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## RISK FACTORS

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*You should carefully consider all of the information set out in this document, including the risks and uncertainties described below, before making an investment in our Shares. Our business, financial condition and results of operations may be materially and adversely affected by any of these risks and uncertainties. The [REDACTED] of our Shares could decline due to any of these risks, and you may lose all or part of your investment. Additional risks and uncertainties not presently known to us, or not expressed or implied below, or that we deem immaterial, could also harm our business, financial condition and results of operations. You should seek professional advice from relevant advisors regarding your prospective investment in the context of your particular circumstances.*

### RISKS RELATING TO OUR BUSINESS AND INDUSTRY

**We may not be able to maintain growth in our business and may not be able to successfully carry out our business expansion and growth strategy.**

During the Track Record Period, we generated substantially all of our revenue from pledged vehicle monitoring services provided to financial institutions and automobile dealerships. Our pledged vehicle monitoring services experienced stable growth during the Track Record Period. However, our historical growth rates may not be indicative of our future growth rates, and we may not be able to generate similar growth rates in the future. According to CIC, in 2022, the market size of China’s pledged vehicle monitoring services was approximately RMB1,054.0 million and we were the largest provider of such services, with a market share of 47.9% in terms of revenue. As a result, there is limited growth potential for our pledged vehicle monitoring services. Our revenue growth rate may decline for a variety of reasons, including but not limited to increasing competition and emergence of alternative business models, which could result in a decrease in customer demand for our services. We cannot assure you that we will grow at the same rate as we did in the past or avoid any decline in the future.

Our future growth may be affected by a number of factors, most of which are beyond our control. Such factors include but are not limited to (i) changes to China’s economic and social conditions in general; (ii) changes to China’s automobile sales and distribution industry and automobile dealership industry; (iii) changes in China’s policies and regulations, especially in respect of the automobile sales and distribution industry and related automobile finance industry; and (iv) changes in our relationships with customers. As a result, we cannot assure you that we will be able to manage our future growth effectively.

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**We rely on staff designated by our subcontractors to perform certain onsite supervision services and subcontracting costs account for substantially all of our cost of sales.**

We outsource certain services, primarily including pledged vehicle monitoring services, collective vehicle conformity certificate management services and counting services, to subcontractors. During the Track Record Period, our subcontracting costs constituted substantially all of our cost of sales. For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, our subcontracting costs recorded in cost of sales amounted to RMB252.8 million, RMB285.5 million, RMB290.2 million, RMB143.9 million and RMB155.4 million, respectively, representing 96.6%, 96.6%, 89.9%, 94.4% and 88.3% of our total cost of sales during the same period, respectively. In addition, as our subcontracting agreements typically have a term of approximately two years and may be renewed upon mutual consent, any significant change in subcontracting fees may result in a surge in subcontracting costs, which in turn may impact our profitability.

Although we regularly monitor and evaluate the performance of the subcontractors and may require the subcontractors to take necessary rectification measures when their services do not meet the agreed standards, we may not be able to directly and effectively monitor the service quality of the subcontractors. Any non-performance, delayed performance or substandard performance by the subcontractors may result in deterioration of our service quality, which could damage our reputation, lead to additional expenses and business disruptions and expose us to litigation and damage claims. While we have the right to recover damages or penalties for substandard performance and failure to take necessary rectification measures from the subcontractors pursuant to subcontracting agreements, there can be no assurance that we will be able to recover any amount, or at all.

Furthermore, if the subcontractors terminate their current subcontracting agreements with us, or when our current subcontracting agreements with the subcontractors expire, there can be no assurance that we will be able to find suitable replacements in a timely manner on terms acceptable to us, or at all. Any failure by the subcontractors to meet our safety and data protection requirements could also affect our compliance with applicable government rules and regulations, which may have a material and adverse effect on our business, financial condition and results of operations.

**The transfer of pledged vehicle monitoring service business from Changjiu Industrial to us has not completed and may not complete in the near future or at all.**

Since September 2016 when Changjiu Jinfu was established, Changjiu Industrial has been gradually transferring its existing pledged vehicle monitoring service agreements to us and moving the operation team in charge of such services into our Group, and we have begun to enter into new pledged vehicle monitoring service agreements with financial institutions and automobile dealerships upon the expiration of the agreements between them and Changjiu Industrial. On November 30, 2021, Changjiu Industrial and we entered into a business transfer agreement, pursuant to which Changjiu Industrial agreed to assign to us all of its rights and obligations under its then existing pledged vehicle monitoring service agreements for a total consideration of RMB45.5 million. For more information, see “History, Reorganization and Corporate Structure—Reorganization—Onshore Reorganization—Business transfer of pledged vehicle monitoring services.”

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As of the Latest Practicable Date, the rights and obligations of Changjiu Industrial under a certain number of its then existing pledged vehicle monitoring service agreements the (“Unassigned Agreements”) had not been transferred to us. All of the rights and obligations of Changjiu Industrial under the Unassigned Agreements are expected to be transferred to us or the Unassigned Agreements will expire by December 31, 2024, after when we expect to enter into new pledged vehicle monitoring service agreements with the relevant parties to such Unassigned Agreements. Although Changjiu Industrial continued to assume its rights and obligations under the Unassigned Agreements, it has exclusively entrusted us to provide pledged vehicle monitoring services pursuant to an entrustment agreement dated April 26, 2023 between Changjiu Industrial and us. See “Connected Transactions—Non-exempt Continuing Connected Transactions—(4) Entrustment Agreement” for details.

We cannot assure you that our business transfer agreement with Changjiu Industrial will be implemented as planned. If Changjiu Industrial breaches the business transfer agreement or the entrustment agreement, we may not be able to provide pledged vehicle monitoring services to certain financial institutions and automobile dealerships, which may adversely affect our relationships with them and our chances of entering into new pledged vehicle monitoring service agreements with them upon expiration of their contracts with Changjiu Industrial. Furthermore, we cannot assure you that Changjiu Industrial’s pledged vehicle monitoring service business will be fully transferred to us in accordance with the estimated timeline, or at all. If certain Unassigned Agreements are not transferred to us by December 31, 2024, we may fail to enter into new pledged vehicle monitoring service agreements with the relevant financial institutions and automobile dealerships after such Unassigned Agreements expire on December 31, 2024. Any delay or failure in the process of such business transfer may have a material and adverse effect on our business, financial condition, results of operations and growth prospects. In addition, since we entered into an entrustment agreement with Changjiu Industrial, we undertook its rights and assumed its obligations under its existing pledged vehicle monitoring service agreements with financial institutions and automobile dealerships. If Changjiu Industrial breaches its obligations under its existing pledged vehicle monitoring service agreements, we may be held liable for damages under the entrustment agreement.

**We have a limited operating history in automobile dealership operation management services and our efforts to provide automobile dealership operation management services to Independent Third Parties may not succeed.**

We launched our automobile dealership operation management services in April 2022. Our limited operating history in automobile dealership operation management services may make it difficult to accurately evaluate our current business and reliably predict our future performance. Any predictions you make about our future success or viability in this business line may be subject to uncertainty and may not be as accurate as they could be if we had a longer operating history in this business line. In particular, we cannot assure you that the application of our experience and technology from our pledged vehicle monitoring services to our automobile dealership operation management services will turn out to be successful. While we have established an extensive customer base through the provision of pledged vehicle monitoring services, there is no assurance that our existing customers will have a demand for

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our automobile dealership operation management services or introduce new customers to us. In addition, substantially all of our revenue from this business line during the Track Record Period was generated from services provided to automobile dealerships owned by Changjiu Group. Although we have expanded and plan to further expand our business by providing automobile dealership operation management services to Independent Third Parties, we cannot assure you that we will be able to acquire service agreements from Independent Third Parties in a timely manner or on favorable terms. As of June 30, 2023, we had entered into five automobile dealership operation management service agreements for this business line with automobile dealerships owned by Independent Third Parties. In 2022 and the six months ended June 30, 2022 and 2023, we recorded gross loss of approximately RMB1.8 million, nil and RMB3.8 million, respectively, attributable to Independent Third Parties, primarily because we were at the early stage of business development for such services and incurred related costs, especially staff costs, in preparation for future demand of our services. See “Financial Information—Description of Certain Consolidated Statements of Profit or Loss Items—Gross Profit and Gross Profit Margin” for details. Furthermore, we may encounter risks and difficulties frequently experienced by businesses providing new services, such as unforeseen expenses, difficulties, complications, delays and other known and unknown factors. If we do not address these risks and difficulties successfully, our business may suffer.

**Our initiatives to develop new services may not succeed as planned, which may make it difficult to assess our prospects.**

The success of our business depends, in part, on our ability to develop new services and introduce new business models. We expect to continue to expand into new types of business operations when we see business opportunities. We are developing an automobile supply chain service mobile application where we could facilitate sales, delivery and other supply chain services of NEVs in our mobile application. Our automobile supply chain service mobile application commenced trial operation in April 2023. These business initiatives are based on our assessment of market prospects, and there is no assurance that our assessment will prove to be correct or that we will grow our business as planned. These new business initiatives may not be well received by the market and we may determine to cease new initiatives from time to time.

Furthermore, we cannot assure you that our initiatives to develop new services and introduce new business models will achieve the success we expect, in which case we may not be able to recoup the resources we invest to develop, optimize and expand our new business initiatives. We cannot assure you that our new business initiatives, which are based upon our forward-looking assessment of market prospects and customer preferences, will always turn out to be successful. A number of factors beyond our control may also affect our plan for the development of diversified services, including changes in the PRC’s economic conditions in general, government policies and regulations on relevant industries, and changes in demand for our services. Our business, financial condition, results of operations and growth prospects may be materially and adversely affected if any of our new business initiatives are not successful.

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**We face intense competition, particularly with respect to our pledged vehicle monitoring services, and if we fail to compete effectively, our business, prospects and results of operations may be materially and adversely affected.**

The markets for our services are competitive. Factors affecting competition primarily include relationships with customers, technological innovation, experience in and familiarity with the market, pricing and quality of services. With respect to pledged vehicle monitoring services, our primary competitors are service providers with long operating history and extensive experience in the automobile sales and distribution industry, automobile finance industry, automobile logistics industry, and/or automobile insurance industry. Our existing market position may be adversely affected if we fail to compete effectively against our existing competitors or new entrants. Furthermore, the emergence of new or alternative technology could potentially replace or reduce the demand for our pledged vehicle monitoring services or render our existing technologies and services obsolete or unattractive. For example, financial institutions may directly access the location information of pledged vehicles through GPS devices, if it is allowed. If we fail to keep up with new technological developments in an efficient and cost-effective manner, our business, financial condition and results of operations may be materially and adversely affected. In addition, we cannot assure you that our market share will not decline in the future as a result of adverse economic or regulatory developments.

For our automobile dealership operation management services, our potential competitors are startup software companies, internet platform companies and large automobile dealerships with strong management capabilities, according to CIC. Some of our competitors may have better access to automobile manufacturers, more extensive services networks, stronger technological capacities or broader customer base.

Intense competition in our markets may reduce our service fees and revenue, increase our operating expenses and capital expenditures and lead to departures of our qualified employees. We may, in the future, encounter disputes with our competitors, including lawsuits involving claims asserted under intellectual property laws and unfair competition laws which may adversely affect our business and reputation. Failure to compete with current and potential competitors could materially harm our business, financial condition and our results of operations.

**Our efforts to upgrade existing technology and develop new technology may not succeed.**

We depend, to a large extent, on our ability to upgrade and develop technology relating to the provision of our services. In order to increase efficiency and accuracy in our pledged vehicle monitoring services and respond to user demand, we will continue to develop and refine our integrated digital information infrastructure and devices. In addition, we will continue to enhance our data processing capabilities and improve our integrated digital information system by means of designing lightweight algorithms in the underlying cloud infrastructure and developing scalable modules in the data, technology and business supporting systems. However, there is no assurance that we could successfully develop new technology. Moreover, the development of new technology may not lead to commercially successful

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products. The new products we develop may not be commercially viable and may not reach the industry standards or meet customers’ needs. As a result, we cannot assure you that our efforts in research and development will translate into commercial success. If we fail to successfully update our existing technology or develop new technology, our business, financial condition, results of operations and growth plans may be materially and adversely affected.

### **Our information systems and technologies may be disrupted by defects, errors, system failures, security breaches, server disruptions and network interruptions.**

We rely on our pledged vehicle monitoring system, including VFS system and Vehicle Connect, radio-frequency identification (“RFID”) labels, personal digital assistants (“PDAs”), on-board diagnostics (“OBD”) devices and lockboxes to deliver our pledged vehicle monitoring services to financial institutions and automobile dealerships, and we utilize our operation management system, namely Smart Star (“智科星”), for the provision of automobile dealership operation management services. We may encounter technical problems, security issues and operational issues that may prevent our information systems and technologies from functioning properly and our customers from receiving desired services, which could damage our customers’ business and, in turn, hurt our reputation. Real or perceived defects, errors, failure or bugs in our information systems and technologies could result in negative publicity, loss or delay in market acceptance of our services, loss of competitive position, lower customer retention or claims by customers for losses sustained by them. In such an event, we may be required, or may choose, for customer relations or other reasons, to expend additional resources in order to rectify the defects or errors and compensate for losses sustained by our customers. If we are unable to resolve such problems in a timely manner, or at all, we may lose our existing customers or face lower customer engagement. In addition, we may not be able to recruit sufficient qualified personnel to support the operation and growth of our information systems and technologies.

In addition, breaches to our security measures, including computer viruses and hacking, may result in significant damage to our hardware and software systems, disruptions to our business activities, inadvertent disclosure of confidential or sensitive information, interruptions in access to our information systems and technologies and other material adverse effects on our operations. Our systems may be subject to infiltration as a result of third-party action, employee error, malfeasance or otherwise, during transfer of data or at any time, and result in persons obtaining unauthorized access to our systems and data. If our security measures are breached and unauthorized access to our systems and database is obtained, our services may be perceived as insecure and customers may curtail or stop using our services altogether and we may incur significant legal and financial exposure and liabilities. We may incur significant costs to protect our systems and equipment against the threat of, and to repair any damage caused by, computer viruses and hacking. Moreover, if a computer virus or hacking affects our systems and is highly publicized, our reputation may be materially damaged and use of our services may decrease.



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Furthermore, we cannot assure you that damages or interruptions caused by power outages, computer viruses, hardware and software failures, telecommunication failures, fires, natural disasters, security breaches and other similar occurrences relating to our information systems and technologies will not occur going forward. We may incur significant costs in restoring any damaged devices and systems. Failures in or disruptions to our information systems and technologies and loss or leakage of confidential information could cause transaction errors, processing inefficiencies and the loss of customers. We may thus experience material adverse effects on our business and operating results. Future development of and investment in these devices and systems may be subject to PRC laws and regulations governing license approvals and renewals and we cannot assure you that we can obtain or renew our license on time, if at all. In addition, we do not carry insurance to compensate us for any losses that may result from claims arising from defects or errors in our information systems and technologies. Any of the foregoing may materially and adversely affect our reputation, business, financial condition and operating results.

**Our services may be affected by restrictions imposed by automobile manufacturers on automobile dealerships.**

We provide automobile dealership operation management services to automobile dealerships. Automobile dealerships are generally subject to restrictions imposed by dealership authorization agreements between automobile dealerships and automobile manufacturers, such as restrictions on retail price, restrictions on vehicle makes and/or models that could be sold and restrictions regarding the provision of after-sales services, according to CIC. Any increase in the level of restrictions or the enforcement by the automobile manufacturers on the business and operations of the automobile dealerships under our management may limit our ability to timely respond to changes in market conditions or to appropriately implement the operation strategies designed for such automobile dealerships. For instance, if there is a decrease in the demand for a particular vehicle make or model, and the automobile dealership under our management is restricted from selling other vehicle makes or models, the business performance of such automobile dealership may be negatively impacted, which in return could adversely affect our business and results of operations.

In addition, our pledged vehicle monitoring services may be affected by restrictions imposed by automobile dealerships manufacturers on automobile dealerships. If there is a decrease in the demand for a particular vehicle make or model, and automobile dealerships primarily selling such vehicles are restricted from selling other vehicle makes or models, such automobile dealerships may purchase fewer automobiles through secured financing, leading to a decrease in the demand for pledged vehicle monitoring services, which in turn could adversely affect our business and results of operations.

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### **Government policies and regulations concerning China’s automobile sales and distribution industry may materially affect the demand for our services.**

We operate in China’s automobile sales and distribution industry. We cannot predict how this industry will develop in the future, as it may be affected by various government policies and regulations, in particular, regulations on the purchase of new automobiles and government policies on NEVs.

In order to deal with traffic congestion and carbon dioxide emissions in China, the PRC government has implemented various rules and regulations on new gasoline-powered automobile purchases and ownership by limiting the number of new license plates to be issued each year. In particular, automobile purchases, ownership and sales may be affected by quotas, emission standards or other measures implemented by local governments to control the number of automobiles.

Furthermore, local governments have been required to invigorate the NEV market to promote the sales and distribution of NEVs and not to impose restrictions on the sales and distribution of NEVs. They have been required to take measures to simplify the registration procedures for NEVs, optimize the vehicle registration system and facilitate the transaction parties to complete the registration procedures at the location of the vehicles. From January 1, 2021 to the end of 2023, NEVs purchases are exempt from vehicle acquisition tax.

The favorable policies and competitive pricing for trading NEVs may lead to decreased demand for new gasoline-powered automobiles in China, which in turn may materially and adversely affect demand for our services provided to financial institutions and automobile dealerships, which still primarily transact gasoline-powered automobiles. In addition, if the PRC government increases automobile purchase and consumption tax rates or impose an automobile luxury tax or other additional restrictions or taxes, our business, financial condition, results of operations and growth prospects may also be materially and adversely affected. The PRC government may also introduce policies, guidelines, rules and regulations from time to time to regulate automobile-related businesses. We may incur substantial costs in order to be in compliance with the applicable regulations, and any changes in these policies and regulations may have an adverse effect on our business, growth prospects and profitability.

### **Our pledged vehicle monitoring services may be affected by changes in government policies and regulations relating to China’s banking and automobile finance industries.**

We provide pledged vehicle monitoring services primarily to financial institutions, which mainly include commercial banks and automobile finance companies. Since China’s banking and automobile finance industries are highly regulated, demand for our pledged vehicle monitoring services may be affected by changes in government policies and regulations relating to these industries. Commercial banks and automobile finance companies are subject to stringent regulatory requirements and guidelines set forth by the PRC regulatory authorities, which include but are not limited to the CBIRC, PBOC, MOF, NDRC, SAMR, STA, CSRC, SAFE and their respective local branches. Some of these regulatory authorities carry out



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periodic and ad hoc inspections, examinations and inquiries on our customers’ business and compliance with their laws, regulations and guidelines, and some have the authority to impose sanctions, penalties or remediation actions. These laws, regulations and guidelines impose regulatory requirements on, among other things, banking products and services, market entry, automobile finance business operations, establishment of new branches or institutions, capital structure, tax and accounting policies, corporate governance, risk management, pricing and provision policies.

The CBIRC, as the primary banking industry and automobile finance industry regulator, has promulgated a series of regulations and guidelines aimed at improving the operations and risk management of Chinese commercial banks and automobile finance companies. In particular, since late 2017, in line with the policy to mitigate potential risks in the PRC financial markets, the CBIRC has promulgated a series of rules and regulations, such as the Measures for the Management of Auto Loans (2017 Revision) (《汽車貸款管理辦法(2017年修訂)》), to enhance supervision and add restrictions on various business operations of commercial banks and automobile finance companies. These regulations encourage banking institutions and other financial institutions to improve their risk management systems, enhance supervision on business operations and adopt more stringent corporate governance measures, which contributed to an increase in the demand for our pledged vehicle monitoring services.

Policies, laws and regulations governing the banking and automobile finance industries or interpretations thereof may change in the future. If the demand for our services decreases as a result of changes in government policies and regulations, our business, financial condition and results of operations may be materially and adversely affected.

### **Failure to properly collect, store, use and protect personal data of our customers could harm our reputation and deter customers from engaging our services.**

During the ordinary course of our business, we primarily collect and process four types of business data, namely (i) data related to pledged vehicles; (ii) dealership-related data; (iii) dealership operational data; and (iv) service-fee-related data. For more details, see “Business—Pledged Vehicle Monitoring Services—Data Security and Privacy.” We also collect, store and use personal data of staff from subcontractors and employees of commercial banks, automobile finance companies and automobile dealerships. Personal data we collect from subcontractors who provide onsite supervision services primarily include their names, dates of birth, phone numbers, ID numbers, addresses, work experience, education background and facial recognition data. We also collect personal data from employees of commercial banks, automobile finance companies and automobile dealerships when they register with our systems, such as names, phone numbers, job titles and work emails. Although we have spent significant resources to protect data against security breaches, our internal control mechanism may not be sufficient and our security measures may be compromised. Any failure or perceived failure to maintain the security of personal and other confidential data that are provided to or collected by us could harm our reputation, and may expose us to legal proceedings and potential liabilities, any of which could adversely affect our business and results of operations.

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### **Failure to attract new customers or retain existing customers could reduce or slow the growth of our customer base.**

In order to maintain and strengthen our position in China’s pledged vehicle monitoring service industry, we must strive to attract and retain customers, which requires us to provide high-quality and responsive customer services. In addition, in order to develop our automobile dealership operation management services, we must proactively attract new customers by entering into service agreements with Independent Third Parties. We must also innovate and introduce new information systems and technologies that enhance customer experience. However, we may not succeed in attracting new customers or retaining existing customers for a variety of reasons, including price competition, superior services and technologies from our competitors and changes in China’s automobile sales and distribution industry. If we fail to attract or retain customers, our business and results of operations may be materially and adversely affected.

### **Our reliance on suppliers could adversely affect our ability to manage our business effectively.**

During the Track Record Period, we primarily (i) outsourced our onsite supervision services; and (ii) procured from third-party manufacturers of our RFID labels, patented PDAs and OBD devices for our pledged vehicle monitoring services, and patented lockboxes for our lockbox services. We may experience inventory shortage, delay in delivery or termination of agreements as a result of increase in market demand, natural disasters or lack of sufficient rights of our suppliers to provide the services or devices.

During the Track Record Period, purchases from our five largest suppliers in that year/period amounted to RMB255.3 million in 2020, RMB286.6 million in 2021, RMB302.3 million in 2022 and RMB157.2 million in the six months ended June 30, 2023, which accounted for 97.6%, 97.0%, 93.6% and 89.4% of our total cost of sales, respectively. During the Track Record Period, purchases from our single largest supplier in that year/period amounted to RMB223.3 million in 2020, RMB211.4 million in 2021, RMB119.1 million in 2022 and RMB154.0 million in the six months ended June 30, 2023, which accounted for 85.4%, 71.6%, 36.9% and 87.5% of our total cost of sales, respectively. Our reliance on these suppliers may subject us to concentration and counterparty risks from these suppliers. We cannot assure you that we will be able to maintain our relationships with our suppliers in the future. We generally do not have any long-term agreements guaranteeing supply with these suppliers. If our supply of certain services or devices is disrupted or delayed, there can be no assurance that additional supplies can serve as adequate replacements or that supplies will be available on terms that are favorable to us, if at all. Moreover, even if we can identify adequate replacements on substantially similar terms, our business may be adversely affected. Any disruption in the supply of services or devices may delay the provision of our services or cause other constraints on our business that could damage our customer relationships.

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Furthermore, defects or errors may be found in the devices provided by our suppliers, which may cause damage to our internal system and hardware and also to the services we provide to our customers. In addition, any failure by our suppliers to meet our standards may have a material and adverse effect on our business, results of operations and financial condition, as well as our reputation and growth prospects.

**Our risk management framework, policies and procedures and internal controls may not fully protect us against various risks inherent in our business.**

We have established an internal risk management framework, with various policies and procedures in place to manage our risk exposures with respect to credit, operations, IT, legal and compliance. Our risk management policies and procedures are based upon regulations and policies issued by administrative authorities, industry practice, our financial condition and our operational experience. However, our policies may not be adequate or effective in managing all future risk exposures or protecting us against unidentified or unanticipated risks, which could be significantly greater than those indicated by our internal assessments and operational experience. Although we are continuously updating these policies and procedures, they may fail to predict future risks due to rapid changes in the market and regulatory conditions.

In addition, fraud or other misconduct by employees, customers, automobile dealerships we work with and other third parties or business partners may be difficult to detect and prevent. For example, our employees may engage in fraudulent business transactions or violate our internal policies and procedures. In addition, customers and automobile dealerships we work with may on their own or collectively use fake identification, forged documentation and/or engage in other fraudulent transactions. Fraud or other misconduct committed by our employees, customers, automobile dealerships or other third parties could subject us to financial loss and penalties imposed by governmental and regulatory authorities. We could also suffer from negative publicity, reputational damage, monetary losses or litigation costs as a result of the misconduct of our employees. Our risk management systems, IT systems and internal control procedures are designed to monitor our operations and overall compliance. However, we may be unable to identify non-compliance or suspicious transactions in a timely manner or at all. Furthermore, the precautions we take to prevent and detect such activities may not be effective. It is possible that fraud or other misconduct may have previously occurred but were undetected and that such fraud or misconduct could occur in the future.

Our internal controls may not effectively prevent the occurrence of any of the foregoing, which may have a material and adverse effect on our business, financial condition and results of operations.

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**We may fail to retain our senior management team or to attract and retain qualified and experienced employees.**

We rely on the leadership of our senior management team, in particular, our chief executive officer and executive Director, Mr. Bo Shijiu. Our success also depends on the experience and skills of other members of our senior management team. We do not maintain key person insurance for members of our senior management team and we have not entered into non-compete agreements with key members of our senior management team. The loss of services of any member of our senior management team could significantly affect our ability to effectively manage our operations and implement our expansion plan and as a result, our competitiveness may decrease. This may in turn materially and adversely affect our business, financial condition, results of operations and growth prospects. We cannot assure you that we will be able to retain our senior management team or find suitable or comparable replacements on a timely basis or at all.

Our success also depends on our ability to retain and hire additional qualified and experienced employees, in particular, employees for our pledged vehicle monitoring group, information technology group and automobile dealership operation management group. In addition, competitors may seek to hire away our key employees as competition for experienced and qualified personnel is intense. If we are unable to attract and retain the necessary personnel to grow and develop our business, our business, financial condition, results of operations and growth plans may be materially and adversely affected.

**We have granted restricted shares and share options, and we may continue to incur share-based payment expenses, which may cause dilution to our existing Shareholders and may have an adverse effect on our results of operations.**

On March 7, 2023, we granted a total of 1,620,000 restricted shares and a total of [REDACTED] share options to certain of our employees and Directors. See “History, Reorganization and Corporate Structure—[REDACTED] Share Incentive Plans” for more details. We recorded RMB13.7 million in share-based compensation expenses for the six months ended June 30, 2023. See Note 6 to the Accountants’ Report in Appendix I to this document for further details. In the future, we may adopt new share incentive plans and issue shares and options to our Directors, members of our senior management team and/or key employees to incentivize their performance and align their interests with ours. As a result, we may continue to incur share-based payment expenses and/or our expenses associated with share-based compensation may increase in the future, which may have an adverse effect on our net profits. Furthermore, the grant of restricted shares and share options may result in an immediate and potential dilution to our existing Shareholders and could result in a decline in the value of our Shares.

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**Our future acquisitions, strategic alliances and investments may not be successful and we may face difficulties in integrating acquired businesses with our existing business.**

We may selectively consider opportunities to enter into acquisitions, investments and strategic alliances in order to expand our business. These transactions involve inherent risks, including:

- the failure to achieve the expected benefits of the acquisition, investment or alliance;
- difficulties in, and the cost of, integrating operations, technologies, services and personnel;
- write-offs of investments or acquired assets;
- non-performance by, or conflicts of interest with, the parties with whom we enter into investments or alliances;
- limited ability to monitor or control the actions of other parties with whom we enter into investments or alliances;
- misuse of proprietary information shared in connection with an acquisition, investment or alliance; and
- depending on the nature of the acquisition, investment or alliance, exposure to new regulatory risks.

The realization of any of these risks may materially and adversely affect our business. Furthermore, we may fail to identify or secure suitable acquisition, investment and other strategic opportunities, or our competitors may capitalize on such opportunities before we do, which could impair our ability to compete with our competitors and adversely affect our growth prospects and results of operations. As of the Latest Practicable Date, we did not have any potential acquisition or investment target or enter into any definitive agreement for investment or acquisition.

**We may need additional funding to achieve our business targets, finance our operations and respond to market opportunities.**

We may need to secure additional funding for our future business expansion and growth strategy. There can be no assurance that we will be able to secure funding on terms acceptable to us or at all. If our internal capital reserve and cash generated from our business operations are insufficient to finance our business expansion and growth strategy, we may have to seek additional financing from third parties, including banks. We may also consider raising funds through the issuance of equity or convertible debt securities, which would lead to the dilution of our existing Shareholders' interests in the Company. If we are unable to obtain financing in a timely manner, at a reasonable cost and on acceptable terms, we may be forced to delay our expansion plans, or downsize or abandon such plans, which may adversely affect our business, financial condition and operating results, as well as our future prospects.

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**We had negative operating cash flows in the six months ended June 30, 2022 and 2023.**

We recorded negative cash flow from operating activities of RMB9.1 million and RMB20.8 million in the six months ended June 30, 2022 and 2023, respectively. For more details, please see “Financial Information—Liquidity and Capital Resources—Cash Flow.” Negative net operating cash flows may require us to obtain sufficient liquidity to meet our financial needs and obligations and we may be forced to seek external financing, which may not be available at commercially reasonable terms or at all. If we are unable to do so, we may be in default of our payment obligations and may not be able to develop our business as planned or meet our capital expenditure requirements. As a result, our business, financial condition and results of operations may be materially and adversely affected.

**We are subject to credit risks and recoverability risks relating to our trade receivables.**

Our trade receivables represent outstanding amounts due from automobile dealerships and financial institutions. As of December 31, 2020, 2021 and 2022 and June 30, 2023, we had trade receivables of RMB40.0 million, RMB59.9 million, RMB101.3 million and RMB179.8 million, respectively. If automobile dealership and financial institutions’ cash flows, working capital, financial condition or results of operations deteriorate, they may be unable, or they may otherwise be unwilling, to pay trade receivables owed to us promptly or at all. Any substantial defaults or delays may materially and adversely affect our cash flows and our relationships with automobile dealerships and financial institutions. In addition, we may grant credit terms to financial institutions, which could prolong our receipt of service fees under our tripartite pledged vehicle monitoring service agreements. The delay in payment by financial institutions may negatively affect our cash flow and increase our liquidity risks.

**Our failure to honor our obligations in respect of our contract liabilities may lead to our refund obligation, customer dissatisfaction, or even customer disputes with us, which may adversely affect our reputation, business, results of operations and financial condition.**

As of December 31, 2020, 2021 and 2022 and June 30, 2023, our contract liabilities amounted to RMB52.7 million, RMB69.4 million, RMB58.9 million and RMB50.7 million, respectively. Our contract liabilities primarily represent advance payments from customers for the provision of pledged vehicle monitoring services. If we fail to fulfill our obligations under our contracts with customers, we may not be able to convert such contract liabilities into revenue, and our customers may also require us to refund their payment we have received, which may adversely affect our cash flow and liquidity condition and our ability to meet our working capital requirements and, in turn, our results of operations and financial condition. In addition, if we fail to fulfill our obligations under our contracts with customers, it may also adversely affect our relationships with such customers, which may in turn affect our reputation and results of operations in the future.



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## RISK FACTORS

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**We recorded net current liabilities as of December 31, 2022 and we cannot assure you that we will not record net current liabilities in the future.**

We recorded net current liabilities of RMB1.4 million as of December 31, 2022, which was primarily due to the RMB101.0 million consideration paid in 2022 to acquire the 100% equity interest in Changjiu Jinfu as part of the Reorganization. See “History, Reorganization and Corporate Structure—Onshore Reorganization—Acquisition of Changjiu Jinfu by Shanghai Bozhong” for details. We cannot assure you that we will not record net current liabilities in the future due to other reasons. If we have net current liabilities in the future, our working capital may be constrained, we may be unable to repay our short-term debts and we may be forced to seek external financing, which may not be available at commercially reasonable terms or at all. Any such development may materially and adversely affect our business, financial condition and results of operations.

**Our policies and procedures relating to anti-corruption, anti-bribery, anti-money laundering, financial and economic sanctions and similar legislation may not be sufficient.**

We are required to comply with the laws and regulations relating to anti-corruption, anti-bribery, anti-money laundering, financial and economic sanctions and similar legislations. We have direct or indirect interactions with officials and employees of state-owned financial institutions in the ordinary course of business. These interactions subject us to an increasing level of compliance-related concerns. We have implemented and will continue to implement policies and procedures for the purpose of ensuring the compliance with applicable laws and regulations relating to anti-corruption, anti-bribery, anti-money laundering, financial and economic sanctions and similar legislation by us and our Directors, senior management, employees, suppliers, agents, customers or other business partners. In particular, we enter into anti-bribery agreements with our suppliers as part of our anti-bribery policy. However, our policies and procedures may not be sufficient and our Directors, senior management, employees, suppliers, agents, customers or other business partners may participate in misconduct which could subject us to whistleblower complaints, adverse media coverage, investigations, and severe administrative, civil and criminal sanctions, collateral consequences, remedial measures, and legal expenses, all of which may materially and adversely affect our business, reputation, financial condition, and results of operations.

**If we experience material delays in obtaining the relevant government certificates, our business may be adversely affected.**

We are required by PRC law to obtain and maintain certain certificates for our services. For more details, see “Business—Certificates, Licenses and Permits.” There can be no assurance that we will not encounter material delays or difficulties in fulfilling the necessary conditions to obtain and/or renew the necessary certificates for our operations in a timely manner, or at all, in the future. Therefore, in the event that we experience material delays in obtaining or maintaining the necessary certificates, our business, financial condition and operating results may be adversely affected.

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## RISK FACTORS

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**We may be subject to late payment fines or other penalties for our failure to fully contribute to social insurance and housing provident funds for some of our employees.**

During the Track Record Period, one of our PRC subsidiaries did not fully contribute to social insurance and housing provident funds for its employees. We have made provisions in the amounts of RMB0.5 million and RMB0.8 million to our consolidated statements of profit or loss in respect of such potential liabilities for the years ended December 31, 2020 and 2021, respectively.

As advised by our PRC Legal Advisors, according to the relevant PRC laws and regulations, if we fail to make contributions to social insurance funds on time and in full, the relevant government authority can require us to rectify the shortfall in our contributions within a prescribed period, and we may be liable for a late payment fee equal to 0.05% of the shortfall in our contributions for each day of delay. If we fail to make the payments within the prescribed period, we may be liable for a penalty of one to three times the amount of the shortfall in our contributions. If we fail to make contributions to housing provident funds in full when due, the relevant government authority can require us to rectify the shortfall in our contributions within a prescribed period, and where the payment has not been made within the prescribed period, the relevant government authority can apply to a court for compulsory enforcement.

We cannot assure you that the relevant government authorities will not require us to rectify such incidents or impose late payment fines or other penalties on us. If we are required to rectify the shortfall in our contributions or are imposed severe penalties, our business, financial condition and results of operations may be adversely affected. For more details, see “Business—Legal Proceedings and Compliance—Historical Non-Compliance Incidents—Social Insurance and Housing Provident Funds.”

**Our landlord failed to provide to us relevant title certificate with respect to one of our leased properties in the PRC.**

During the Track Record Period, the landlord of one of our leased properties in the PRC failed to provide the relevant title certificate with respect to the property. Please refer to “Business—Properties” in this document. If the landlord is not the owner or not authorized by the real owner to lease the property to us, we might need to seek alternative properties and incur additional costs relating to such relocation. Any dispute or claim in relation to the rights to use or lease of the property occupied by us, including any litigation involved allegations of illegal or unauthorized use of the property, may require us to relocate our business premises. If our lease were terminated as a result of any challenge by third-parties or any failures of our landlord to renew the leases or obtain relevant legal title or the requisite government approval or consent to lease the relevant property, we may need to seek alternatives premises and incur additional costs for relocation.

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## RISK FACTORS

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**Our lease agreement was not registered with the relevant government authorities, which may expose us to potential fines.**

Pursuant to relevant PRC regulations, parties to lease agreements are required to file the lease agreements for registration and obtain property leasing filing certificates for their leases. As of the Latest Practicable Date, we failed to register one lease agreement under which we are the tenant. As advised by our PRC Legal Advisors, the failure to register the lease agreement does not affect the validity of the lease agreement under the relevant PRC laws and regulations. However, we may be required by relevant government authorities to file the lease agreement to complete the registration formalities and may be subject to a fine for non-registration within the prescribed time limit, which may range from RMB1,000 to RMB10,000 per lease agreement. The imposition of the above fines could require us to make additional efforts and/or incur additional expenses, any of which may materially and adversely impact our business, financial condition and results of operations. We cannot assure you that the other parties to our lease agreement will be cooperative and that we can complete the registration of this lease agreement and any other lease agreements that we may enter into in the future.

**We may be subject to penalties relating to labor dispatch.**

On December 28, 2012, the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) was amended to impose more stringent requirements on labor dispatch and such amendments became effective on July 1, 2013. For example, dispatched workers may only engage in temporary, auxiliary or substitute work. In addition, the number of dispatched workers engaged by an employer may not exceed a certain percentage of its total number of workers, to be decided by the Ministry of Human Resources and Social Security. Pursuant to the Interim Provisions on Labor Dispatch (《勞務派遣暫行規定》) (the “Interim Provisions on Labor Dispatch”) which has become effective since March 1, 2014, an employer shall strictly control the number of dispatched workers engaged, which shall not exceed 10% of the total number of its workers (the “Limit”). The total number of workers refers to the sum of (i) the number of employees who have entered into employment agreements with the employer; and (ii) the number of dispatched workers engaged by such employer.

In the event a company violates the Interim Provisions on Labor Dispatch, the relevant labor department would order the company to rectify such violation. If the company fails to rectify within a prescribed period, it would be imposed a fine of RMB5,000 to RMB10,000 for each dispatched worker over the Limit. In addition, the company would not be permitted to engage additional dispatched workers until the number of its existing dispatched workers has been reduced below the Limit.

During the Track Record Period, we engaged dispatched workers for positions of temporary, auxiliary or substitute nature. However, we cannot assure you that the relevant government authorities would determine that the dispatched workers was engaged to perform temporary, auxiliary or substitute work. During the Track Record Period, the number of dispatched workers engaged by one of our subsidiaries exceeded the Limit. As of the Latest

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## RISK FACTORS

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Practicable Date, we had taken rectification measures to reduce the number of dispatched workers to below the Limit, and none of our subsidiaries had received any notice or been subject to any administrative penalties or other disciplinary actions relating to labor dispatch from the relevant government authorities. See “Business—Legal Proceedings and Compliance—Historical Non-Compliance Incidents—Labor Dispatch.” However, we cannot assure you that the relevant government authorities will not impose penalties on our subsidiary for its historical non-compliance, which may adversely affect our business, profitability and reputation.

### **We may be involved in legal and other disputes and claims that arise from our operations from time to time.**

We may be subject to legal proceedings from time to time in the ordinary course of our business, which could have a material adverse effect on our business, results of operations and financial condition. Claims arising out of actual or alleged violations of law could be asserted against us by customers and businesses that utilize our services, by competitors, or by governmental entities in civil or criminal investigations and proceedings or by other entities. These claims could be asserted under a variety of laws, including but not limited to product liability laws, consumer protection laws, intellectual property laws, unfair competition laws, privacy laws, labor and employment laws, securities laws, tort laws, contract laws, property laws and employee benefit laws.

In particular, we are subject to litigation risks relating to our tripartite pledged vehicle monitoring service agreements. Such agreements typically provide that if we fail to duly fulfill our obligations under these agreements, and such failure results in the damage or loss of the pledged vehicles, vehicle conformity certificates or car keys, we should compensate the relevant financial institutions for its losses resulted from such damage or loss. For example, on May 19, 2023, a commercial bank initiated a civil lawsuit (the “2023 Changchun Lawsuit”) against us, alleging that we failed to fulfill our contractual obligations to monitor the pledged vehicles under a tripartite pledged vehicle monitoring service agreement, resulting in a shortage of pledge value. For more details, see “Business—Legal Proceedings and Compliance—Legal Proceedings.”

There is no guarantee that we will eventually prevail in the 2023 Changchun Lawsuit or that we will be successful in defending ourselves in other legal and administrative actions or in asserting our rights under various laws. Even if we are successful in our attempt to defend ourselves in legal and administrative actions or to assert our rights under various laws, enforcing our rights against the various parties involved may be expensive, time-consuming and ultimately futile. These actions could expose us to negative publicity, which might adversely affect our reputation, goodwill and relationships with customers. In addition, these actions could also expose us to substantial monetary damages and legal defense costs, injunctive relief and criminal and civil fines and penalties, including but not limited to suspension or revocation of licenses to conduct business. In addition, we may need to spend a significant amount to settle claims or pay damages if we lose a lawsuit, which may have a material and adverse effect on our business, financial condition and results of operations.

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## RISK FACTORS

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**Accidents or injuries suffered by our employees, visitors, customers or other personnel at the automobile dealerships under our management may subject us to liability.**

In the course of the day to day operations at automobile dealerships under our management, automobiles frequently need to be moved around. Consequently, there are inherent risks of accidents and injuries among our employees and the staff designated by our subcontractors staffed to the dealerships, and, to a certain extent, other visitors and customers, at each of the automobile dealerships under our management. If accidents or injuries occur at any of the automobile dealerships under our management, we may be held liable for damages, be subject to fines, and suffer from negative publicity, which could adversely affect our safety reputation among current and potential employees, visitors and customers. The current property and liability insurance policies of our customers may not provide adequate or any coverage for such losses and the occurrence of any accidents or injuries would significantly impact our ability to meet the milestones under our service agreements with our automobile dealership customers.

**We may not be able to detect and prevent fraud, negligence or other misconduct committed by our employees or third parties in a timely manner.**

We are exposed to fraud or other misconduct committed by our employees, agents, customers or other third parties that could subject us to financial losses and sanctions imposed by government authorities as well as seriously harm our reputation. Our information systems and internal control procedures are designed to monitor our operations and overall compliance. However, they may be unable to identify non-compliance and/or suspicious transactions in a timely manner, or at all. Furthermore, it is not always possible to identify and deter misconduct or errors by employees, and the precautions we take to detect and prevent potential misconducts and human errors may not be effective in controlling risks or losses.

If any of our employees take, convert or misuse funds, documents or data or fail to follow protocol when interacting with customers and among themselves, we could be liable for damages and subject to regulatory actions and penalties. We could also be perceived to have facilitated or participated in the illegal misappropriation of funds, documents or data, or the failure to follow protocol, and therefore be subject to civil or criminal liability. Our employees may also engage in improper business practices and other fraudulent conduct with third parties. As a result of these potential damaging activities, we could incur significant losses, which could have a material adverse effect on our results of operations and financial condition.

**We may be subject to intellectual property infringement claims by third parties, which may disrupt and affect our business, results of operations and prospects.**

As a provider of pledged vehicle monitoring services and automobile dealership operation management services, we are subject to risks of allegations of infringement of intellectual property rights. We cannot assure you that our operations do not or will not infringe upon or otherwise violate the intellectual property rights or other rights held by third parties. Also, we have developed mobile applications that are primarily used to monitor automobiles in our

## RISK FACTORS

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pledged vehicle monitoring services. Third parties may submit intellectual property infringement claims against us to the app stores where our mobile applications are available. In such cases, our mobile applications may be taken down by the relevant app stores until such claims have been resolved, which could restrict our users from downloading or updating our mobile applications and thus adversely affect our business and results of operations. In addition, we may be subject to legal proceedings and claims from time to time relating to the intellectual property of others in the ordinary course of our business. Intellectual property claims and litigation are expensive and time-consuming to investigate and defend and may divert resources and management attention from the operation of our websites and mobile applications. Such claims, even if they do not result in liability, may harm our reputation. Any resulting liability or expenses, or changes required to our websites and mobile applications to reduce the risk of future liability, may have a material adverse effect on our business, financial condition and results of operations.

**Failure to adequately protect our intellectual property rights and proprietary information could have a negative impact on our business and competitive position.**

We believe our patents, trademarks, software copyrights, trade secrets and other intellectual property rights and proprietary information are critical to our success. Any unauthorized use of intellectual property rights and proprietary information could harm our business, reputation and competitive advantages. We rely on a combination of patents, trademark, copyright and trade secret protection laws in China to protect our intellectual property rights.

Legal protection may not always be effective. Historically, the legal system and courts of the PRC have not protected intellectual property rights to the same extent as the legal system and courts of other jurisdictions, and companies operating in the PRC continue to face an increased risk of intellectual property infringement. Furthermore, the validity, application, enforceability and scope of protection of intellectual property rights for many Internet-related activities, such as Internet commercial methods patents, are uncertain and still evolving in China and abroad, which may make it more difficult for us to protect our intellectual property. In the event that we have to resort to litigation and other legal proceedings to enforce our intellectual property rights, such action, litigation or other legal proceedings could result in substantial costs and diversion of our management’s attention and resources and could disrupt our business. There is no assurance that we will be able to enforce our intellectual property rights effectively or otherwise prevent others from the unauthorized use of our intellectual property.

Competitors may adopt service names or trademarks similar to ours, thereby harming our ability to build brand identity and possibly leading to user confusion. Our competitors may also independently develop software substantially similar to ours and may even apply for software copyright protection. If our competitors succeed in obtaining such protections, the use of our intellectual property rights could be limited, and our financial condition and operating results may be adversely affected.



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**Negative publicity, including negative news, regulatory issues or litigation on the Internet, about us, Changjiu Group and its affiliates, our Directors and senior management, our affiliates, business partners and services that we provide may have a material adverse effect on our business and reputation.**

Negative publicity about us, our shareholders, Directors and senior management, our affiliates, business partners and services provided by us, including, but not limited to, negative news, regulatory issues, disputes, litigation or proceedings, may arise from time to time. Negative comments on the pledged vehicle monitoring services provided by us and the automobile dealerships managed by us may appear in Internet postings and other media sources from time to time and there can be no assurance that other types of negative publicity will not arise in the future. For example, disputes with visitors or customers of the automobile dealerships we manage may lead to negative publicity that could adversely affect our reputation. In addition, non-compliance with any laws or regulations by our employees and business partners and the existence of potential litigation against us, our Directors and senior management or our affiliates may expose us to negative publicity or damage our reputation or cause our business to be materially and adversely affected. Any negative publicity, regardless of its validity, could have a material adverse effect on our business and reputation. In addition, any negative publicity about Changjiu Group and its affiliates may adversely affect our reputation in light of the fact that we share the “Changjiu” name. We may need to spend significant time and incur additional expenses in responding to allegations and negative publicity, and may not be able to mitigate the effects of such negative publicity to a level that our investors and customers are satisfied with.

**Occurrences of natural disaster, widespread health epidemic and acts of terrorism, war or other calamities could have a material and adverse effects on our business, financial condition and operating results.**

We are vulnerable to natural disasters, widespread health epidemics and acts of terrorism, war or other calamities. Any of such occurrences could cause severe disruption to our daily operations, and may even require a temporary closure of our offices and automobile dealerships under our management, which may disrupt our business operations and adversely affect our results of operations. In addition, our results of operations may be adversely affected to the extent that any of these catastrophic events harms the Chinese economy in general.

Natural disasters may also cause shortages in production capacity of the relevant automobile manufacturers or delays in transportation of the automobiles, spare parts or accessories from the automobile manufacturers to automobile dealerships under our management, which in turn may have a material and adverse effect on our business, financial condition, results of operations and growth prospects. In addition, our network infrastructure and information technology systems are potentially vulnerable to damages or interruptions as a result of natural disasters such as earthquakes, floods, fires and extreme temperatures.

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## RISK FACTORS

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**Our business performance, financial condition and results of operations may be adversely affected by the COVID-19 pandemic.**

During the Track Record Period, the general economy of China and the automobile sales and distribution industry had been negatively impacted by the COVID-19 pandemic. In particular, the COVID-19 pandemic had a significant adverse impact on automobile sales in China, during which automobile production and the number of purchasers declined due to supply shortages of raw materials, precautionary government-imposed closures of certain travel and business, the government’s order to delay resumption of service and mass production and the related quarantine measures. While we consider the impact of the COVID-19 pandemic on our pledged vehicle monitoring services to be relatively limited, our automobile dealership operation management services have been negatively impacted by the COVID-19 pandemic. In particular, the number of pledged vehicles that we monitored decreased from 636,100 as of December 31, 2020 to 525,500 as of December 31, 2021, primarily due to a decrease in the demand for new vehicles and a slowdown in automobile transactions at automobile dealerships as a result of the COVID-19 pandemic. In addition, some automobile dealerships under our management were temporarily closed from May to June 2022 due to the resurgence of COVID-19 pandemic in China.

Although the World Health Organization has declared that the COVID-19 pandemic is no longer a global health emergency and the PRC government has gradually lifted restrictions and quarantine measures in China due to the fact that the pandemic is being contained, we cannot assure you that the business volume for our automobile dealership operation management services will fully recover in the near future. There is still great uncertainty as to the future development of the COVID-19 pandemic, which may adversely affect the growth prospects of China’s automobile sales and distribution industry and, in turn, reduce demand for automobiles and automobile-related services. Should there be an a resurgence of the COVID-19 pandemic, the PRC government may again take stringent measures to combat the spread of the pandemic, including travel restrictions, mandatory cessations of business operations, mandatory quarantine, work-from-home and other alternative working arrangements, limitations on social and public gatherings and lockdowns of cities or regions, which may negatively impact our business. Although we are continuously monitoring the status of the COVID-19 pandemic, it is affected by factors beyond our control. If there is a recurrence of the COVID-19 pandemic, our business, results of operations and financial condition may be negatively affected.

**Our insurance may not sufficiently cover, or may not cover at all, the losses and liabilities we may encounter.**

Insurance companies in China offer limited business insurance products. We do not carry business liability insurance that extends coverage to all potential liabilities that may arise in the ordinary course of our business, neither do we maintain any insurance coverage for business interruption or litigation. As a result, we may have to pay out of our own resources for any uninsured financial or other losses, damages and liabilities, litigation or business disruption. The occurrence of certain incidents, including earthquake, tsunami, fire, severe weather, war, floods, power outages, terrorist attacks or other disruptive events and the consequences, damages and disruptions resulting from such events may materially and adversely affect our business, financial condition and results of operations.

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## RISK FACTORS

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### **We face uncertainties with respect to the interpretation and implementation of the Anti-monopoly Law.**

The Anti-monopoly Law of the People’s Republic of China (《中華人民共和國反壟斷法》) (the “Anti-monopoly Law”) was first promulgated on August 30, 2007 and became effective on August 1, 2008. On September 11, 2020, the SAMR issued the Anti-monopoly Compliance Guideline for Operators (《經營者反壟斷合規指南》), which requires, under the Anti-monopoly Law, operators to establish anti-monopoly compliance management systems to prevent anti-monopoly compliance risks. On November 18, 2021, the National Anti-monopoly Bureau was officially established to formulate anti-monopoly institutional measures and guidelines, implement anti-monopoly law enforcement and provide guidance to enterprises in responding to anti-monopoly actions abroad. The Anti-monopoly Law, which was amended on June 24, 2022, and became effective on August 1, 2022, prohibits undertakings from engaging in monopolistic conducts such as (i) entering into monopolistic agreements; (ii) abuse of dominant market position; and (iii) concentration of undertakings, which has or may have the effect of eliminating or restricting competition. See “Regulatory Overview—Regulations on Anti-unfair Competition and Anti-monopoly.”

Recently, the National Anti-monopoly Bureau imposed administrative penalties in a number of anti-monopoly cases and the regulatory environment of anti-monopoly is tightening. As of the Latest Practicable Date, we had not been subject to any administrative penalties or regulatory actions in connection with anti-monopoly. However, due to the substantial uncertainty with respect to the interpretation and implementation of the anti-monopoly laws and regulations, we may face challenges in making necessary changes to our policies and practices, which may result in significant costs and expenses, regulatory investigations, enforcement actions, litigation or claims against us and may materially and adversely affect our business, financial condition and results of operations.

### **The M&A Rules and certain other PRC regulations establish complex procedures for some acquisitions of Chinese companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.**

The Rules on Mergers and Acquisitions 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”), adopted by six PRC regulatory agencies in 2006 and amended in 2009, and other regulations and rules concerning mergers and acquisitions established procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex, including requirements in some instances that the anti-monopoly law enforcement agency be notified in advance of any change-of-control transactions in which a foreign investor takes control of a PRC domestic enterprise.

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In addition, the Circular of the General Office of the State Council on the Establishment of Security Review System for the Merger and Acquisition of Domestic Enterprises by Foreign Investors (《國務院辦公廳關於建立外國投資者併購境內企業安全審查制度的通知》) that became effective in March 2011 and the Rules on Implementation of Security Review System for the Merger and Acquisition of Domestic Enterprises by Foreign Investors (《外國投資者併購境內企業安全審查制度的規定》) issued by the MOFCOM that became effective in September 2011 specify that mergers and acquisitions by foreign investors that raise “national defense and security” concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise “national security” concerns are subject to strict review by the MOFCOM, and the rules prohibit any activities attempting to bypass a security review, including by structuring the transaction through a proxy or contractual control arrangement. We believe that our business is not in an industry related to national security. However, we cannot preclude the possibility that the MOFCOM or other government agencies may publish interpretations contrary to our understanding or broaden the scope of such security review in the future.

In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the abovementioned regulations and other relevant rules to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from the SAMR, the MOFCOM or its local counterparts may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

### **We may be subject to fines and other legal or administrative sanctions relating to our share incentive plans.**

In February 2012, SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly Listed Companies (“SAFE Circular 7”), replacing earlier rules promulgated in 2007. Pursuant to SAFE Circular 7, PRC citizens and non-PRC citizens who reside in China for a continuous period of not less than one year who participate in any stock incentive plan of an overseas publicly listed company, subject to a few exceptions, are required to register with SAFE through a domestic qualified agent, which could be the PRC subsidiaries of such overseas-listed company, and complete certain other procedures. In addition, an overseas-entrusted institution must be retained to handle matters in connection with the exercise or sale of stock options and the purchase or sale of shares and interests. We and our executive officers and other employees who are PRC citizens or who reside in the PRC for a continuous period of not less than one year and who have been granted options will be subject to these regulations when our Company becomes an overseas [REDACTED] company upon the completion of the [REDACTED]. Failure to complete the SAFE registrations may subject them to fines and legal sanctions, there may be additional restrictions on the ability of them to exercise their stock options or remit [REDACTED] gained from the [REDACTED] of their stock into the PRC. We also face regulatory uncertainties that could restrict our ability to adopt incentive plans in the future for our Directors, executive officers and employees under PRC law.

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Furthermore, SAFE Circular 37 stipulates that PRC residents who participate in a share incentive plan of an overseas non-publicly listed special purpose company may register with SAFE or its local branches before they exercise the share options. We and our PRC employees who have been granted share options and restricted shares will be subject to these regulations upon the completion of the [REDACTED]. Failure of our PRC share option holders or restricted Shareholders to complete their SAFE registrations may subject these PRC residents to fines of up to RMB300,000 for entities and up to RMB50,000 for individuals, and legal sanctions and may also limit our ability to contribute additional capital into our PRC subsidiary, limit our PRC subsidiary’s ability to distribute dividends to us, or otherwise materially adversely affect our businesses.

In addition, the STA has issued certain circulars concerning employee share options and restricted shares. Under these circulars, our employees working in China who exercise share options or are granted restricted shares will be subject to PRC individual income tax. Our PRC subsidiaries have obligations to file documents related to employee share options or restricted shares with relevant tax authorities and to withhold individual income taxes of those employees who exercise their share options. If our employees fail to pay or we fail to withhold their income taxes according to relevant laws and regulations, we may face sanctions imposed by the tax authorities or other government authorities.

### **RISKS RELATING TO THE [REDACTED]**

**There has been no prior public market for our Shares on the Stock Exchange and an active [REDACTED] market for our Shares might not develop or be sustained.**

No public market currently exists for our Shares. The [REDACTED] for our Shares to the public will be the result of negotiations between our Company and the [REDACTED], and the [REDACTED] may differ significantly from the market price of the Shares following the [REDACTED]. We have applied to the Stock Exchange for the [REDACTED] of, and permission to [REDACTED] in, the Shares. However, a [REDACTED] on the Stock Exchange does not guarantee that an active and liquid [REDACTED] market for our Shares will develop, or if it does develop, that it will be sustained following the [REDACTED], or that the market price of the Shares will rise following the [REDACTED]. If an active public market for our Shares does not develop after the [REDACTED], the Shares could [REDACTED] at a price lower than the [REDACTED] and you may not be able to resell your Shares for an extended period of time, or at all.

**The price and [REDACTED] volume of our Shares may be volatile, which could lead to substantial losses to you.**

The price and [REDACTED] volume of our Shares may be highly volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities in Hong Kong, China, the United States and elsewhere in the world. In particular, the performance and fluctuation of the market prices of other companies with similar business operations located mainly in China that have listed their securities in Hong

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## RISK FACTORS

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Kong may affect the volatility in the price of and [REDACTED] volume for our Shares. In addition, factors such as variations in our revenue, earnings and cash flow, changes in the pricing of our services as a result of the presence of competitors, announcements of new automobile dealerships under our management, strategic alliances or acquisitions by us or our competitors, industrial or environmental accidents, changes in our senior management personnel, changes in our ratings by financial analysts and credit rating agencies, litigation, or fluctuations in the market prices for our services could cause large and sudden changes in the volume and price at which our Shares will [REDACTED]. Moreover, shares of other companies listed on the Stock Exchange with significant operations and assets in China have experienced price volatility in the past. As a result, it is possible that our Shares may be subject to changes in price not directly related to our performance and as a result, investors in our Shares may suffer substantial losses.

In addition, the securities markets have from time to time experienced significant price and volume fluctuations that are not related or disproportionate to the operating performance of particular companies. While it is difficult to predict how long these conditions will last, they could continue to present risks for an extended period of time, in interest expenses on our bank borrowings, or reduction of the amount of banking facilities currently available to us. If we experience such fluctuations, results of operations and financial condition may be materially and adversely affected. Moreover, market fluctuations may also materially and adversely affect the market price of our [REDACTED].

**Since there will be a gap of several days between the [REDACTED] and [REDACTED] of our Shares, holders of our Shares are subject to the risk that the price of our Shares could fall during the period before the [REDACTED] of our Shares begins.**

The initial [REDACTED] of our Shares [REDACTED] in the [REDACTED] is expected to be determined on the [REDACTED]. However, the Shares will not commence [REDACTED] on the Stock Exchange until they are delivered, which is expected to be several business days after the [REDACTED]. As a result, investors may not be able to sell or otherwise deal in the Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of the Shares when [REDACTED] begins could be lower than the [REDACTED] as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time [REDACTED] begins.

**Purchasers of our Shares in the [REDACTED] will experience immediate dilution and you may experience further dilution if we issue additional Shares in the future.**

The initial [REDACTED] of our Shares in Hong Kong is higher than the net tangible assets per share of the outstanding Shares issued to our existing Shareholders immediately prior to the [REDACTED]. Therefore, all investors and purchasers of our Shares in the [REDACTED] will experience an immediate dilution and existing holders of our Shares will receive an increase in net tangible asset value.



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## RISK FACTORS

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In spite of our current cash and cash equivalents and the [REDACTED] from the [REDACTED], we may require additional funds due to changes in business conditions or other future developments relating to, inter alia, our existing operations or any future expansions. The amount and timing of such additional financing needs will vary depending on the timing investments in and/or acquisitions of new businesses from third-parties, and the amount of cash flow from our operations. If our resources are insufficient to satisfy our cash requirements, we may seek additional financing through selling additional equity or debt securities or obtaining a credit facility.

The sale of additional equity securities could result in additional dilution to our Shareholders. If additional funds are raised by way of issuance of new Shares or equity linked securities other than on a pro rata basis to existing Shareholders, the percentage of ownership of our existing Shareholders in our Company, the earnings per Share and the net asset value per Share may be reduced.

**Our Controlling Shareholders may exert substantial influence over us and may not act in the best interests of our other Shareholders.**

Upon completion of the [REDACTED] (assuming that the [REDACTED] is not exercised and without taking into account any Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] Share Options), our Controlling Shareholders will be entitled to exercise the voting rights attached to approximately [REDACTED]% of the total issued share capital of our Company. Subject to our Memorandum and Articles of Association and applicable laws and regulations, our Controlling Shareholders will continue to have the ability to exercise controlling influence on our management, policies and business by controlling the composition of our Board, determining the timing and amount of our dividend payments, approving significant corporate transactions, including mergers and acquisitions, approving our annual budgets and taking other actions that require our Shareholders' approvals. The interests of our Controlling Shareholders may not necessarily be aligned with the interests of our other Shareholders, and this concentration of ownership may also have the effect of delaying, deferring or preventing a change in control of our Company.

Our Controlling Shareholders may from time to time be involved in disputes with and subjected to claims by other parties, including the investors of our Controlling Shareholders. All such disputes and claims may in turn lead to legal or other proceedings or cause negative publicity against us, thereby resulting in damage to our reputation, substantial costs and diversion of resources from our business activities. Any such dispute, claim or litigation may have material and adverse effect on our business, financial condition and operating results.

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### **Whether and when the dividends will be declared and paid cannot be assured.**

Our ability to declare future dividends will depend on the availability of dividends, if any, received from our WFOE. Under applicable laws and the constitutional documents of our WFOE, the payment of dividends may be subject to certain limitations. The calculation of profit of certain subsidiaries under applicable accounting standards differs in certain respects from the calculation under IFRSs. As a result, our WFOE may not be able to pay a dividend in a given year even if our Group has profit as determined under IFRSs. Accordingly, since we derive all of our earnings and cash flows from dividends paid by our WFOE, we may not have sufficient distributable profit to pay dividends to our Shareholders. In addition, any future dividend declaration and distribution will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors deem relevant. Any declaration and payment as well as the amount of dividends will also be subject to our Articles of Association and PRC laws, including, where required, the approvals from our Shareholders and our Directors. Our Shareholders at a general meeting must approve any declaration of dividends, which must not exceed the amount recommended by our Board.

Moreover, our Directors may from time to time pay such interim dividends as our Board considers to be justified by our profits and overall financial requirements, or special dividends of such amounts and on such dates as they think appropriate. As a result, we cannot assure you that we will make any dividend payments on our Shares in the future. For details about our dividend policy, see “Financial Information—Dividends.”

### **We are a Cayman Islands company and, because judicial precedent regarding the rights of shareholders is more limited under the laws of the Cayman Islands than other jurisdictions, you may have difficulties in protecting your shareholder rights.**

We are an exempted company incorporated in the Cayman Islands with limited liability, and the law of the Cayman Islands differ in some respects from those of Hong Kong or other jurisdictions where investors may be located. Our corporate affairs are governed by our Memorandum and Articles of Association, the Cayman Companies Act and the common law of the Cayman Islands. The rights of our Shareholders to take legal action against us and our Directors, actions by minority Shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive but not binding authority on a court in the Cayman Islands. The rights of our Shareholders and the fiduciary responsibilities of our Directors under Cayman Islands law may not be as clearly established as they would be under statutes or judicial precedents in Hong Kong, the United States or other jurisdictions where investors may be located. In particular, the Cayman Islands has a less developed body of securities law. As a result, our Shareholders may have more difficulty in protecting their interests in the face of actions taken by our management, Directors or major Shareholders than they would as shareholders of a Hong Kong company, a United States company or companies incorporated in other jurisdictions.

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## RISK FACTORS

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**We cannot guarantee the accuracy of facts, forecasts and other statistics obtained from official government sources contained in this document.**

Certain facts, forecasts and other statistics contained in this document relating to the PRC and the industries in which we operate have been derived from various official government publications. Such information has not been prepared or independently verified by us, the Joint Sponsors, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], any of our or their respective directors, officers, employees, advisors or agents or any other persons or parties involved in the [REDACTED].

Therefore, we make no representation as to the accuracy of such facts, forecasts and statistics, which may not be consistent with other information compiled within or outside the PRC. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, the statistics herein may be inaccurate or incomparable to statistics produced with respect to other economies and should not be relied upon. Furthermore, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy, as similar statistics presented elsewhere. In all cases, you should give due consideration as to how much weight or importance you should attach to or place on such facts, forecasts or statistics.

**Forward-looking statements contained in this document are subject to risks and uncertainties and there can be no assurance of the accuracy or completeness of some facts, forecasts and other statistics obtained from various independent third-party sources, including the industry expert reports, with respect to the PRC, the PRC economy and the industries in which we operate.**

This document contains forward-looking statements and information relating to us and our business and prospects that are based on our current beliefs and assumptions as well as information currently available to us. When used in this document, the words “aim,” “anticipate,” “believe,” “can,” “continue,” “could,” “estimate,” “expect,” “going forward,” “intend,” “ought to,” “may,” “might,” “plan,” “potential,” “predict,” “project,” “seek,” “should,” “will,” “would” and similar expressions, as they relate to us or our business, are intended to identify forward-looking statements. Such statements reflect our current views with respect to future events and are subject to risks, uncertainties and various assumptions, including the risk factors described in this document. Should one or more of these risks or uncertainties materialize, or if any of the underlying assumptions prove incorrect, actual results may diverge significantly from the forward-looking statements in this document. Whether actual results will conform with our expectations and predictions is subject to a number of risks and uncertainties, many of which are beyond our control, and reflect future business decisions that are subject to change. In light of these and other uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations that our plans or objectives will be achieved, and investors should not place undue reliance on such forward-looking statements. All forward looking statements contained in this document are qualified by reference to the cautionary statements set out in this section. We do not intend to update these forward-looking statements in addition to our ongoing disclosure obligations pursuant to the Listing Rules or other requirements of the Stock Exchange.

## RISK FACTORS

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**You should read the entire document carefully and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and the [REDACTED].**

Subsequent to the date of this document but prior to the completion of the [REDACTED], there may be press and media coverage regarding us and the [REDACTED], which may contain, among other things, certain financial information, projections, valuations and other forward- looking information about us and the [REDACTED]. We have not authorized the disclosure of any such information in the press or media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this document, we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this document only and should not rely on any other information.

You should rely solely upon the information contained in this document, the [REDACTED] and any formal announcements made by us in Hong Kong in making your investment decision regarding our Shares. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding our Shares, the [REDACTED] or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such data or publication. Accordingly, prospective investors should not rely on any such information, reports or publications in making their decisions as to whether to invest in our [REDACTED]. By applying to purchase our Shares in the [REDACTED], you will be deemed to have agreed that you will not rely on any information other than that contained in this document and the [REDACTED].