secured	1,135,954	1,337,537	1,609,668
Other borrowings, unsecured	1,500	9,245	64,488
	1,155,958	1,382,822	1,713,415
Less: non-current portion	(447,380)	(656,219)	(884,842)
Current portion	708,578	726,603	828,573

Other borrowings represented borrowings from non-banking financial institutions and individual lenders.

The borrowings are repayable as follows:

	As at 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	708,578	726,603	828,573
Between 1 and 2 years	302,828	367,118	510,668
Between 2 and 5 years	144,552	289,101	374,174
	1,155,958	1,382,822	1,713,415

As of 31 December 2020, 2021 and 2022, the borrowings are denominated in RMB and the carrying amounts approximate their fair values at each of the balance sheet date.

The weighted average effective interest rates as at 31 December 2020, 2021 and 2022 are as follows:

	As at 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Bank borrowings, secured	5.47%	7.61%	7.00%
Bank borrowings, unsecured	6.99%	6.38%	7.45%
Other borrowings, secured	8.51%	8.53%	8.59%
Other borrowings, unsecured	10.00%	7.63%	9.25%

As at 31 December 2020, 2021 and 2022, the Group's borrowings of RMB1,144,931,000, RMB1,350,967,000 and RMB1,632,745,000 were secured by personal guarantee and indemnity provided by the directors, 50% equity interest in Fujian Xidi, 20% equity interest in XXF HK and assets of the Group summarised below.

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Property and equipment	336,416	241,298	255,097
Deposits for borrowings *(Note 20)*	28,516	31,475	40,186
Inventories	77,806	71,440	116,143
Finance lease receivables	787,303	1,227,628	1,358,175

As at 31 December 2020, 2021 and 2022, The Group has unutilised facilities of RMB1,725,621,000, RMB1,350,967,000 and RMB3,737,470,000 respectively. During the Track Record Period, the Group have not breached any of the provisions that could result in any event of default.

The Group did not derecognise finance lease receivables of RMB22,885,000, RMB26,415,000 and RMB40,967,000 transferred as collateral in connection with factoring agreements as at 31 December 2020, 2021 and 2022 respectively. None of the legal title of the collateral pledged has been transferred to counterparties, as the Group retained substantially all the risks and rewards of ownership of the finance lease receivables.

The directors confirmed that among the borrowings secured by personal guarantee of RMB916,765,000 as at 31 December 2022, personal guarantee of borrowings amounted RMB576,379,000 will be released upon **[REDACTED]**.

On 10 June 2021, pursuant to an agreement entered into between the Group and the **[REDACTED]** Investor 1, the Company issued and allotted 6,945,273 ordinary shares with redemption right to the **[REDACTED]** Investor 1 at a consideration of RMB20,000,000 (Note 29) as partial settlement of the other borrowings of RMB70,760,000 due to the **[REDACTED]** Investor 1. According to the same agreement, the remaining balance of RMB50,760,000 will be repayable on 30 June 2023 carried at an interest rate of 8% per annum. The transaction was accounted for as an extinguishment of part of the borrowings with a corresponding recognition of ordinary shares with redemption right. A net gain from the extinguishment amounted to RMB683,000 was recognised in finance income during the year ended 31 December 2021 (Note 10).

29 ORDINARY SHARES WITH REDEMPTION RIGHT

Pursuant to the Investment Agreements as set out in Note 1.2, XXF Group issued 34,106,250 ordinary shares with redemption right at the subscription price of approximately RMB2.35 per ordinary share for a total consideration of RMB80,000,000 to **[REDACTED]** Investor 1 and **[REDACTED]** Investor 2 (together "Series A Shares"). Also, in connection with **[REDACTED]** Investor 2's acquisition of 21,316,406 ordinary shares from Hangzhou Chain Reaction at the same time (Note 25(b)), XXF Group has granted **[REDACTED]** Investor 2 the same redemption right in relation to the transferred shares ("Series B Shares") at no consideration (Note 25(b)), the impact of which is immaterial.

On 28 November 2019, as part of the Reorganisation, XXF HK acquired the above mentioned 55,422,656 ordinary shares with redemption right from **[REDACTED]** Investor 1 and **[REDACTED]** Investor 2 at RMB1.00 per share. On 2 December 2019, the Company issued 55,422,656 ordinary shares with redemption right at the same consideration. As a result, ordinary shares with redemption right issued by XXF Group were converted into 55,422,656 ordinary shares with redemption right issued by the Company at par value of HK$0.01 per share at no consideration.

On 2 December 2019, pursuant to the agreement entered between **[REDACTED]** Investor 1 and the Group, the Company issued and allotted 6,821,250 ordinary shares with redemption right ("Series C1 Shares") at RMB2.93 per share totalling RMB20,000,000, the impact of which is immaterial as the issuance price is approximated to the fair value of the ordinary shares with redemption right.

On 10 June 2021, the Group entered into an agreement with **[REDACTED]** Investor 1 whereby the Company issued and allotted 6,945,273 ordinary shares with redemption right ("Series C2 Shares") at RMB2.88 per share totaling RMB20,000,000. The issuance price is approximated to the fair value of the ordinary shares with redemption right.

The key terms for all series of ordinary shares with redemption right are summarised as follows:

(a) Conversion feature

Pursuant to the confirmations from the holders of the ordinary shares with redemption right, all ordinary shares with redemption right will be automatically converted to ordinary shares upon the closing of the **[REDACTED]** in connection with the **[REDACTED]** of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

(b) Voting rights

Each ordinary share with redemption right has voting rights equivalent to the ordinary shares at the record date. The holders of ordinary share with redemption right shall vote together with the ordinary shareholders, and not as a separate class or series, on all matters put before the shareholders.

(c) Redemption feature

The holders of ordinary shares with redemption right have the right to request redemption from the Company if the Group has not consummated the condition of achieving a qualified **[REDACTED]** as defined in the shareholder agreement within three years or occurrence of certain events as defined in the shareholder agreement after the closing date of the issue. As at the date of this report, none of the defined events have occurred.

The redemption price shall be paid by the Company to the holders of ordinary shares with redemption right in an amount equal to: (i) one hundred percent (100%) of the original issue price on each ordinary share plus (ii) a ten percent (10%) per annum interest of the original issue price on each ordinary share accrued during the period from the issue date of each ordinary share until the date on which the redemption price is paid in full, and (iii) any accrued but unpaid dividends thereon.

On 27 January 2022, the Group entered into a supplemental agreement with **[REDACTED]** Investor 1 under which the Group and **[REDACTED]** Investor 1 agreed to amend the conditions that the holders may have rights to request redemption from the company if the Company does not achieves a qualified **[REDACTED]** as defined in the original shareholder agreement before 31 December 2023.

On 25 August 2022, the Group entered into a supplemental agreement with **[REDACTED]** Investor 2 under which the Group and **[REDACTED]** Investor 2 agreed to amend the conditions that the holder may have rights to request redemption from the Company if the Company does not achieve a qualified **[REDACTED]** on a recognised exchange before 31 December 2023.

(d) Liquidation preferences

In the event of any liquidation, dissolution or winding up of the Company, either voluntarily or involuntarily, the ordinary shares with redemption right shall be entitled to receive the liquidation amount, prior and in preference to any distribution of any of the assets or surplus funds of the Company to the holders of ordinary shares. The liquidation amount per share is calculated as follows:

The liquidation amount = Original issue price* (1 + 10%*N)

N: The total days from the settlement date to the actual payment date of the settlement/365 days

If the value of the remaining assets of the Company is less than aggregate liquidation amount payable to the holders of ordinary shares with redemption right, then the remaining assets of the Company shall be distributed pro rata amongst the holders of all outstanding ordinary shares with redemption right. Also, Series A Shares have a higher priority than Series B Shares, Series C1 Shares and Series C2 Shares. If the amount payable is less than the liquidation amount, the remaining assets shall be first distributed pro rata amongst holders of Series A Shares, then the remaining part would be distributed amongst the holders of Series B Shares, Series C1 Shares and Series C2 Shares. After distributing or paying in full the liquidation amount to all of the holders of ordinary shares with redemption right, the remaining assets of the Company available for distribution to members, if any, shall be distributed to the holders of ordinary shares and the holders of ordinary shares with redemption right on a pro rata basis, based on the number of ordinary shares then held by each shareholder on an as converted basis.

Presentation and Classification

The Group and the Company have designated the ordinary shares with redemption right as financial liabilities at FVPL. The fair value change of the ordinary shares with redemption right is recognised in profit or loss except for the portion attributable to credit risk change which shall be recognised in other comprehensive income, if any.

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of year	181,966	177,886	196,640
Issuance of ordinary shares with redemption right	—	20,000	—
Changes in fair value through profit or loss	6,932	4,153	(47,251)
Change in fair value due to own credit risk	—	—	(2,432)
Exchange difference arising from translation	(11,012)	(5,399)	16,172
	177,886	196,640	163,129
Less: non-current portion	(177,886)	—	—
	—	196,640	163,129

The Group has engaged an independent valuer to determine the underlying share value of the Group by discounted cash flow method and adopted equity allocation model to determine the fair value of the ordinary shares with redemption right as of the date of issuance and at the end of each reporting period.

Key valuation assumptions used to determine the fair value of ordinary shares with redemption right are as follows:

	As at 31 December		
	2020	2021	2022
Long-term average growth rate	11.05%	10.89%	4.30%
Discount rate	17.00%	17.00%	17.00%
Volatility	51.10%	52.70%	52.20%
Possibilities under **[REDACTED]** scenario	90.00%	90.00%	90.00%

Discount rate was estimated by cost of equity with adoption of Capital Asset Pricing Model ("CAPM"). The CAPM inputs, including levered beta and historical debt-to-capital ratio, were obtained via market data of comparable companies which are listed in major exchange markets and focused in the leasing industry and these inputs were relatively stable throughout the Track Record Period. Volatility was estimated based on annualised standard deviation of daily stock price return of comparable companies ungeared with their respective capital structures and market risks for the period before valuation date and with similar span as time to exit. Probability weight under each of the redemption feature and liquidation preferences was based on the directors' best estimates. In addition to the assumptions adopted above, the Company's projections of future performance were also factored into the determination of the fair value of the ordinary shares with redemption right on 31 December 2020, 2021 and 2022.

Changes in fair value of the ordinary shares with redemption right were recorded in the consolidated statements of profit or loss. For the year ended 31 December 2020 and 2021, management considered that fair value changes in these ordinary share with redemption right that are attributable to changes of its own credit risk are not significant. For the period ended 31 December 2022, the fair value change due to own credit risk was recorded in other comprehensive income.

30 DEFERRED INCOME TAX

The analysis of deferred income tax assets is as follows:

	As at 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Deferred income tax assets:			
To be recovered after more than 12 months	1,568	4,666	3,357
To be recovered within 12 months	1,441	1,957	543
	3,009	6,623	3,900

The gross movements on the deferred income tax account are as follows:

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	11,838	3,009	6,623
(Charged)/credited to consolidated statement of comprehensive income	(8,829)	3,614	(2,723)
At end of the year	3,009	6,623	3,900

The movements in deferred income tax assets and liabilities during the years, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred tax assets

	Provision for receivable and inventory	**Provision**	**Decelerated/ (accelerated) depreciation**	**Share based payment**	**Tax losses**	**Withholding tax**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2020	3,787	4,045	1,536	780	1,061	—	629	11,838
Credited/(charged) to consolidated statement of comprehensive income	235	(665)	(9,219)	—	906	—	(86)	(8,829)
At 31 December 2020	4,022	3,380	(7,683)	780	1,967	—	543	3,009
At 1 January 2021	4,022	3,380	(7,683)	780	1,967	—	543	3,009
Credited/(charged) to consolidated statement of comprehensive income	800	3,094	(649)	—	879	—	(510)	3,614
At 31 December 2021	4,822	6,474	(8,332)	780	2,846	—	33	6,623
At 1 January 2022	4,822	6,474	(8,332)	780	2,846	—	33	6,623
Credited/(charged) to consolidated statement of comprehensive income	510	1,161	(147)	—	(2,367)	(1,240)	(640)	(2,723)
At 31 December 2022	5,332	7,635	(8,479)	780	479	(1,240)	(607)	3,900

Deferred income tax assets are recognised for deductible temporary differences to the extent that the realisation of the related tax benefits through future taxable profits is probable.

The Group did not recognise deferred income tax assets of RMB4,963,000, RMB6,593,000 and RMB7,923,000, in respect of tax losses amounted to RMB19,854,000, RMB26,372,000 and RMB31,692,000 as at 31 December 2020, 2021 and 2022, respectively, as it is not certain that future taxable profits against which the tax losses can be utilised will be available in the relevant tax jurisdiction and entities.

The expiry date of these tax losses are as follows:

	As at 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Within one year	979	881	3,336
Between two to five years	26,989	36,608	28,597
No expiry date	796	796	796
At end of the year	28,764	38,285	32,729

As at 31 December 2020, 2021 and 2022, deferred income tax liability has not been provided for in the consolidated financial statements in respect of temporary differences attributable to unremitted profits earned by certain PRC subsidiaries of the Group amounting to approximately RMB5,082,000, RMB7,881,000 and RMB10,735,000, respectively as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

31 NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Cash generated from operations

	Year ended 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Profit before income tax	20,969	43,010	91,773
Adjustment for:			
Provision for credit losses	2,098	3,870	4,877
Provision for inventories	2,876	7,674	6,886
Depreciation	86,996	102,583	98,267
Amortisation of intangible assets	10,357	14,026	13,614
Loss on disposals of property and equipment	927	2,822	2,062
Fair value loss/(gain) on ordinary shares with redemption right	6,932	4,153	(47,251)
Fair value gain on financial assets through profit or loss	—	8	(1,998)
Finance income	(1,849)	(2,008)	(973)
Finance cost	111,021	119,829	143,991
Operating cash flow before changes in working capital	240,327	295,967	311,248
Decrease/(increase) in trade and other receivables and finance lease receivables	100,078	(287,825)	(207,693)
(Decrease)/increase in trade and other payables	(1,003)	27,755	38,485
(Increase)/decrease in restricted cash	(9,675)	4,675	466
Decrease/(increase) in inventories	41,484	(10,642)	(58,637)
Cash generated from operations	371,211	29,930	83,869

(b) Disposal of property and equipment

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Proceeds	8,023	24,615	29,823
Lease liabilities written-off	4,655	4,561	55
Net book value of disposed property and equipment *(Note 14)*	(13,605)	(31,998)	(31,940)
Loss on disposals	(927)	(2,822)	(2,062)

(c) Reconciliation of cash used in purchase of property and equipment

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Total property and equipment addition during the year *(Note 14)*	172,165	65,570	213,581
Less: transfer from inventory to property and equipment	(3,329)	(12,128)	(68,808)
Less: addition of right-of-use assets *(Note 14)*	(1,928)	(7,819)	(6,861)
Cash used in purchase of property and equipment during the year	166,908	45,623	137,912

(d) Cash flow information — Financing activities

	Borrowings		
	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of year	1,304,176	1,155,958	1,382,822
Non-cash movements			
Interest	109,569	118,953	143,188
Discount effect of deposits for borrowings	(192)	938	1,259
Net gain on extension of borrowing from **[REDACTED]** Investor 1	—	(683)	—
Non-cash repayment of borrowing *(Note)*	—	—	(6,343)
Cash flow from operating activities			
Interest paid	(124,141)	(97,505)	(142,660)
Cash flow from financing activities			
Addition	638,873	1,168,915	1,338,324
Repayment	(772,327)	(963,754)	(1,003,175)
At the end of year	1,155,958	1,382,822	1,713,415

Note: During the year ended 31 December 2022, the Group and an individual lender mutually agreed to off-set the borrowing of RMB6,343,000 with the redemption amount of asset-backed securities (Note 23).

	Lease liabilities Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of year	31,700	19,161	14,305
Non-cash movements			
Addition	1,928	7,819	6,861
Interest	1,452	876	803
Write-off	(4,655)	(4,561)	(55)
Cash flow from operating activities			
Interest paid	(1,452)	(876)	(803)
Cash flow from financing activities			
Repayment	(9,812)	(8,114)	(7,255)
At the end of year	19,161	14,305	13,856

	Ordinary shares with redemption right Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of year	181,966	177,886	196,640
Cash flow from financing activities			
Issuance of ordinary shares with redemption right	—	20,000	—
Non-cash movements			
Fair value changes through profit or loss	6,932	4,153	(47,251)
Fair value change due to own credit risk	—	—	(2,432)
Exchange difference arising from translation	(11,012)	(5,399)	16,172
At the end of year	177,886	196,640	163,129

	Dividend payable Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of year	36,129	9,688	3,365
Non-cash movements			
Dividend declared	—	—	—
Expenses paid by the Group on behalf	(12,932)	—	—
Cash flow from financing activities			
Dividend paid	(13,509)	(6,323)	—
At the end of year	9,688	3,365	3,365

32 CONTINGENT LIABILITIES

The Group has no material contingent liabilities as at 31 December 2020, 2021 and 2022.

33 RELATED PARTY TRANSACTIONS

The following significant transactions were carried out between the Group and its related parties during the Track Record Period. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

(a) The directors of the Company are of the view that the following companies were related parties that had transactions or balances with the Group during the Track Record Period:

Related party	**Relationship with the Group**
Ningde Public Transport Company Limited ("寧德市公共交通有限公司")	Related company controlled by non-controlling shareholder of a subsidiary with significant influence
Shenghui Logistic Group Co., Ltd. ("盛輝物流集團有限公司")	A company controlled by a director of the Company
Ningde Yongsheng Property Management Co., Ltd. ("寧德市永盛物業管理有限公司")	A company controlled by a director of the Company

(b) **Transactions with related parties**

During the Track Record Period, the following transaction was carried out with related parties at terms mutually agreed by the Group and the relevant related parties:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Lease payment *(Note i)*			
— Ningde Public Transport Company Limited	342	273	140
— Shenghui Logistic Group Co. Ltd.	2,310	1,633	869
— Ningde Yongsheng Property Management Co. Ltd.	342	172	12
	2,994	2,078	1,021
Property management fee *(Note ii)*			
— Ningde Yongsheng Property Management Co., Ltd.	321	235	120
Delivery charge *(Note iii)*			
— Shenghui Logistic Group Co. Ltd.	—	380	—

Notes:

(i) Lease payment is charged in accordance with the agreement entered into between the Group and the related party.

(ii) Management fee is charged in accordance with the agreement entered into between the relevant parties.

(iii) Delivery charge is charged in accordance with the agreement entered into between the relevant parties.

(c) Year-end balances with related parties

The Group

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Right-of-use asset (trade nature)			
— Ningde Public Transport Company Limited	785	498	249
— Shenghui Logistic Group Co. Ltd.	4,374	1,067	427
	5,159	1,565	676
Lease liabilities (trade nature)			
— Ningde Public Transport Company Limited	834	552	288
— Shenghui Logistic Group Co. Ltd.	2,973	1,392	579
	3,807	1,944	867

Note: Lease liabilities are settled in accordance with the agreement entered into between the Group and the related party.

(d) Key management compensation

Key management includes executive and non-executive directors and the senior management of the Group. The compensation paid or payable to key management for employee services is shown below:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, bonuses, allowances and benefits in kind	13,976	3,205	2,548
Retirement benefit costs — defined contribution plans	225	203	220
	14,201	3,408	2,768

34 AMOUNTS DUE FROM/TO SHAREHOLDERS

The balances with shareholders are non-trade related, unsecured, interest-free and repayable on demand and the Directors confirmed that the balance with shareholders will be settled prior to the **[REDACTED]**.

35 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' remuneration

The remuneration of every director is set out below:

	Director's fees	Salaries, wages and bonuses	Pension cost — defined contribution plan	Share-based compensation expenses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended 31 December 2020					
Executive directors					
Huang Wei	—	10,590	57	—	10,647
Ye Fuwei	—	1,149	57	—	1,206
Zhang Jinghua	—	506	55	—	561
Non-executive director					
Liu Wei	—	—	—	—	—
Xu Rui	—	—	—	—	—
Total	—	12,245	169	—	12,414
For the year ended 31 December 2021					
Executive directors					
Huang Wei	—	1,004	68	—	1,072
Ye Fuwei	—	1,004	68	—	1,072
Zhang Jinghua	—	504	66	—	570
Non-executive director					
Liu Wei	—	—	—	—	—
Xu Rui	—	—	—	—	—
Total	—	2,512	202	—	2,714
For the year ended 31 December 2022					
Executive directors					
Huang Wei	—	1,004	74	—	1,078
Ye Fuwei	—	1,039	74	—	1,113
Zhang Jinghua	—	506	71	—	577
Non-executive director					
Liu Wei	—	—	—	—	—
Xu Rui	—	—	—	—	—
Total	—	2,549	219	—	2,768

During the Track Record Period, the non-executive director had not received any remuneration.

(b) Directors' retirement benefits

None of the directors received or will receive any retirement benefits during the Track Record Period.

(c) Directors' termination benefits

None of the directors received or will receive any termination benefits during the Track Record Period.

(d) Consideration provided to third parties for making available directors' services

During the Track Record Period, the Company did not pay consideration to any third parties for making available directors' services.

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There are no loans, quasi-loans and other dealing in favour of directors, during the years ended 31 December 2020, 2021 and 2022.

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the years ended 31 December 2020, 2021 and 2022.

36 EVENT AFTER REPORTING PERIOD

By a shareholders' resolution dated [date], the Company conditionally adopted a share option scheme under which the board of directors may grant options to employees, directors or other selected participants of the Group to acquire shares of the Company. No options have been granted up to the date of this report.

37 PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries for the Group as at 31 December 2020, 2021 and 2022 are set out as below:

Company name	Place and date of incorporation	Principal activities and place of operation	Registered capital	As at 31 December 2020	2021	2022	As at the date of this report	Note
Directly held:								
Celestial Bonanza Group Limited	BVI	Investment holding, BVI	USD50,000	100%	100%	100%	100%	(i), (iii), (v)
Indirectly held:								
XXF Group (Hong Kong) Limited ("XXF HK")	HK	Investment holding, HK	HK$5	100%	100%	100%	100%	(vi)
XXF Group	PRC	Leasing service, PRC	RMB410,168,750	100%	100%	100%	100%	(ii), (iv), (v)
Fujian Shenqi Financial Lease Co., Ltd.* ("Fujian Shenqi")	PRC	Leasing service, PRC	RMB10,000,000	100%	100%	100%	100%	(i), (iii), (v)
Fujian Xiqi Automobile Sale Co., Ltd.* ("Fujian Xiqi")	PRC	Trading of automobile, PRC	RMB10,000,000	100%	100%	100%	100%	(i), (iv), (v)

Company name	Place and date of incorporation	Principal activities and place of operation	Registered capital	As at 31 December 2020	2021	2022	As at the date of this report	Note
Fujian Lvyi Information Technology Co., Ltd.* ("Fujian Lvyi")	PRC	Information technology, PRC	RMB50,000,000	100%	100%	100%	100%	(i), (iii), (v)
Fujian Anxin Second-hand Car Market Co., Ltd.* ("Fujian Anxin")	PRC	Dormant, PRC	RMB10,000,000	N/A	N/A	N/A	N/A	(vii)
Fujian Xidun Automobile Service Co., Ltd.* ("Fujian Xidun")	PRC	Information technology, PRC	RMB50,000,000	100%	100%	100%	100%	(i), (iii), (v)
Fujian Qoocar Information Technology Co., Ltd.* ("Fujian Qoocar")	PRC	Information technology, PRC	RMB10,000,000	100%	100%	100%	100%	(ii), (iv), (v)
Fujian ZyooCar Technology Co., Ltd.* ("Fujian ZyooCar")	PRC	Leasing service, PRC	RMB50,000,000	51%	51%	51%	51%	(ii), (iv), (v)
Xixiangfeng (Xiamen) Automobile Service Co., Ltd.* ("Xiamen Xixiangfeng")	PRC	Leasing service, PRC	RMB10,000,000	100%	100%	100%	100%	(i), (iii), (v)
Fujian Taoqi Internet Technology Co., Ltd.* ("Taoqi Internet")	PRC	Information technology, PRC	RMB50,000,000	100%	100%	100%	100%	(ii), (iv), (v)
Fujian Taoqi Yuncar Information Consultancy Co., Ltd.* ("Taoqi Yuncar")	PRC	Information technology, PRC	RMB10,000,000	100%	100%	100%	100%	(ii), (iii), (v)
Guoxin Zhonglian (Fuzhou) Automobile Service Co., Ltd.* ("Guoxin Zhonglian")	PRC	Leasing service, PRC	RMB50,000,000	100%	100%	100%	100%	(ii), (iv), (v)
Fujian Xidi Automobile Service Co., Ltd.* ("Fujian Xidi")	PRC	Leasing service, PRC	RMB170,000,000	100%	100%	100%	100%	(ii), (iv), (v)
Fujian Heqi Technology Co., Ltd.* ("Fujian Heqi")	PRC	Insurance agency service, PRC	RMB10,000,000	100%	100%	100%	100%	(i), (iii), (v)
Fujian Xiyun New Energy Technology Co., Ltd.* ("Fujian Xiyun")	PRC	Dormant, PRC	RMB25,000,000	N/A	60%	N/A	N/A	(iii), (v), (viii)
Fujian Xitu Technology Co., Ltd.* ("Fujian Xitu")	PRC	Information technology, PRC	RMB10,000,000	N/A	100%	100%	100%	(iii), (v)
Shanxi Zhonghong Automobile Service Co., Ltd.* ("Shanxi Zhonghong")	PRC	Leasing service, PRC	RMB10,000,000	N/A	N/A	100%	100%	(v), (ix)
Guangdong Minyue Automobile Service Co., Ltd.* ("Guangdong Minyue")	PRC	Leasing service, PRC	RMB10,000,000	N/A	N/A	100%	100%	(v), (x)
Nanning Xidi Automobile Hailing Operation Service Co., Ltd.* ("Nanning Xidi")	PRC	Leasing service, PRC	RMB10,000,000	N/A	N/A	100%	100%	(xi)
Zhongshan Xidi Automobile Service Co., Ltd.* ("Zhongshan Xidi")	PRC	Leasing service, PRC	RMB10,000,000	N/A	N/A	100%	100%	(xii)

Company name	Place and date of incorporation	Principal activities and place of operation	Registered capital	As at 31 December 2020	2021	2022	As at the date of this report	Note
Tianjin Xidi Automobile Service Co., Ltd.* ("Tianjin Xidi")	PRC	Leasing service, PRC	RMB10,000,000	N/A	N/A	100%	100%	(xiii)
Taizhou Xidi Automobile Service Co., Ltd.* ("Taizhou Xidi")	PRC	Leasing service, PRC	RMB10,000,000	N/A	N/A	100%	100%	(xiv)
Shaoxing Xidi Automobile Service Co., Ltd.* ("Shaoxing Xidi")	PRC	Leasing service, PRC	RMB10,000,000	N/A	N/A	100%	100%	(xv)

Notes:

(i) No statutory financial statements were issued for the year ended 31 December 2020.

(ii) The statutory financial statements for the year ended 31 December 2020 prepared in accordance with Chinese accounting standards have been audited by 福建中誠信德會計師事務所, a certified public accounting firm registered in the PRC.

(iii) No statutory financial statements were issued for the year ended 31 December 2021.

(iv) The statutory financial statements for the year ended 31 December 2021 prepared in accordance with Chinese accounting standards have been audited by 福建中誠信德會計師事務所, a certified public accounting firm registered in the PRC.

(v) No statutory financial statements were issued for the year ended 31 December 2022.

(vi) The statutory financial statements for the period from 2 May 2019 (date of incorporation) to 31 December 2020 and for the years ended 31 December 2021 and 2022 prepared in accordance with Hong Kong Small and Medium-Sized Entity Financial Reporting Standard have been audited by Centurion ZD CPA Limited, a certified public accounting firm registered in Hong Kong.

(vii) The company was deregistered on 9 July 2020.

(viii) The company was deregistered on 31 March 2022.

(ix) The company was established on 17 May 2022. No statutory financial statements were issued from the establishment date to 31 December 2022.

(x) The company was established on 18 May 2022. No statutory financial statements were issued from the establishment date to 31 December 2022.

(xi) The company was established on 31 October 2022. No statutory financial statements were issued from the establishment date to 31 December 2022.

(xii) The company was established on 28 September 2022. No statutory financial statements were issued from the establishment date to 31 December 2022.

(xiii) The company was established on 15 July 2022. No statutory financial statements were issued from the establishment date to 31 December 2022.

(xiv) The company was established on 21 November 2022. No statutory financial statements were issued from the establishment date to 31 December 2022.

(xv) The company was established on 24 November 2022. No statutory financial statements were issued from the establishment date to 31 December 2022.

* *The English name of companies established in the PRC are translations of their Chinese names at the best effort of the directors of the Company as they do not have official English names.*

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2022 up to the date of this report.

No dividend or distribution have been declared, made or paid by the Company or, any of the companies now comprising the Group in respect of any period subsequent to 31 December 2022.

The information set out in this Appendix does not form part of the Accountant's Report from the reporting accountant, [PricewaterhouseCoopers], Certified Public Accountants, Hong Kong, as set out in Appendix I, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section entitled "Financial Information" in this document and the Accountant's Report set out in Appendix I to this document.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the **[REDACTED]** on the net tangible assets of the Group attributable to the owners of the Company as at 31 December 2022 as if the **[REDACTED]** had taken place on 31 December 2022 assuming the **[REDACTED]** is not exercised.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as at 31 December 2022 or at any future dates following the **[REDACTED]**. It is prepared based on the consolidated net assets of the Group as at 31 December 2022 as set out in the Accountant's Report of the Group, the text of which is set out in Appendix I to this document, and adjusted as described below. The unaudited pro forma statement of adjusted net tangible assets does not form part of the Accountant's Report.

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2022	**Estimated [REDACTED] from the [REDACTED]**	**Estimated impact to the net tangible assets upon the conversion of the ordinary shares with redemption right**	**Unaudited pro forma adjusted net tangible assets attributable to owners of the Company as at 31 December 2022**	**Unaudited pro forma adjusted net tangible assets per Share**	
	(Note 1)	*(Note 2)*	*(Note 3)*		*(Note 4)*	*(Note 6)*
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB*	*HK$*
Based on an **[REDACTED]** of HK$**[REDACTED]** per Share	478,458	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

Notes:

(1) The audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2022 is extracted from the Accountant's Report set out in Appendix I to this document, which is the audited consolidated net assets of the Group attributable to the owners of the Company as at 31 December 2022 of RMB500,237,000, with an adjustment for the intangible assets as of 31 December 2022 of RMB21,779,000.

(2) The estimated **[REDACTED]** from the **[REDACTED]** are based on the **[REDACTED]** of HK$**[REDACTED]** per share after deduction of the **[REDACTED]** and other related expenses (excluding **[REDACTED]** expenses of approximately RMB**[REDACTED]** which have been accounted for in the consolidated statement of comprehensive income of the Group up to 31 December 2022) paid/payable by the Group and takes no account of any Shares which may be issued upon the exercise of options granted under the **[REDACTED]** Share Option Scheme, any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme, any Shares which may fall to be issued upon the exercise of the **[REDACTED]** or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandate to issue Shares and the general mandate to repurchase Shares as described in the section headed "Share Capital" in this document.

(3) Upon the **[REDACTED]**, all of the ordinary shares with redemption right will be automatically converted into ordinary shares pursuant to the respective share subscription agreements. Accordingly, for the purpose of the unaudited pro forma adjusted net tangible assets, the unaudited pro forma adjusted net tangible assets attributable to owners of the Company will be increased by RMB**[REDACTED]**, being the carrying amounts of the ordinary shares as of 31 December 2022.

(4) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that **[REDACTED]** Shares were in issue assuming that the **[REDACTED]** and the **[REDACTED]** have been completed on 31 December 2022 but takes no account of any Shares which may be issued upon the exercise of options granted under the **[REDACTED]** Share Option Scheme, any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme, any Shares which may be issued upon the exercise of the **[REDACTED]** or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandate to issue Shares and general mandate to repurchase Shares as described in the section headed "Share Capital" in this document.

(5) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 31 December 2022.

(6) For the purpose of preparing this unaudited pro forma statement of adjusted net tangible assets, the amount denominated in Chinese Renminbi have been converted to Hong Kong dollars, and vice versa, at a rate of RMB1 to HK$1.1170 as set out in "Information About this Document and the **[REDACTED]** — Currency Conversion" to this document. No representation is made that the Chinese Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or at all.

[REDACTED]

[REDACTED]

[REDACTED]

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 29 March 2019 under the Companies Act (As Revised) of the Cayman Islands (the "**Companies Act**"). The Company's constitutional documents consist of its Memorandum of Association (the "**Memorandum**") and its Articles of Association (the "**Articles**").

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, *inter alia*, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Act and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on [•] with effect from the **[REDACTED]**. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Act, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other including an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

(i) increase its share capital by the creation of new shares;

(ii) consolidate all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Companies Act in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year. The period of thirty (30) days may be extended for a further period or periods not exceeding thirty (30) days in respect of any year if approved by members by ordinary resolution.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Act and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

The board may accept the surrender for no consideration of any fully paid share.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or instalments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director so appointed shall hold office only until the first following annual general meeting of the Company after his appointment and shall then be eligible for re-election.

A Director (including a managing or other executive Director) may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

(aa) he resigns by notice in writing delivered to the Company;

(bb) he becomes of unsound mind or dies;

(cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) he is prohibited from being a director by law; or

(ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Act and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Act and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Act to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or past Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

The board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

(aa) the giving of any security or indemnity either:

(aaa) to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries; or

(bbb) to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(bb) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(cc) any proposal or arrangement concerning the benefit of employees of the Company or its subsidiaries including:

(aaa) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or

(bbb) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates to the Directors, his close associate(s) and employee(s) of the Company or any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates;

(dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands. Votes (whether on a show of hands or by way of poll) may be cast by such means, electronic or otherwise, as the Directors or the chairman of the meeting may determine.

Any corporation which is a member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any general meeting of the Company or at any meeting of any class of members.

The person so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual member and such corporation shall for the purposes of the Articles be deemed to be present in person at any such meeting if a person so authorised is present thereat.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, the right to speak and to vote, and where a show of hands is allowed, the right to vote individually on a show of hands.

All members have the right to speak and vote at a general meeting except where a member is required, by the rules of the Stock Exchange, to abstain from voting to approve the matter under consideration.

Where the Company has any knowledge that any member is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings and extraordinary general meetings

The Company must hold an annual general meeting of the Company for each financial year and such general meeting must be held within six (6) months after the end of the Company's financial year unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more members holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings on a one vote per share basis. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business or resolution specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

Notwithstanding any provisions in the Articles, any general meeting or any class meeting may be held by means of such telephone, electronic or other communication facilities as to permit all persons participating in the meeting to communicate with each other, and participation in such a meeting shall constitute presence at such meeting.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days. All other general meetings must be called by notice of at least fourteen (14) clear days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers; and

(ee) the fixing of the remuneration of the directors and of the auditors.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy or, for quorum purpose only, two persons appointed by the clearing house as authorised representative or proxy, and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Act or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall by ordinary resolution appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by ordinary resolution remove the auditor at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed and approved by the Company by ordinary resolution passed at a general meeting or in such manner as the members may by ordinary resolution determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Act.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members maintained in Hong Kong shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Act or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to members of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

Unless otherwise provided by the Companies Act, a resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Act divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Act and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Act provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Act); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Act.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Act permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or

(d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Act contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Law of the Cayman Islands, the Company has obtained an undertaking:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 10 April 2019.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Act prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

The notice of registered office is a matter of public record. A list of the names of the current directors and alternate directors (if applicable) is made available by the Registrar of Companies for inspection by any person on payment of a fee. The register of mortgages is open to inspection by creditors and members.

Members of the Company have no general right under the Companies Act to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. The register of members shall contain such particulars as required by Section 40 of the Companies Act. A branch register must be kept in the same manner in which a principal register is by the Companies Act required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, 25% or more of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by (i) a majority in number representing seventy-five per cent. (75%) in value of creditors or (ii) seventy-five per cent (75%) in value of shareholders or class of shareholders, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

The Companies Act also contains statutory provisions which provide that a company may present a petition to the Court for the appointment of a restructuring officer on the grounds that the company (a) is or is likely to become unable to pay its debts within the meaning of section 93 of the Companies Act; and (b) intends to present a compromise or arrangement to its creditors (or classes thereof) either, pursuant to the Companies Act, the law of a foreign country or by way of a consensual restructuring. The petition may be presented by a company acting by its directors, without a resolution of its shareholders or an express power in its articles of association. On hearing such a petition, the Court may, among other things, make an order appointing a restructuring officer or make any other order as the Court thinks fit.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

(u) Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Act, 2018 of the Cayman Islands ("**ES Act**") that came into force on 1 January 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Act. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Act.

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Act, is available for inspection as referred to in the paragraph headed "Documents available on display" in Appendix V to this document. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Cayman Companies Act as an exempted company with limited liability on 29 March 2019 and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 19 December 2019. We have established a principal place of business in Hong Kong at Room 1902, 19th Floor, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong. Mr. Wong Yuk, our company secretary, has been appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, it operates subject to the Cayman Companies Act and its constitution comprising the Memorandum and the Articles. A summary of certain provisions of its constitution and relevant aspects of the company law of the Cayman Islands is set out in Appendix III to this document.

2. Changes in the share capital of our Company

Our authorised share capital as at the date of our incorporation was HK$380,000 divided into 38,000,000 Shares of HK$0.01 each. On 29 March 2019, one Share was allotted and issued to the initial subscriber and such Share was transferred to Glorypearl Capital on the same day.

Pursuant to the written resolutions of the then sole Shareholder passed on 30 August 2019, our authorised share capital was increased from HK$380,000 divided into 38,000,000 Shares of HK$0.01 each to HK$10,000,000 divided into 1,000,000,000 Shares of HK$0.01 each by the creation of additional 962,000,000 Shares.

Pursuant to the written resolutions of our Shareholders passed on [•], our authorised share capital was further increased from HK$10,000,000 divided into 1,000,000,000 Shares of HK$0.01 each to HK$[40,000,000] divided into [4,000,000,000] Shares of HK$0.01 each by the creation of an additional [3,000,000,000] Shares of HK$0.01 each.

Immediately following the completion of the **[REDACTED]** and the **[REDACTED]** but not taking into account any Shares which may be issued upon the exercise of the **[REDACTED]** and the options granted under the **[REDACTED]** Share Option Scheme and options which may be granted under the Share Option Scheme, the issued share capital of our Company will be HK$**[REDACTED]** divided into **[REDACTED]** Shares of HK$0.01 each, all fully paid or credited as fully paid and **[REDACTED]** Shares will remain unissued.

Save for the aforesaid, there has been no alteration in the authorised share capital of our Company since its incorporation.

3. Resolutions in writing of the Shareholders of our Company passed on [•]

(a) Pursuant to written resolutions of the Shareholders of our Company passed on [•]:

(i) we approved and adopted the Memorandum of Association with immediate effect;

(ii) we approved and conditionally adopted the Articles of Association which will become effective from the **[REDACTED]**;

(iii) the authorised share capital of our Company was increased from HK$10,000,000 divided into 1,000,000,000 Shares to HK$[40,000,000] divided into [4,000,000,000] Shares by the creation of an additional [3,000,000,000] Shares;

(iv) conditional on (i) the **[REDACTED]** granting the **[REDACTED]** of, and permission to deal in, the Shares in issue, Shares to be issued pursuant to the **[REDACTED]** and the **[REDACTED]** and Shares to be issued as mentioned in this document (including any additional Shares which may be issued and allotted pursuant to the exercise of the **[REDACTED]** and the exercise of the options which were granted under the **[REDACTED]** Share Option Scheme and options which may be granted under the Share Option Scheme); (ii) the entering into of the agreement on the **[REDACTED]** between the **[REDACTED]** (for itself and on behalf of the **[REDACTED]**) and our Company; (iii) the obligations of the **[REDACTED]** under the **[REDACTED]** Agreements becoming unconditional and not being terminated in accordance with the terms therein or otherwise, in each case on or before such dates as may be specified in the **[REDACTED]** Agreements:

(1) the **[REDACTED]** was approved and our Directors were authorised to allot and issue the new Shares pursuant to the **[REDACTED]**;

(2) the **[REDACTED]** was approved;

(3) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed "D. Other Information — 1. Share Option Scheme" below in this Appendix, were approved and adopted and our Directors were authorised, at their absolute discretion, to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Share Option Scheme; and

(4) conditional on the share premium account of our Company being credited as a result of the issue of the **[REDACTED]** by our Company pursuant to the **[REDACTED]**, our Directors were authorised to capitalise an amount of HK$**[REDACTED]** standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par **[REDACTED]** Shares, such Shares to be allotted and issued to our Shareholder(s) as at the date of the passing of the resolution on a pro rata basis.

(v) a general unconditional mandate was given to our Directors to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be issued and allotted), otherwise than pursuant to a rights issue or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or pursuant to the grant of options under the **[REDACTED]** Share Option Scheme or the Share Option Scheme or other similar arrangements or pursuant to a specific authority granted by the Shareholders in general meeting, unissued Shares not exceeding the aggregate of 20% of the number of issued Shares immediately following the completion of the **[REDACTED]** and **[REDACTED]** (but taking no account of any Shares which may be issued and allotted pursuant to the exercise of the **[REDACTED]** and the exercise of the options granted under the **[REDACTED]** Share Option Scheme and options which may be granted under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever occurs first;

(vi) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other approved stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the number of issued Shares immediately following the completion of the **[REDACTED]** and the **[REDACTED]** (but taking no account of any Shares which may be issued and allotted pursuant to the exercise of the **[REDACTED]** and the exercise of the options granted under the **[REDACTED]** Share Option Scheme and options which may be granted under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever occurs first; and

(vii) the general unconditional mandate mentioned in paragraph (v) above was extended by the addition to the number of issued Shares which may be issued and allotted or agreed conditionally or unconditionally to be issued and allotted by our Directors pursuant to such general mandate of an amount representing the total number of issued Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (vi) above.

4. Corporate Reorganisation

The companies comprising our Group underwent the Reorganisation in preparation for the **[REDACTED]**. For information relating to the Reorganisation, please refer to the section headed "History, Reorganisation and Corporate Structure" in this document.

5. Changes in share capital of subsidiaries

Our subsidiaries are referred to in the Accountant's Report in Appendix I to this document. Save for the subsidiaries mentioned in the Accountant's Report and in the section headed "History, Reorganisation and Corporate Structure", our Company has no other subsidiaries.

On 28 June 2022, four shares of XXF HK of an aggregate of HK$4.00 were issued and allotted to Celestial Bonanza.

Save as disclosed above, there are no changes in share capital of our subsidiaries within the two years immediately preceding the date of this document.

6. Repurchases of our Shares

(a) Provisions of the Listing Rules

The Listing Rules permit companies whose primary listing is on the Main Board of the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the more important of which are summarised below:

(i) Shareholders' approval

All proposed repurchases of securities on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of its shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to the written resolutions passed by the Shareholders of our Company on [•] a general unconditional mandate (the "**Buyback Mandate**") was granted to our Directors authorising the repurchase of shares by our Company on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, with the total number of Shares not exceeding 10% of the total number of Shares in issue and to be issued as mentioned herein, at any time until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by an applicable law or the Articles to be held or when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever is the earliest.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with our Articles and the laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange in effect from time to time.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have general authority from our Shareholders to enable our Directors to repurchase Shares in the market. Repurchases of Shares will only be made when our Directors believe that such repurchases will benefit our Company and its members. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of our Company and its assets and/or its earnings per Share.

(c) Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

It is presently proposed that any repurchase of Shares will be made out of the profits of our Company, the share premium amount of our Company or the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, subject to the Cayman Companies Act, out of capital and, in the case of any premium payable on the purchase over the par value of the Shares to be repurchased must be provided for, out of either or both of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, subject to the Cayman Companies Act, out of capital.

Our Directors do not propose to exercise the Buyback Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or its gearing levels which, in the opinion of our Directors, are from time to time appropriate for our Company. However, there might be a material adverse impact on the working capital or gearing level as compared with the position disclosed in this document in the event that the Buyback Mandate is exercised in full.

(d) Share capital

Exercise in full of the Buyback Mandate, on the basis of **[REDACTED]** Shares in issue immediately after the **[REDACTED]** (but not taking into account our Shares which may be issued pursuant to the exercise of the **[REDACTED]** and the options granted under the **[REDACTED]** Share Option Scheme and options which may be granted under the Share Option Scheme), could accordingly result in up to **[REDACTED]** Shares being repurchased by our Company during the period until:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Articles to be held; or

(iii) the date on which the Buyback Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever occurs first.

(e) General

None of our Directors nor, to the best of their knowledge, information and belief, having made all reasonable enquiries, any of their respective close associates (as defined in the Listing Rules), has any present intention to sell any Shares or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Buyback Mandate in accordance with the Listing Rules, the Memorandum and Articles of Association, and the applicable laws of the Cayman Islands.

No core connected person (as defined in the Listing Rules) has notified us that he/she/it has a present intention to sell Shares to us, or has undertaken not to do so, if the Buyback Mandate is approved and exercised by the Directors.

If as a result of a securities repurchase pursuant to the Buyback Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder, or a group of Shareholders acting in concert (within the meaning of the Takeovers Code), depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Our Directors are not aware of any other consequences which may arise under the Takeovers Code if the Buyback Mandate is exercised.

If the Buyback Mandate is fully exercised immediately following completion of the **[REDACTED]** and the **[REDACTED]** (but not taking into account our Shares which may be issued pursuant to the exercise of the **[REDACTED]** or the options granted under the **[REDACTED]** Share Option Scheme and options which may be granted under the Share Option Scheme), the total number of Shares which will be repurchased pursuant to the Buyback Mandate will be **[REDACTED]** Shares, being 10% of the total number of Shares based on the aforesaid assumptions. The percentage shareholding of our Single Largest Shareholder will be increased to approximately **[REDACTED]**% of the issued share capital of our Company immediately following the full exercise of the Buyback Mandate. Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than the prescribed percentage of our Shares then in issue could only be implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding the public float under Rule 8.08 of the Listing Rules. However, our Directors have no present intention to exercise the Buyback Mandate to such an extent that, in the circumstances, there is insufficient public float as prescribed under the Listing Rules.

B. INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by us or any of our subsidiaries within the two years preceding the date of this document that are or may be material:

(a) a share subscription agreement dated 10 June 2021 entered into between our Company and Hit Drive Limited, pursuant to which our Company agreed to issue and allot, and Hit Drive Limited agreed to subscribe for, 6,945,273 Shares at a consideration of RMB20,000,000 or an equivalent amount in Hong Kong dollars;

(b) a supplemental agreement to the Convertible Bond Agreement dated 10 June 2021 entered into by XXF Group, Mr. Huang and Beijing Chesheng, pursuant to which, amongst other terms, XXF Group shall (1) repay the bond at a total principal amount of RMB20,000,000 and RMB50,760,000 before 11 June 2021 and 30 June 2023, respectively, and (2) pay an interest in an amount of RMB2,030,000 in every six months since 1 July 2021;

(c) an undertaking dated 10 June 2021 given by our Company, XXF Group and Mr. Huang in favour of Beijing Chesheng, pursuant to which certain special rights were granted to Beijing Chesheng;

(d) a first supplemental agreement dated 27 January 2022 to the shareholders' agreement entered into by, among others, Beijing Chesheng, Zhuhai Wanhe and XXF Group dated 27 November 2018 (the "**Shareholder Agreement**") entered into by, among others, Beijing Chesheng, our Company, XXF Group and Mr. Huang, pursuant to which certain terms of the Shareholder Agreement are amended;

(e) a supplemental agreement to the Shareholder Agreement dated 25 August 2022 entered into by, among others, Zhuhai Wanhe, our Company, XXF Group and Mr. Huang, pursuant to which certain terms of the Shareholder Agreement are amended;

(f) a second supplemental agreement to the Shareholder Agreement dated 30 August 2022 entered into by, among others, Beijing Chesheng, our Company, XXF Group and Mr. Huang, pursuant to which certain terms of the Shareholder Agreement are amended;

(g) the Deed of Indemnity; and

(h) **[REDACTED]**.

2. Intellectual Property Rights of Our Group

(a) Trademarks

As at the Latest Practicable Date, our Group was the registered proprietor of the following trademarks which, in the opinion of our Directors, are material to our business:

Trademark	Registration Number	Class	Name of Registered Proprietor	Place of Registration	Date of Registration	Expiry Date
	304870512	35	XXF Group	Hong Kong	26 March 2019	25 March 2029
	27751822	37	XXF Group	PRC	28 January 2019	27 January 2029
	27768169	39	XXF Group	PRC	28 March 2019	27 March 2029
	27778218	45	XXF Group	PRC	7 February 2019	6 February 2029
	27770062	45	XXF Group	PRC	21 November 2018	20 November 2028

Trademark	Registration Number	Class	Name of Registered Proprietor	Place of Registration	Date of Registration	Expiry Date
	27785009	39	XXF Group	PRC	14 January 2019	13 January 2029
	27779250	45	XXF Group	PRC	14 January 2019	13 January 2029
	23524916	39	XXF Group	PRC	28 March 2018	27 March 2028
喜相逢·以租代购	23524605	39	XXF Group	PRC	21 March 2018	20 March 2028
喜相逢·以租代购	23524591	36	XXF Group	PRC	21 March 2018	20 March 2028
	17673087	45	XXF Group	PRC	7 October 2016	6 October 2026
	17672902	39	XXF Group	PRC	7 December 2016	6 December 2026
	17672718	36	XXF Group	PRC	7 October 2016	6 October 2026
	17672630	35	XXF Group	PRC	28 November 2016	27 November 2026
喜相逢	16812752	36	XXF Group	PRC	21 June 2016	20 June 2026
喜相逢	16812299	39	XXF Group	PRC	14 August 2016	13 August 2026
XXF	7787362	39	XXF Group	PRC	28 January 2011	27 January 2031
	38130026	35	XXF Group	PRC	7 February 2020	6 February 2030
	38132412	39	XXF Group	PRC	21 March 2020	20 March 2030
	38132066	12	XXF Group	PRC	7 April 2020	6 April 2030
	38139843	36	XXF Group	PRC	21 March 2020	20 March 2030
	38144569	45	XXF Group	PRC	21 April 2020	20 April 2030
	38135250	42	XXF Group	PRC	21 May 2020	20 May 2030
	38149123	37	XXF Group	PRC	21 May 2020	20 May 2030
XXF	40950589	37	XXF Group	PRC	14 May 2020	13 May 2030
XXF	40949086	36	XXF Group	PRC	14 May 2020	13 May 2030
XXF	40938933	35	XXF Group	PRC	14 May 2020	13 May 2030

Trademark	Registration Number	Class	Name of Registered Proprietor	Place of Registration	Date of Registration	Expiry Date
XXF	40950022	39	XXF Group	PRC	21 May 2020	20 May 2030
XXF	40941055	12	XXF Group	PRC	21 July 2020	20 July 2030
XXF	40946402	42	XXF Group	PRC	21 July 2020	20 July 2030
XXF	40965173	9	XXF Group	PRC	7 February 2021	6 February 2031
喜相逢	40952428	36	XXF Group	PRC	14 September 2020	13 September 2030
喜相逢	40965242	42	XXF Group	PRC	14 September 2020	13 September 2030
喜相逢	40943884	39	XXF Group	PRC	14 September 2020	13 September 2030
喜相逢	40945783	12	XXF Group	PRC	28 February 2021	27 February 2031
喜相逢	40967964	35	XXF Group	PRC	28 June 2021	27 June 2031
喜相逢	40943053	9	XXF Group	PRC	21 June 2021	20 June 2031
喜相逢	40941415	37	XXF Group	PRC	28 June 2021	27 June 2031
	55919354	9	XXF Group	PRC	28 November 2021	27 November 2031
	55912540	12	XXF Group	PRC	7 December 2021	6 December 2031
	55912590	35	XXF Group	PRC	28 November 2021	27 November 2031
	55968690	36	XXF Group	PRC	21 November 2021	20 November 2031
	55975702	37	XXF Group	PRC	21 November 2021	20 November 2031
	55960156	38	XXF Group	PRC	21 November 2021	20 November 2031
	55965913	39	XXF Group	PRC	21 November 2021	20 November 2031

Trademark	Registration Number	Class	Name of Registered Proprietor	Place of Registration	Date of Registration	Expiry Date
	55963894	42	XXF Group	PRC	21 November 2021	20 November 2031
	55974181	39	XXF Group	PRC	21 November 2021	20 November 2031
	55963907	42	XXF Group	PRC	21 November 2021	20 November 2031
	55955468	37	XXF Group	PRC	21 November 2021	20 November 2031
	55946040	36	XXF Group	PRC	21 November 2021	20 November 2031
	55941766	38	XXF Group	PRC	21 November 2021	20 November 2031
	55935508	12	XXF Group	PRC	28 November 2021	27 November 2031
	55928410	9	XXF Group	PRC	28 November 2021	27 November 2031
	55910545	35	XXF Group	PRC	7 December 2021	6 December 2031
	22723376	39	Taoqi Internet	PRC	21 April 2018	20 April 2028
	29245736	42	Taoqi Internet	PRC	28 December 2018	27 December 2028
	29246112	35	Taoqi Internet	PRC	28 December 2018	27 December 2028
	29246131	39	Taoqi Internet	PRC	28 December 2018	27 December 2028
	29248298	36	Taoqi Internet	PRC	28 December 2018	27 December 2028
汽致	25963261	39	Fujian Qoocar	PRC	21 August 2018	20 August 2028
汽致	25963279	42	Fujian Qoocar	PRC	21 August 2018	20 August 2028
汽致	25965231	12	Fujian Qoocar	PRC	21 August 2018	20 August 2028
汽致	25971159	37	Fujian Qoocar	PRC	21 August 2018	20 August 2028

Trademark	Registration Number	Class	Name of Registered Proprietor	Place of Registration	Date of Registration	Expiry Date
汽致	25971900	38	Fujian Qoocar	PRC	21 August 2018	20 August 2028
汽致	25977726	35	Fujian Qoocar	PRC	21 August 2018	20 August 2028
汽致	25978733	36	Fujian Qoocar	PRC	21 August 2018	20 August 2028
汽致	25980333	45	Fujian Qoocar	PRC	21 August 2018	20 August 2028
汽致	25980564	9	Fujian Qoocar	PRC	21 August 2018	20 August 2028
	25963524	37	Fujian Qoocar	PRC	14 August 2018	13 August 2028
	25965637	45	Fujian Qoocar	PRC	14 August 2018	13 August 2028
	25975826	39	Fujian Qoocar	PRC	21 November 2018	20 November 2028
	25980260	38	Fujian Qoocar	PRC	14 August 2018	13 August 2028
QOOCAR	25965279	35	Fujian Qoocar	PRC	14 August 2018	13 August 2028
QOOCAR	25967730	45	Fujian Qoocar	PRC	14 August 2018	13 August 2028
QOOCAR	25970797	39	Fujian Qoocar	PRC	14 August 2018	13 August 2028
QOOCAR	25970822	42	Fujian Qoocar	PRC	14 August 2018	13 August 2028
QOOCAR	25971156	37	Fujian Qoocar	PRC	14 August 2018	13 August 2028
QOOCAR	25980638	36	Fujian Qoocar	PRC	14 August 2018	13 August 2028
相逢无忧	31272146	37	Fujian Qoocar	PRC	7 March 2019	6 March 2029
相逢无忧	31273600	42	Fujian Qoocar	PRC	7 March 2019	6 March 2029
相逢无忧	31273624	45	Fujian Qoocar	PRC	14 March 2019	13 March 2029
相逢无忧	31273877	12	Fujian Qoocar	PRC	7 March 2019	6 March 2029
相逢无忧	31275930	9	Fujian Qoocar	PRC	14 March 2019	13 March 2029
相逢无忧	31276095	36	Fujian Qoocar	PRC	14 March 2019	13 March 2029
相逢无忧	31276184	39	Fujian Qoocar	PRC	14 March 2019	13 March 2029
相逢无忧	31282563	35	Fujian Qoocar	PRC	7 March 2019	6 March 2029
相逢无忧	31283876	38	Fujian Qoocar	PRC	7 March 2019	6 March 2029

Trademark	Registration Number	Class	Name of Registered Proprietor	Place of Registration	Date of Registration	Expiry Date
	31284098	12	Fujian Qoocar	PRC	14 May 2019	13 May 2029
	31292020	42	Fujian Qoocar	PRC	14 May 2019	13 May 2029
	31292057	45	Fujian Qoocar	PRC	7 March 2019	6 March 2029
	31267762	39	Fujian Qoocar	PRC	28 May 2019	27 May 2029
企企车服	31346774	36	Guoxin Zhonglian	PRC	14 March 2019	13 March 2029
企企车服	31344260	35	Guoxin Zhonglian	PRC	21 May 2019	20 May 2029
企企车服	31332720	39	Guoxin Zhonglian	PRC	21 May 2019	20 May 2029
喜盾	33442749	39	Fujian Xidun	PRC	28 May 2019	27 May 2029
喜盾	33446830	45	Fujian Xidun	PRC	28 May 2019	27 May 2029
喜盾	33452024	36	Fujian Xidun	PRC	28 May 2019	27 May 2029
	33446473	36	Fujian Xidun	PRC	28 May 2019	27 May 2029
	33450492	45	Fujian Xidun	PRC	21 July 2019	20 July 2029
自游绿轮子	33284261	39	Fujian Zyoocar	PRC	14 June 2019	13 June 2029
自游绿轮子	33289444	35	Fujian Zyoocar	PRC	21 June 2019	20 June 2029
自游绿轮子	33287707	12	Fujian Zyoocar	PRC	14 June 2019	13 June 2029
	48524914	35	Fujian Xidi	PRC	7 May 2021	6 May 2031
	48542323	36	Fujian Xidi	PRC	28 March 2021	27 March 2031
	48527146	39	Fujian Xidi	PRC	28 March 2021	27 March 2031
喜滴	48521470	36	Fujian Xidi	PRC	28 March 2021	27 March 2031
喜滴	48513299	39	Fujian Xidi	PRC	21 March 2021	20 March 2031

(b) Patents

As at the Latest Practicable Date, our Group was the registered proprietor of the following patents which, in the opinion of our Directors, are material to our Group's business:

Patent	Patent Certificate No.	Type of Patent	Name of Registered Proprietor	Place of Registration	Date of Application	Date of Registration
BDS/GPS vehicle positioning terminal (FK-001) (BDS/GPS車載定位終端 (FK-001))	ZL201730314213.6	Design	XXF Group	PRC	17 July 2017	5 December 2017
Vehicle positioning terminal (FK-040) (車載定位終端 (FK-040))	ZL2018305094663	Design	Fujian Xidun	PRC	11 September 2018	31 May 2019
Vehicle positioning terminal (車載定位終端(BDS/GPS.FK-003))	ZL2019300421926	Design	Fujian Xidun	PRC	25 January 2019	1 October 2019
Vehicle positioning terminal (車載定位終端(BDS/GPS.FK-004))	ZL2019305474366	Design	Fujian Xidun	PRC	9 October 2019	3 April 2020
Vehicle positioning terminal(車載定位終端(GPS.FK-006))	ZL202030020721.5	Design	Fujian Xidun	PRC	13 January 2020	12 June 2020
GPS positioning device of detection of signal scanning preventable (一種可防止信號掃描探測GPS定位裝置)	ZL201921606385.0	Utility	Fujian Xidun	PRC	25 September 2019	27 October 2020
Mini vehicle positioning terminal (一種mini型車載定位終端)	ZL202021928978.1	Utility	Fujian Xidun	PRC	7 September 2020	13 April 2021
Vehicle positioning device (車載定位裝置(FK007))	ZL202030224598.9	Design	Fujian Xidun	PRC	15 May 2020	16 October 2020
Vehicle tripod for rescue services (一種可提供救援服務的車用三腳架)	ZL202123230893.3	Utility	Fujian Xidun	PRC	21 December 2021	10 May 2022

(c) Copyright

As at the Latest Practicable Date, our Group was the registered proprietor of the following copyright which, in the opinion of our Directors, are material to our Group's business:

Copyright Name	Registration Number	Name of Registered Proprietor	Place of Registration	Date of Registration
XXF Integrated Business Management System V1.0 (喜相逢綜合業務管理系統V1.0)	2015SR090774	XXF Group	PRC	1 April 2015
Taoqi Android client software V2.0 (淘汽Android客戶端軟件V2.0)	2018SR488214	Taoqi Internet	PRC	1 December 2017
Taoqi iOS client software V2.0 (淘汽iOS客戶端軟件V2.0)	2018SR484313	Taoqi Internet	PRC	11 December 2017
XXF yinqi direct connection system V1.1 (喜相逢銀企直連系統V1.1)	2019SR0093464	XXF Group	PRC	25 January 2019
"Xibao" 《喜寶》	國作登字–2019-F-00823860	XXF Group	PRC	6 February 2019
"Kuaiya" 《快呀》	閩作登字–2021-F-00065827	XXF Group	PRC	15 April 2021
"Kuaiya" 《快呀》	閩作登字–2021-F-00065829	XXF Group	PRC	15 April 2021
Taoqi iOS intelligent supply chain client software V1.0 (淘汽iOS智能供應鏈客戶端軟件V1.0)	2018SR485445	Taoqi Internet	PRC	18 October 2017
Taoqi Android intelligent supply chain client software V1.0 (淘汽Android智能供應鏈客戶端軟件V1.0)	2018SR486079	Taoqi Internet	PRC	20 November 2017
Taoqi big data intelligent wind control system software V1.0 (淘汽大數據智慧風控系統軟件V1.0)	2018SR484305	Taoqi Internet	PRC	11 August 2017
Taoqi customer credit information inquiry system software v1.0 (淘汽客戶信用信息查詢系統軟件v1.0)	2018SR084110	Taoqi Internet	PRC	30 September 2017
Taoqi relationship network anti-fraud analysis system software V1.0 (淘汽關係網絡反欺詐分析系統軟件V1.0)	2018SR488208	Taoqi Internet	PRC	15 August 2017

Copyright Name	Registration Number	Name of Registered Proprietor	Place of Registration	Date of Registration
Taoqi blacklist query system software V1.0 (淘汽黑名單查詢系統軟件V1.0)	2018SR488773	Taoqi Internet	PRC	18 July 2017
Taoqi activity marketing information System V1.0 (淘汽活動營銷信息系統V1.0)	2018SR484318	Taoqi Internet	PRC	22 December 2017
Taoqi multi-channel management system V1.0 (淘汽多渠道管理系統V1.0)	2018SR484297	Taoqi Internet	PRC	28 November 2017
Taoqi vehicle real-time monitoring system software V1.0 (淘汽車輛實時監控系統軟件V1.0)	2018SR484292	Taoqi Internet	PRC	20 July 2017
Taoqi strategy words early warning system software V1.0 (淘汽策略化預警系統軟件V1.0)	2018SR484348	Taoqi Internet	PRC	25 July 2017
Invisible intelligent monitoring platform V1.0 (無形智能監控平台V1.0)	2016SR361459	Taoqi Internet	PRC	21 November 2016
Taoqi invisible intelligent monitoring platform software V2.0 (淘汽無形智能監控平台軟件V2.0)	2018SR084125	Taoqi Internet	PRC	31 August 2017
Invisible tracking IOS client software V1.0 (無形追蹤IOS客戶端軟件V1.0)	2017SR086324	Taoqi Internet	PRC	24 February 2017
Invisible tracking Android client software V1.0 (無形追蹤Android客戶端軟件V1.0)	2017SR086328	Taoqi Internet	PRC	24 February 2017
Taoqi Rule engine system V1.0 (淘汽規則引擎系統V1.0)	2019SR0627614	Taoqi Internet	PRC	21 September 2018
Taoqi promise user open platform V1.0 (淘汽無極用戶開放平台V1.0)	2019SR0627619	Taoqi Internet	PRC	25 October 2018
Taoqi star pulse procurement management platform V1.0 (淘汽星脈採購管理平台V1.0)	2019SR0463656	Taoqi Internet	PRC	25 December 2018
Taoqi galaxy asset management platform V1.0 (淘汽銀河資產管理平台V1.0)	2019SR0337604	Taoqi Internet	PRC	25 September 2018

Copyright Name	Registration Number	Name of Registered Proprietor	Place of Registration	Date of Registration
Taoqi intelligent automatic letter review system V1.0 (淘汽智能自動信審系統V1.0)	2019SR0337494	Taoqi Internet	PRC	16 April 2018
Get a car with ease (輕鬆有車用)	閩作登字– 2017-F-00050895	Taoqi Internet	PRC	19 September 2017
Easier way to get a car (用車更輕鬆)	閩作登字– 2017-F-00050897	Taoqi Internet	PRC	19 September 2017
Get a family car with ease 讓每個家庭 輕鬆有車用	閩作登字– 2018-F-00064580	Taoqi Internet	PRC	1 May 2018
Taoqi vehicle purchase platform 淘汽購車平台	閩作登字– 2018-F-00076416	Taoqi Internet	PRC	6 November 2018
52 Car — Business Version (management platform) V1.2.1 52車商家版(管理平台) V1.2.1	2019SR0343991	Fujian Qoocar	PRC	15 October 2018
52 Car — Business Version (mobile client end Android version) V1.2.1 52車商家版(手機客戶端Android版) V1.2.1	2019SR0337611	Fujian Qoocar	PRC	15 October 2018
52 Car — Business Version (mobile client end iOS version) V1.2.1 52車商家版(手機客戶端iOS版) V1.2.1	2019SR0204740	Fujian Qoocar	PRC	15 October 2018
52 Car application software (Android version) V1.5.4 52車應用軟件（Android版）V1.5.4	2019SR0646121	Fujian Qoocar	PRC	28 February 2019
52 Car application software (IOS version) V1.5.4 52車應用軟件（iOS版）V1.5.4	2019SR0646086	Fujian Qoocar	PRC	28 February 2019
52 Car application software (management backstage) V1.5.4 52車應用軟件(管理後台）V1.5.4	2019SR0646095	Fujian Qoocar	PRC	28 February 2019
Zhiyourong management platform V1.3 致優融管理平台V1.3	2019SR0710804	Fujian Qoocar	PRC	1 March 2019
Qizhi Xiaomeng (汽致小萌)	國作登字– 2018-F-00625016	Fujian Qoocar	PRC	26 September 2018
Xixiangfeng car service platform V1.0 (喜相逢汽車服務平台 V1.0)	2021SR2057914	Fujian Qoocar	PRC	19 November 2021

Copyright Name	Registration Number	Name of Registered Proprietor	Place of Registration	Date of Registration
Vehicle automatic quotation system (車輛自動報價系統V1.0)	2021SR2066387	Fujian Qoocar	PRC	20 August 2021
XXF Sales Assistant ios app V1.0 (喜相逢銷售助手ios app V1.0)	2021SR2058111	Fujian Qoocar	PRC	25 August 2021
XXF Sales Assistant Android app V1.0 (喜相逢銷售助手Android app V1.0)	2021SR2058110	Fujian Qoocar	PRC	25 August 2021
Xidi online car hailing service platform V1.0 (喜滴汽車網約車服務平台V1.0)	2021SR2058108	Fujian Qoocar	PRC	19 November 2021
XXF Group integrated service platform V1.0 (喜相逢綜合服務平台V1.0)	2021SR2058054	Fujian Qoocar	PRC	30 August 2021
File management system V1.0 (檔案管理系統 V1.0)	2021SR2058162	Fujian Qoocar	PRC	25 August 2021
Pre-loan risk control system V1.0 (貸前風控系統 V1.0)	2021SR2058161	Fujian Qoocar	PRC	20 August 2021
XXF Group direct rental management platform V1.0 (喜相逢直租管理平台V1.0)	2021SR2174423	Fujian Qoocar	PRC	30 August 2021

(d) Domain names

As at the Latest Practicable Date, our Group was the registered proprietor of the following domain names which, in the opinion of our Directors, are material to our business:

Domain name	Name of Registered Proprietor	Place of Registration	Expiry Date
xxfqc.com	XXF Group	PRC	25 October 2023
xxfgo.com	XXF Group	PRC	8 September 2023
xxfcar.com	XXF Group	PRC	28 March 2029

C. FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors

(a) Disclosure of Interests — Interests and short positions of the Directors and the chief executive of our Company in the Shares, underlying Shares and debentures of our Company and its associated corporations

Immediately following completion of the **[REDACTED]** and the **[REDACTED]** and assuming that the **[REDACTED]** is not exercised and without taking into account Shares to be issued and allotted upon the exercise of any options granted under the **[REDACTED]** Share Option Scheme and options which may be granted under the Share Option Scheme, the interests or short positions of our Directors or chief executives of our Company in the shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to our Company and the Stock Exchange, once our Shares are **[REDACTED]** will be as follows:

Interest in our Company

Name of Director	Nature of Interest	Number of Shares[(1)]	Approximate percentage of shareholding
Mr. Huang[(2)]	Interest in controlled corporation	**[REDACTED]** (L)	**[REDACTED]**%
Mr. Ye Fuwei[(3)]	Interest in controlled corporation	**[REDACTED]** (L)	**[REDACTED]**%

(1) The letter "L" denotes the person's long position in our Shares.

(2) Glorypearl Capital is beneficially and wholly owned by Mr. Huang. Each of Precious Luck, Happy Gain and Southern Fortune is indirectly controlled by Mr. Huang. Please refer to the notes to the corporate and shareholding structure of our Group in "History, Reorganisation and Corporate Structure" for details. By virtue of the SFO, Mr. Huang is deemed to be interested in the Shares held by Glorypearl Capital, Precious Luck, Happy Gain and Southern Fortune.

(3) Billion Aspire Holdings Limited is beneficially and wholly owned by Mr. Ye Fuwei. By virtue of the SFO, Mr. Ye Fuwei is deemed to be interested in the Shares held by Billion Aspire Holdings Limited.

(b) Particulars of service agreements and letters of appointment

Each of our executive Directors [has entered] into a service agreement with our Company for a term of three years commencing from the **[REDACTED]**, which may be terminated by not less than three months' notice in writing served by either party on the other.

Each of our non-executive Directors and independent non-executive Directors [has entered] into a letter of appointment with our Company for a term of three years commencing from the **[REDACTED]**, which may be terminated by not less than three months' notice in writing served by either party on the other.

(c) Directors' remuneration

Each of our executive Directors and non-executive Directors is entitled to a remuneration and shall be paid on the basis of a twelve-month year. The aggregate remuneration (including salaries, wages, bonuses, pension cost and share-based compensation expenses) paid to our Directors for each of the three years ended 31 December 2022 was approximately RMB12.4 million, RMB2.7 million and RMB2.8 million, respectively. For details, please refer to note 35 of the accountant's report set out in Appendix I to this document.

Each of our independent non-executive Directors has been appointed for a term of [three] years. Save for directors' fees, none of our independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

Under the arrangement currently in force, the aggregate remuneration (including salaries, wages, bonuses, pension cost and share-based compensation expenses) of our Directors for the year ending 31 December 2023 is estimated to be no more than RMB3.0 million.

2. Substantial Shareholders

Save as disclosed in the section headed "Substantial Shareholders" in this document, so far as our Directors are aware, immediately following the completion of the **[REDACTED]** and the **[REDACTED]** assuming that the **[REDACTED]** is not exercised and taking no account of any Shares that may be issued pursuant to the exercise of any options which were granted under the **[REDACTED]** Share Option Scheme and any options which may be granted under the Share Option Scheme, no person (other than our Directors and chief executives of our Company) will have or be deemed or taken to have an interest and/or short position in our Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group.

3. Agency fees or commissions received

Save as disclosed in the section headed "**[REDACTED]**", no commissions, discounts, brokerages or other special terms were granted in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this document.

4. Disclaimers

(a) save as disclosed in this section, none of our Directors or chief executives of our Company has any interest or short position in our shares, underlying shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers once our Shares are **[REDACTED]**;

(b) none of our Directors or experts referred to under the paragraph headed "— D. Other information — 9. Qualification of Experts" in this Appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this document been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(c) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group taken as a whole;

(d) save as disclosed in this section, none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));

(e) save as disclosed in the section headed "Substantial Shareholders" in this document, taking no account of Shares which may be taken up under the **[REDACTED]**, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the **[REDACTED]**, have an interest or short position in our Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the issued voting shares of any member of our Group;

(f) none of the experts referred to under the paragraph headed "— D. Other information — 9. Qualification of Experts" in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and

(g) so far as is known to our Directors as at the Latest Practicable Date, none of our Directors, their respective close associates (as defined under the Listing Rules) or Shareholders of our Company who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group.

D. OTHER INFORMATION

1. Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by the written resolutions of our Shareholders passed on [•].

(a) Purpose

The Share Option Scheme is a share incentive scheme prepared in accordance with Chapter 17 of the Listing Rules and is established to recognise and acknowledge the contributions that the Eligible Participants (as defined in paragraph (b) below) had or may have made to our Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives:

(i) motivate the Eligible Participants to optimise their performance efficiency for the benefit of our Group; and

(ii) attract and retain or otherwise maintain an on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group.

(b) Who may join

The Board may, at its discretion, offer to grant an option to the following persons (collectively the "**Eligible Participants**") to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (f) below:

(i) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries;

(ii) any directors (including non-executive directors and independent non-executive directors) of our Company or any of its subsidiaries; and

(iii) any advisers, consultants, suppliers, distributors and such other persons who provide services to our Company and/or any of its subsidiaries on a continuing and recurring basis in the ordinary and usual course of business of our Group, the grant of options to whom is in the interests of the long-term growth of the Group as determined by our Board, but excluding (i) placing agents or financial advisers providing advisory services for fundraising, mergers or acquisitions of our Company or its subsidiaries, and (ii) professional service providers such as the auditors or valuers who provide assurance or are required to perform their services with impartiality and objectivity ("**Service Providers**").

Upon acceptance of the option, the grantee shall pay RMB1.00 to our Company by way of consideration for the grant.

(c) Acceptance of an offer of options

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptances of the options duly signed by the grantee, together with a remittance or payment in favour of our Company of RMB1.00 by way of consideration for the grant thereof, is received by our Company on or before the relevant acceptance date. Such remittance or payment shall in no circumstances be refundable. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

Subject to paragraphs (m), (n), (o), (p) and (q), an option shall be exercised in whole or in part and, other than where it is exercised to the full extent outstanding, shall be exercised in integral multiples of such number of Shares as shall represent one board lot for dealing in Shares on the Stock Exchange for the time being, by the grantee by giving notice in writing to our Company stating that the option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance or payment for the full amount of the exercise price for our Shares in respect of which the notice is given. Within 21 days after receipt of the notice and the remittance or payment and, where appropriate, receipt of the certificate by the auditors to our Company or the approved independent financial adviser as the case may be pursuant to paragraph (s), our Company shall allot and issue the relevant number of Shares to the grantee credited as fully paid and issue to the grantee certificates in respect of our Shares so allotted.

The exercise of any option shall be subject to our Shareholders in general meeting approving any necessary increase in the authorised share capital of our Company.

(d) Maximum number of Shares

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of our Company must not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the **[REDACTED]** ("**Scheme Mandate Limit**"), being **[REDACTED]** Shares, excluding for this purpose Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of our Company).

Subject to the foregoing, the total number of Shares which may be allotted and issued in respect of all options to be granted under the Share Option Scheme and under any other share option schemes of our Company to the Service Providers shall be within the Scheme Mandate Limit and must not in aggregate exceed 1% of Shares in issue immediately after completion of the **[REDACTED]** ("**Service Provider Sublimit**").

The Scheme Mandate Limit and the Service Provider Sublimit may be refreshed at any time subject to the issue of a circular by our Company and the approval of our Shareholders in general meeting after three years from the date of the approval of our Shareholders for the adoption of Share Option Scheme or the last refreshment, provided that:

(i) the total number of Shares which may be issued in respect of the Share Option Scheme and under any other share option schemes of our Company under the Scheme Mandate Limit as refreshed ("**New Scheme Mandate Limit**") shall not exceed 10% (and the Service Provider Sublimit as refreshed ("**New Service Provider Sublimit**") shall not exceed 1%) of the Shares in issue as at the date of the approval of the New Scheme Mandate Limit and the New Service Provider Sublimit by our Shareholders in general meeting. Our Company shall issue a circular to our Shareholders containing the number of options that were already granted under the Scheme Mandate Limit and the Service Provider Sublimit, and the reason for the refreshment;

(ii) any refreshment to the Scheme Mandate Limit and the Service Provider Sublimit within any three-year period shall be approved by our Shareholders in general meeting subject to:

(1) any controlling shareholders and their associates (or if there is no controlling shareholder, Directors (excluding independent non-executive Directors) and the chief executive of our Company and their respective associates) must abstain from voting in favour of the relevant resolution at the general meeting; and

(2) our Company must comply with the requirements under Rules 13.39(6) and (7), 13.40, 13.41 and 13.42 of the Listing Rules.

The requirements under sub-paragraph (ii) above do not apply if the refreshment is made immediately after an issue of securities by our Company to our Shareholders on a pro rata basis as set out in Rule 13.36(2)(a) of the Listing Rules such that the unused part of the scheme mandate (as a percentage of the relevant class of shares in issue) upon refreshment is the same as the unused part of the scheme mandate immediately before the issue of securities, rounded to the nearest whole Share.

The total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme (or any other share option schemes of our Company) under the Scheme Mandate Limit as refreshed shall not exceed 10% of the Shares in issue as at the date of the approval by our shareholder in general meeting of the limit.

Subject to the issue of a circular by our Company and the approval of our Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may grant options under the Share Option Scheme (or any other share option schemes of our Company) beyond the Scheme Mandate Limit or, if applicable, the New Scheme Mandate Limit provided the options in excess of the Scheme Mandate Limit or, if applicable, the New Scheme Mandate Limit, are granted only to the Eligible Participants specifically identified by our Company before such approval is sought. The circular issued by our Company to our Shareholders shall contain the information required under Rule 17.03C(3) of the Listing Rules.

The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph (s) below whether by way of consolidation, **[REDACTED]**, rights issue, sub-division or reduction of the share capital of our Company but in no event shall exceed the limit prescribed in this paragraph.

(e) Maximum number of options to any one individual

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of our Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

(i) the issue of a circular by our Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant). The applicable requirements of Rule 17.03(D) of the Listing Rules shall be complied with; and

(ii) the approval of our Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his close associates (as defined in the Listing Rules) (or his/her associates if the Eligible Participant is a core connected person) abstaining from voting. The numbers and terms (including the exercise price) of options to be granted to such participant must be fixed before our Shareholders' approval and the date of the Board meeting at which the Board proposes to grant the options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the subscription price of our Shares. The Board shall forward to such Eligible Participant an offer document in such form as the Board may from time to time determine (or, alternatively, documents accompanying the offer document which state), among others:

(1) the Eligible Participant's name, address and occupation;

(2) the date on which an option is offered to an Eligible Participant which must be a date on which the Stock Exchange is open for the business of dealing in securities;

(3) the date upon which an offer for an option must be accepted;

(4) the date upon which an option is deemed to be granted and accepted in accordance with paragraph (c);

(5) the number of Shares in respect of which the option is offered;

(6) the subscription price and the manner of payment of such price for our Shares on and in consequence of the exercise of the option;

(7) the date of the expiry of the option as may be determined by the Board;

(8) the method of acceptance of the option which shall, unless the Board otherwise determines, be as set out in paragraph (c); and

(9) other terms and conditions (including, without limitation, any minimum period for which an option must be held before it can be exercised and/or any performance targets which must be achieved before the option can be exercised) relating to the offer of the option which in the opinion of the Board are fair and reasonable but not being inconsistent with Share Option Scheme and the Listing Rules.

(f) Price of Shares

Subject to any adjustments made as described in paragraph (s) below, the subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price must be at least the higher of:

(i) the official closing price of our Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;

(ii) the average of the official closing prices of our Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a Share.

(g) Granting options to a director, chief executive or substantial shareholder of our Company or any of their respective associates

Any grant of options to a director, chief executive or substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options). If the Board proposes to grant options to a substantial shareholder or any independent non-executive Director (or any of their respective associates (as defined in the Listing Rules)) which will result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% or such other percentage as may be from time to time provided under the Listing Rules of our Shares in issue, such further grant of options will be subject to the issue of a circular by our Company and the approval of our Shareholders in general meeting on a poll at which the grantee, his/her associates and all core connected persons (as defined in the Listing Rules) of our Company shall abstain from voting in favour, and/or such other requirements prescribed under the Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options shall be taken as a poll.

The circular to be issued by our Company to our Shareholders pursuant to the above paragraph shall contain the following information:

(i) the details of the number and terms of the options to be granted to each selected Eligible Participant which must be fixed before our Shareholders' meeting and the date of Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the exercise price of such options;

(ii) the views of the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) as to whether the terms of the grant are fair and reasonable and whether such grant is in the interests of the issuer and its shareholders as a whole, and their recommendation to the independent Shareholders as to voting;

(iii) the information required under Rule 17.02(2)(c); and

(iv) the information required under Rule 2.17 of the Listing Rules.

(h) Restrictions on the times of grant of options

A grant of options shall not be made after inside information has come to the knowledge of our Company until it has announced such inside information pursuant to the requirements of the Listing Rules and the Inside Information Provisions of Part XIVA of the SFO. In particular, no options shall be granted during the period commencing one month immediately preceding the earlier of:

(i) the date of the Board meeting (as such date to first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's annual results or half-year, quarterly or other interim period (whether or not required under the Listing Rules); and

(ii) the deadline for our Company to publish an announcement of its annual results or half-year, or quarterly or other interim period (whether or not required under the Listing Rules, and ending on the date of actual publication of the results announcement, and where an option is granted to a Director:

(i) no options shall be granted during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

(ii) no option shall be granted during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(i) Rights are personal to grantee

An option and an offer to grant an option shall be personal to the grantee and shall not be transferrable or assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt so to do (save that the grantee may nominate a nominee in whose name our Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding options or any part thereof granted to such grantee.

(j) Time of exercise of option and duration of the Share Option Scheme

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme. Subject to earlier termination by our Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption.

(k) Vesting period

The vesting period of an option shall be determined by our Board and in any case, shall not be less than 12 months. A shorter vesting period may be granted to directors and employees of the Company or any of its subsidiaries (including persons who are granted options or awards under the scheme as an inducement to enter into employment contracts with these companies) at the discretion of the Board in certain circumstances as provided under the rules of the Share Option Scheme.

(l) Performance target

A grantee may be required to achieve any performance targets as the Board may then specify in the grant before any options granted under the Share Option Scheme can be exercised. Such performance targets may include, among others, financial targets and management targets which shall be determined based on the (i) individual performance, (ii) performance of our Group and/or (iii) performance of business groups, business units, business lines, functional departments and/or geographical area managed by the Grantees. For the avoidance of doubt, an option shall not be subject to any performance targets, criteria or conditions if none are set out in the relevant grant.

(m) Rights on ceasing employment or death

If the grantee of an option ceases to be an employee of our Company or any of its subsidiaries:

(i) by any reason other than death or termination of his employment on the grounds specified in paragraph (n) below, the grantee may exercise the option up to the entitlement of the grantee as at the date of cessation (to the extent not already exercised) within a period of one month from such cessation; or

(ii) by reason of death, his/her personal representative(s) may exercise the option within a period of 12 months from such cessation, which date shall be the last actual working day with our Company or the relevant subsidiary whether salary is paid in lieu of notice or not, failing which it will lapse.

(n) Rights on dismissal

If the grantee of an option ceases to be an employee of our Company or any of its subsidiaries on the grounds that he/she has been guilty of serious misconduct, or has been convicted of any criminal offence involving his/her integrity or honesty or in relation to an employee of our Group (if so determined by the Board), or has become insolvent, bankrupt or has made arrangements or compositions with his/her creditors generally, or on any other ground on which an employee would be entitled to terminate his/her employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, his/her option will lapse and not be exercisable after the date of termination of his/her employment.

(o) Rights on takeover

If a general offer is made to all our Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Codes)) and such offer becomes or is declared unconditional during the option period of the relevant option, the grantee of an option shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

(p) Rights on winding-up

In the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to all grantees and thereupon, each grantee (or his/her legal personal representative(s)) shall be entitled to exercise all or any of his/her options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of our Company referred to above by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the grantee credited as fully paid and register the grantee as holder thereof.

(q) Rights on compromise or arrangement between our Company and its members or creditors

If a compromise or arrangement between our Company and its members or creditors is proposed for the purposes of a scheme for the reconstruction of our Company or its amalgamation with any other companies pursuant to the laws of jurisdictions in which our Company was incorporated, our Company shall give notice to all the grantees of the options on the same day as it gives notice of the meeting to its members or creditors summoning the meeting to consider such a compromise or arrangement and any grantee may by notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given (such notice to be received by our Company not later than two business days prior to the proposed meeting), exercise the option to its full extent or to the extent specified in the notice and our Company shall as soon as possible and in any event no later than 12:00 noon (Hong Kong time) on the business day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise of the option credited as fully paid and register the grantee as holder thereof.

With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of grantees to exercise their respective options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable.

(r) Ranking of Shares

Our Shares to be allotted upon the exercise of an option will not carry voting, dividend or other rights until completion of the registration of the grantee (or any other person) as the holder thereof. Subject to the aforesaid, Shares issued and allotted on the exercise of options will carry the same rights in all respects and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation as attached to the other fully-paid Shares in issue on the date of issue and rights in respect of any dividend or other distributions paid or made on or after the date of issue.

(s) Effect of alterations to capital

In the event of any alteration in the capital structure of our Company whilst any option may become or remains exercisable, whether by way of **[REDACTED]**, rights issue, open offer (if there is a price dilutive element), consolidation, sub-division or reduction of share capital of our Company, or otherwise howsoever, such corresponding alterations (if any) shall be made in the number of Shares subject to any options so far as unexercised and/or the subscription price per Share of each outstanding option as the auditors of our Company or an independent financial adviser shall certify in writing to the Board to be in their/his/her opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance issued by the Stock Exchange on 5 September 2005 and any future guidance and interpretation of the Listing Rules issued by the Stock Exchange from time to time and the note thereto. The capacity of the auditors of our Company or the approved independent financial adviser, as the case may be, in this paragraph is that of experts and not arbitrations and their certificate shall, in absence of manifest error, be final and conclusive and binding on our Company and the grantees.

Any such alterations will be made on the basis that a grantee shall have the same proportion of the issued share capital of our Company for which any grantee of an option is entitled to subscribe pursuant to the options held by him/her before such alteration and the aggregate subscription price payable on full exercise of any option is to remain as nearly as possible the same (and in any event not greater than) as it was before such event. No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

(t) Expiry of option

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

(i) the date of expiry of the option as may be determined by the Board;

(ii) the expiry of any of the periods referred to in paragraphs (m), (n), (o), (p) or (q);

(iii) the date on which the scheme of arrangement of our Company referred to in paragraph (q) becomes effective;

(iv) subject to paragraph (p), the date of commencement of the winding-up of our Company;

(v) the date on which the grantee ceases to be an Eligible Participant by reason of such grantee's resignation from the employment of our Company or any of its subsidiaries or the termination of his/her employment or contract on any one or more of the grounds that he or he/she has been guilty of serious misconduct, or has been convicted of any criminal offence involving his/her integrity or honesty, or in relation to an employee of our Group (if so determined by the Board), or has been insolvent, bankrupt or has made compositions with his/her creditors generally or any other ground on which an employee would be entitled to terminate his/her employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group. A resolution of the Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or

(vi) the date on which the Board shall exercise our Company's right to cancel the option at any time after the grantee commits a breach of paragraph (i) above or the options are cancelled in accordance with paragraph (v) below.

(u) Alteration of the Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of the Board except that:

(i) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 17.03 of the Listing Rules; and

(ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted,

shall first be approved by our Shareholders in general meeting provided that if the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Share Option Scheme. The amended terms of the Share Option Scheme shall still comply with Chapter 17 of the Listing Rules and any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme must be approved by Shareholders in general meeting.

(v) Cancellation of Options

Subject to paragraph (i) above, any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing. For the avoidance of doubt, such approval is not required in the event any Option is cancelled pursuant to paragraph (n).

(w) Termination of the Share Option Scheme

Our Company may by resolution in general meeting or the Board at any time terminate the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(x) Administration of the Board

The Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

(y) Conditions of the Share Option Scheme

The Share Option Scheme is conditional on:

(i) the **[REDACTED]** of the Stock Exchange granting the **[REDACTED]** of and permission to deal in our Shares which may fall to be issued pursuant to the exercise of options to be granted under the Share Option Scheme;

(ii) the obligations of the **[REDACTED]** under the **[REDACTED]** becoming unconditional (including, if relevant, as a result of the waiver of any such condition(s)) and not being terminated in accordance with the terms of the **[REDACTED]** or otherwise;

(iii) the commencement of dealings in our Shares on the Stock Exchange.

If the conditions in paragraph (y) above are not satisfied within six calendar months from the adoption date:

(i) the Share Option Scheme shall forthwith determine;

(ii) any option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect; and

(iii) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme or any option granted thereunder.

(z) Disclosure in annual and interim reports

Our Company will disclose details of the Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time. We will also disclose in the remuneration report or corporate governance report a summary of material matters relating to the Share Option Scheme that were reviewed and approved by the remuneration committee during the financial year.

(aa) Present status of the Share Option Scheme

As at the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the **[REDACTED]** of the Stock Exchange for the **[REDACTED]** of and permission to deal in our Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Share Option Scheme, being **[REDACTED]** Shares in total.

2. [REDACTED] Share Option Scheme

The following is a summary of the principal terms of the **[REDACTED]** Share Option Scheme conditionally approved and adopted by the written resolution of the Shareholders of our Company passed on [•].

(a) Purpose

The **[REDACTED]** Share Option Scheme is to enable the Company to grant options to **[REDACTED]** Eligible Participants (as defined in sub-paragraph (b)) as incentives or rewards for their contribution or potential contribution to any member of our Group.

(b) Who may join

The Board may at its discretion grant options to persons who satisfy the following eligibility criteria ("**[REDACTED] Eligible Participant(s)**"):

(i) any full-time employee, administrative personnel, and senior staff of our Group;

(ii) any director (including non-executive director and independent non-executive director) of our Group; and

(iii) any other eligible person who, in the discretion of our Board, has made contributions or will make contributions to our Group.

(c) Maximum number of Shares

The maximum number of Shares in respect of which options may be granted under the **[REDACTED]** Share Option Scheme is **[REDACTED]** Shares.

(d) Price of Shares

The exercise price per Share in respect of any particular option granted under the **[REDACTED]** Share Option Scheme is 50% of the **[REDACTED]**.

(e) Grant of options

Our Board shall have the authority but shall not be bound at any time of any business day within 120 days on or after the adoption date of the **[REDACTED]** Share Option Scheme (both days inclusive) to grant options to any **[REDACTED]** Eligible Participant as our Board may at the absolute discretion. Each grant of options shall be made to a **[REDACTED]** Eligible Participant (the "**Grantee**") in such form as our Board may from time to time determine (the "**Grantee Letter**"). For the avoidance of doubt, no option shall be granted under the **[REDACTED]** Share Option Scheme on or after the **[REDACTED]**.

An offer shall be deemed to have been accepted when the duplicate letter comprising acceptance of the offer is duly signed by the Grantee, together with a remittance in favour of our Company of RMB1.00 by way of consideration for the grant thereof, is received by our Company. Such remittance shall not be refundable.

To the extent that the offer is not accepted within 30 days from the offer date in accordance with (e) above, it will be deemed to have been irrevocably declined.

(f) Rights are personal to Grantee

An option is personal to the Grantee and shall not be assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt to do so (save that the Grantee may nominate a nominee in whose name the Shares issued pursuant to the **[REDACTED]** Share Option Scheme may be registered).

(g) Exercise of options

An option may be exercised according to the terms of the **[REDACTED]** Share Option Scheme in whole or in part by the Grantee after vesting but before the expiry of five years after the grant date ("**Exercisable Period**") by giving notice in writing to our Company stating that the option is to be exercised and the number of Shares in respect of which it is exercised, provided that the number of Shares shall be equal to the size of a board lot for dealing in Shares on the Stock Exchange or an integral number thereof. The Grantee shall also fully pay to our Company the exercise price in Hong Kong dollars in immediately available funds. Within 28 days after receipt of the notice and the relevant payment amount, and (where applicable) receipt of the auditors of our Company's or independent financial adviser's certificate under sub-paragraph (k), our Company shall allot and issue the relevant Shares to the Grantee credited as fully paid and issue to the Grantee.

(h) Vesting

Subject to the terms of **[REDACTED]** Share Option Scheme, the options granted should be subject to the following vesting conditions:

(i) the conditions which our Board may in its absolute discretion to consider, including without limitation any performance target and personal assessment indicator;

(ii) the options granted to the Grantees will be vested in the Grantee based on the following rates provided that the conditions in paragraph (h) (i) above are satisfied in the relevant financial year:

- 20% of the total number of the share options will be vested in the financial year of the **[REDACTED]**;

- 20% of the total number of the share options will be vested in the financial year immediately following the **[REDACTED]**;
- 20% of the total number of the share options will be vested in the second financial year after the **[REDACTED]**;
- 20% of the total number of the share options will be vested in the third financial year after the **[REDACTED]**; and
- 20% of the total number of the share options will be vested in the fourth financial year after the **[REDACTED]**.

(iii) if the vesting conditions in paragraph (h)(i) above have not been fulfilled during the relevant financial year, the corresponding percentage of the share options granted will lapse;

(iv) subject to the compliance with the terms of the **[REDACTED]** Share Option Scheme, in respect of exercising of options, the Grantee may exercise the option at any time during the Exercisable Period after the vesting date for such share options, however:

- if a general offer by way of voluntary offer or takeover, schemes of arrangement or otherwise is made to all the Shareholders (other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional, our Company shall forthwith notify all the Grantees and any Grantee (or his/her personal representatives) that they may by notice in writing to our Company within 14 days after such offer becoming or being declared unconditional exercise the option to its full extent or to extent specified in such notice;
- in the event of a compromise or arrangement between our Company and its members and/or creditors is proposed for the purpose of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies, our Company shall give notice thereof to all Grantees on the same day as it first gives notice of the meeting to its members and/or creditors to consider such a scheme or arrangement and the Grantee may at any time by 12:00 noon (Hong Kong time) on the business day immediately prior to the date of the meeting held by relevant court in relation to such compromise or arrangement exercise all or any of his/her options; and

- a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily winding-up our Company, our Company shall on the same date as or soon after it dispatches such notice to each member of our Company give notice thereof to all Grantees (together with a notice of the existence of the provisions of this paragraph) and thereupon, each Grantee (or his/her personal representatives) shall be entitled to exercise all or any of his/her options at any time not later than two business days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance of the full amount of the aggregate exercise price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the Grantee credited as fully paid.

(i) Ranking of Shares

The Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the Grantee (or any other person nominated by the Grantee) as the holder thereof. Subject to the aforesaid, Shares issued and allotted on the exercise of options will rank *pari passu* and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation as attached to the other fully-paid Shares in issue on the date of exercise, save that they will not rank for any dividend or other distribution declared or recommended or resolved to be paid or made by reference to a record date falling on or before the date of allotment.

(j) Lapse of options

An option shall lapse automatically and not be exercisable, to the extent not already exercised, on the earliest of:

(i) the date of lapse referred to in sub-paragraph (h)(iii) above;

(ii) the expiry of Exercisable Period in respect of any vested but unexercised share option;

(iii) the expiry of each of the periods referred to in sub-paragraph (h)(iv) above (in respect of any unexercised option);

(iv) the date of the commencement of the winding-up of our Company;

(v) the date of termination of employment (which should be the last actual working day at any member of our Group, and no matter whether the payment in lieu of notice has been made), if the Grantee is a director or an employee of our Group who for any reason ceases to be employed by our Group, or for any reason changes his/her current positions and fails to meet the conditions for exercise his/her options;

(vi) the date of Grantee's retirement, death or loss of capacity to work;

(vii) the date on which the Grantee commits a breach of paragraph (f) and our Board exercises our right to cancel the option;

(viii) the date on which the Grantee violates the law, violates professional ethics, divulges our confidential information and other official misconducts that severely damage our interests and reputation; or

(ix) the date on which our Board, at its discretion, cancels any options granted but not yet exercised by the Grantee.

(k) Effect of alteration in share

In the event of any alteration in the capital structure of our Company including a **[REDACTED]**, rights issue, open offer, subdivision, or consolidation or reduction of the share capital of our Company (other than an issue if any share capital as consideration in respect of a transaction), such corresponding adjustments (if any) shall be made to:

(i) the number of Shares subject to any unexercised option; and/or

(ii) the exercise price.

The auditors or the independent financial advisor engaged by our Company shall certify in writing to our Board that such adjustments are in their opinion fair and reasonable.

Any such adjustments shall give each participant the same proportion of the equity capital of our Company for which such participant was entitled to subscribe for prior to such adjustments, and any adjustments to the advantage of the participants to the exercise price or to the number of Shares subject to the options must be approved by the Shareholders in general meeting. No adjustment may be made to the extent that Shares would be issued at less than their nominal value.

(l) Alteration of the [REDACTED] Share Option Scheme

The **[REDACTED]** Share Option Scheme may be altered in any respect by resolution of our Board at its discretion.

(m) Termination of the [REDACTED] Share Option Scheme

We may by resolution in general meeting or our Board at any time terminate the **[REDACTED]** Share Option Scheme and in such event no further option shall be offered but the provisions of the **[REDACTED]** Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the **[REDACTED]** Share Option Scheme.

(n) Administration of our Board

The **[REDACTED]** Share Option Scheme shall be subject to the administration of our Board whose decision as to all matters arising in relation to the **[REDACTED]** Share Option Scheme or its interpretation or effect (except as otherwise provided herein) shall be final and binding on all parties.

(o) Disclosure in annual and interim report

We will disclose details of the **[REDACTED]** Share Option Scheme in our annual and interim reports in accordance with the Listing Rules in force from time to time.

(p) Summary of Grantees

On [•], options to subscribe an aggregate of **[REDACTED]** Shares were granted to a total of [•] Grantees, representing approximately **[REDACTED]**% of the issued share capital of our Company immediately following the **[REDACTED]**, taking no account of Shares which may be issued pursuant to the exercise of the **[REDACTED]** or Shares which may be issued upon the exercise of options granted under the **[REDACTED]** Share Option Scheme and options which may be granted under the Share Option Scheme. Details of the Grantees who have been granted options under the **[REDACTED]** Share Option Scheme are set out below:

[•]

3. Tax and other indemnities

Mr. Huang [has entered] into a Deed of Indemnity with and in favour of our Company (for itself and as trustee for each of its present subsidiaries) (being the contract referred to in paragraph (i) of the section headed "B. — Information about our business — 1. Summary of material contracts" above) to provide indemnities in respect of, among other matters, (i) taxation or taxation claims resulting from income, profits or gains earned, accrued or received to which any member of our Group may be subject and payable on or before the date when the **[REDACTED]** becomes unconditional; and (ii) any claims, penalties or other indebtedness resulting from any non-compliance incidents by any Group member on or before the date when the **[REDACTED]** becomes unconditional and disclosed in the section headed "Business — Legal Compliance — Non-compliance" in this document.

4. Litigation

Save as disclosed in the section headed "Business — Legal proceedings" as at the Latest Practicable Date, we were not aware of any other litigation or arbitration proceedings of material importance pending or threatened against us or any of our Directors that could have a material adverse effect on our financial condition or results of operations.

5. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the **[REDACTED]** for the **[REDACTED]** of, and permission to deal in, the Shares in issue and to be issued as mentioned in this document (including any Shares which may be issued pursuant to the exercise of the **[REDACTED]** and any Shares which may be issued upon the exercise of any options granted under the **[REDACTED]** Share Option Scheme and options which may be granted under the Share Option Scheme).

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules despite the financing relationship between the Group and a fellow subsidiary of the Sole Sponsor. The maximum amount of the Facility relative to the total assets value of the Group or the Sole Sponsor group is far less than the relevant specific threshold set out under Rule 3A.07 of the Listing Rules. Based on the aforesaid, the Sole Sponsor is considered to be independent as it can satisfy the independence criteria set out under Rule 3A.07(5) and Rule 3A.07(6) of the Listing Rules.

The Sole Sponsor's fees are approximately HK$6.3 million and are payable by our Company. The Sole Sponsor also received HK$200,000 from our Company as financial advisory fees prior to the engagement as Sole Sponsor.

6. Preliminary Expenses

The preliminary expenses incurred and paid by our Company were approximately US$5,615.

7. Promoter

The Company has no promoter for the purpose of the Listing Rules. Within the two years immediately preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the **[REDACTED]** and the related transactions described in this document.

8. Taxation of holders of Shares

(a) Hong Kong

The sale, purchase and transfer of Shares registered with our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration of, if higher, of the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax. Our Directors have been advised that no material liability or estate duty under the laws of China or Hong Kong would be likely to fall upon any member of our Group.

(b) Cayman Islands

Under the present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfers of Shares.

(c) Consultation with professional advisers

Intending holders of the Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications or subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasised that none of our Company, our Directors or the other parties involved in the **[REDACTED]** can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercise of any rights attaching to them.

9. Qualification of Experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this document:

Name	**Qualifications**
Quam Capital Limited (previously known as China Tonghai Capital Limited)	A corporation licensed under the SFO to engage in Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities
Dentons Law Offices	Legal advisers to our Company as to PRC law

Name	Qualifications
PricewaterhouseCoopers	Certified public accountants under Professional Accountant Ordinance (Cap. 50) and Registered Public Interest Entity Auditor under Accounting and Financial Reporting Council Ordinance (Cap. 588)
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
China Insights Industry Consultancy Limited	Independent industry consultant

10. Consents of Experts

Each of the experts named in "— D. Other information — 9. Qualification of Experts" in this Appendix has given and has not withdrawn its respective written consent to the issue of this document with the inclusion of its report and/or letter and/or opinion and/or the references to its name included herein in the form and context in which it is respectively included.

11. Interests of experts in our Company

None of the persons named in "— D. Other information — 9. Qualification of Experts" in this Appendix is interested beneficially or otherwise in any Shares or shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any shares or securities in any member of our Group.

12. Binding Effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

13. Miscellaneous

(a) Within the two years immediately preceding the date of this document:

(i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and

(iv) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries;

(b) there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries;

(c) our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 31 December 2022 (being the date which the latest audited consolidated financial information of our Group were made up);

(d) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this document;

(e) the principal register of members of our Company will be maintained in the Cayman Islands by **[REDACTED]** and a branch register of members of our Company will be maintained in Hong Kong by **[REDACTED]**. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our **[REDACTED]** and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted to **[REDACTED]**;

(f) no company within our Group is presently listed on any stock exchange or traded on any trading system;

(g) our Directors have been advised that under Cayman Islands law the use of a Chinese name by our Company in conjunction with our English name does not contravene Cayman Islands law;

(h) our Company has no outstanding convertible debt securities or debentures;

(i) there is no arrangement under which future dividends are waived or agreed to be waived; and

(j) there is no restriction affecting the remittance of profits or repatriation of capital by us into Hong Kong from outside Hong Kong.

14. Bilingual Document

The English and Chinese language versions of this document are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of the **[REDACTED]**;

(b) the written consents referred to in the section headed "Statutory and General Information — D. Other information — 10. Consents of Experts" in Appendix IV to this document; and

(c) a copy of each of the material contracts referred to in the section headed "Statutory and General Information — B. Information about our business — 1. Summary of material contracts" in Appendix IV to this document.

DOCUMENTS ON DISPLAY

The following documents will be published on the website of the Stock Exchange at **www.hkexnews.hk** and our website at **www.xxfqc.com** up to and including the date which is 14 days from the date of this document:

(a) the Memorandum of Association and the Articles;

(b) the Accountant's Report from PricewaterhouseCoopers, the text of which is set out in Appendix I to this document;

(c) the report from PricewaterhouseCoopers in respect of the unaudited pro forma financial information, the text of which is set out in Appendix II to this document;

(d) the audited consolidated financial statements of our Group for the three financial years ended 31 December 2022;

(e) the PRC legal opinion issued by our PRC Legal Advisers, in respect of certain general corporate matters and property interests of our Group;

(f) the letter of advice from Conyers Dill & Pearman, our Cayman legal adviser, summarising certain aspects of Cayman company law referred to in "Summary of the Constitution of our Company and Cayman Islands Company Law" in Appendix III to this document;

(g) the CIC Report;

(h) the Cayman Companies Act;

(i) the material contracts referred to in the section headed "Statutory and General Information — B. Information about our business — 1. Summary of material contracts" in Appendix IV to this document;

(j) the service agreements and letters of appointment with each of the Directors referred to in the section headed "Statutory and General Information — C. Further information about Directors and substantial shareholders — 1. Directors — (b) Particulars of service agreements and letters of appointment" in Appendix IV to this document;

(k) the written consents referred to in the section headed "Statutory and General Information — D. Other information — 10. Consents of Experts" in Appendix IV to this document;

(l) the rules of the Share Option Scheme; and

(m) the rules of the **[REDACTED]** Share Option Scheme and a list of grantees under the **[REDACTED]** Share Option Scheme.