



长久股份有限公司 Changjiu Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 6959

GLOBAL OFFERING



Joint Sponsors, Overall Coordinators, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



Joint Bookrunners and Joint Lead Managers



IMPORTANT

IMPORTANT: If you are in any doubt about any of the contents of this prospectus, you should seek independent professional advice.



Changjiu Holdings Limited 长久股份有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering : 50,540,000 Shares
Number of Hong Kong Offer Shares : 5,054,000 Shares (subject to reallocation)
Number of International Offer Shares : 45,486,000 Shares (subject to reallocation)
Maximum Offer Price : HK\$7.90 per Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal Value : US\$0.00000066667 per Share
Stock Code : 6959

*Joint Sponsors, Overall Coordinators, Joint Global Coordinators,
Joint Bookrunners and Joint Lead Managers*



Joint Bookrunners and Joint Lead Managers



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in "Appendix V—Documents Delivered to the Registrar of Companies in Hong Kong and on Display" to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Offer Price is expected to be fixed by agreement by the Overall Coordinators (for themselves and on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or around Friday, January 5, 2024 (Hong Kong time). The Offer Price will be not more than HK\$7.90 per Offer Share and is currently expected to be not less than HK\$5.95 per Offer Share, unless otherwise announced. Applicants for Hong Kong Offer Shares may be required to pay, on application (subject to application channels), the maximum Offer Price of HK\$7.90 per Offer Share for each Hong Kong Offer Share together with brokerage fee of 1%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%, subject to refund if the Offer Price as finally determined is less than HK\$7.90 per Offer Share. If, for any reason, the Offer Price is not agreed by 12:00 noon on Friday, January 5, 2024 (Hong Kong time) by the Overall Coordinators (for themselves and on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse.

The Overall Coordinators (for themselves and on behalf of the Underwriters) may, with the consent of our Company, reduce the number of Offer Shares and/or the indicative Offer Price range stated in this prospectus (which is HK\$5.95 to HK\$7.90) at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, a notice of the reduction in the number of Offer Shares and/or the indicative Offer Price range will be published on our website at www.99digitech.com and the Stock Exchange's website at www.hkexnews.hk not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Further details are set forth in "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus. If applications for Hong Kong Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering, then such applications can be subsequently withdrawn if the number of Offer Shares and/or the indicative Offer Price range are so reduced.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure applicants for the subscription for, the Hong Kong Offer Shares, are subject to termination by the Overall Coordinators (on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the day that trading in the Shares commences on the Stock Exchange. Such grounds are set out in the section headed "Underwriting—Underwriting Arrangements and Expenses—Hong Kong Public Offering—Grounds for termination" in this prospectus. It is important that you refer to that section for further details.

Prior to making an investment decision, prospective investors should consider carefully all the information set forth in this prospectus, including but not limited to the risk factors set forth in "Risk Factors" in this prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

ATTENTION

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the websites of the Stock Exchange (www.hkexnews.hk) and our Company (www.99digitech.com). If you require a printed copy of this prospectus, you may download and print from the website addresses above.

December 29, 2023

IMPORTANT

IMPORTANT NOTICE TO INVESTORS: FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk under the “*HKEXnews > New Listings > New Listing Information*” section, and our website at www.99digtech.com. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

To apply for the Hong Kong Offer Shares, you may use one of the following application channels:

Application Channel	Platform	Target Investors	Application Time
HK eIPO White Form service	Online application via the HK eIPO White Form App (which can be downloaded by searching “ IPO App ” in App Store or Google Play or download at www.hkeipo.hk/IPOApp or www.tricorglobal.com/IPOApp) or at the designated website at www.hkeipo.hk .	Investors who would like to receive a physical Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in your own name.	From 9:00 a.m. on Friday, December 29, 2023 to 11:30 a.m. on Thursday, January 4, 2024, Hong Kong time. The latest time for completing full payment of application monies will be 12:00 noon on Thursday, January 4, 2024, Hong Kong time.
HKSCC EIPO channel	Your broker or custodian who is a HKSCC Participant will submit a HKSCC EIPO application on your behalf through HKSCC’s FINI system in accordance with your instruction.	Investors who would <u>not</u> like to receive a physical Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in the name of HKSCC Nominees, deposited directly into CCASS and credited to your designated HKSCC Participant’s stock account.	Contact your broker or custodian for the earliest and latest time for giving such instructions, as this may vary by broker or custodian.

We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public. The contents of the electronic version of this prospectus are identical to the printed document as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

If you are an **intermediary, broker or agent**, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

Please refer to the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus for further details of the procedures through which you can apply for the Hong Kong Offer Shares electronically.

IMPORTANT

Your application through the **HK eIPO White Form** service or the HKSCC EIPO channel must be for a minimum of 500 Hong Kong Offer Shares and in one of the numbers set out in the table below. If you are applying through the **HK eIPO White Form** service, you may refer to the table below for the amount payable for the number of Shares you have selected. You must pay the respective maximum amount payable on application in full upon application for Hong Kong Offer Shares. If you are applying through the HKSCC EIPO channel, you are required to prefund your application based on the amount specified by your broker or custodian, as determined based on the applicable laws and regulations in Hong Kong.

No. of Hong Kong Offer Shares applied for	Maximum Amount payable ⁽²⁾ on application/ successful allotment <i>HK\$</i>	No. of Hong Kong Offer Shares applied for	Maximum Amount payable ⁽²⁾ on application/ successful allotment <i>HK\$</i>	No. of Hong Kong Offer Shares applied for	Maximum Amount payable ⁽²⁾ on application/ successful allotment <i>HK\$</i>	No. of Hong Kong Offer Shares applied for	Maximum Amount payable ⁽²⁾ on application/ successful allotment <i>HK\$</i>
500	3,989.84	7,000	55,857.69	50,000	398,983.58	700,000	5,585,770.06
1,000	7,979.67	8,000	63,837.37	60,000	478,780.29	800,000	6,383,737.20
1,500	11,969.51	9,000	71,817.05	70,000	558,577.00	900,000	7,181,704.36
2,000	15,959.34	10,000	79,796.71	80,000	638,373.72	1,000,000	7,979,671.50
2,500	19,949.18	15,000	119,695.08	90,000	718,170.44	1,500,000	11,969,507.26
3,000	23,939.02	20,000	159,593.44	100,000	797,967.16	2,000,000	15,959,343.00
3,500	27,928.85	25,000	199,491.79	200,000	1,595,934.30	2,527,000 ⁽¹⁾	20,164,629.88
4,000	31,918.69	30,000	239,390.15	300,000	2,393,901.46		
4,500	35,908.52	35,000	279,288.50	400,000	3,191,868.60		
5,000	39,898.36	40,000	319,186.85	500,000	3,989,835.76		
6,000	47,878.03	45,000	359,085.22	600,000	4,787,802.90		

Notes:

- (1) Maximum number of Hong Kong Offer Shares you may apply for and this is 50% of the Hong Kong Offer Shares initially offered.
- (2) The amount payable is inclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy. If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules) or to the **HK eIPO White Form** Service Provider (for applications made through the application channel of the **HK eIPO White Form** Service Provider) while the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy will be paid to the SFC, the Stock Exchange and the AFRC, respectively.

No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

EXPECTED TIMETABLE⁽¹⁾

If there is any change in the following expected timetable of the Global Offering, we will issue an announcement on the website of our Company at www.99digtech.com and the website of the Stock Exchange at www.hkexnews.hk.

Hong Kong Public Offering commences 9:00 a.m. on
Friday, December 29, 2023

Latest time for completing electronic applications via the
HK eIPO White Form service through one of the
below ways⁽²⁾:

(1) the **IPO App**, which can be downloaded by searching
“**IPO App**” in App Store or Google Play or downloaded
at www.hkeipo.hk/IPOApp or www.tricorglobal.com/IPOApp

(2) the designated website www.hkeipo.hk 11:30 a.m. on
Thursday, January 4, 2024

Application lists of the Hong Kong Public
Offering open⁽³⁾ 11:45 a.m. on
Thursday, January 4, 2024

Latest time for (a) completing full payment of
application monies via
the **HK eIPO White Form** service,
or; (b) giving **electronic application instructions** to HKSCC⁽⁴⁾ 12:00 noon on
Thursday, January 4, 2024

If you are instructing your **broker** or **custodian** who is a HKSCC Participant to submit
HKSCC EIPO applications on your behalf through HKSCC’s FINI system in accordance with
your instruction, you are advised to contact your **broker** or **custodian** for the latest time for
giving such instructions which may be different from the latest time as stated above.

Application lists of the Hong Kong Public
Offering close⁽³⁾ 12:00 noon on
Thursday, January 4, 2024

Expected Price Determination Date⁽⁵⁾ on or before 12:00 noon
Friday, January 5, 2024

EXPECTED TIMETABLE⁽¹⁾

Announcement of:

- the final Offer Price;
- the level of indications of interest in the International Offering;
- the level of applications in the Hong Kong Public Offering; and
- the basis of allocations of the Hong Kong Offer Shares

to be published on the website of our Company at

www.99digtech.com⁽⁶⁾ and the website of

the Stock Exchange at www.hkexnews.hkno later than 11:00 p.m. Monday,
January 8, 2024

Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through the **HK eIPO White Form** service or HKSCC EIPO channel:

- from the “IPO Results” function in the **IPO App** or the designated results of allocations website at www.tricor.com.hk/ipo/result or www.hkeipo.hk/IPOResult with a “search by ID” function from⁽⁷⁾11:00 p.m. on Monday, January 8, 2024 to 12:00 midnight Sunday, January 14, 2024
- The Stock Exchange’s website at www.hkexnews.hk and our website at www.99digtech.com⁽⁶⁾ which will provide links to the above mentioned websites of the Hong Kong Share Registrarno later than 11:00 p.m. on Monday, January 8, 2024
- from the allocation results telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. fromTuesday, January 9, 2024 to Friday, January 12, 2024 on a business day
- For those applying through HKSCC EIPO channel, you may also check with your broker or custodian from6:00 p.m. on Friday, January 5, 2024

EXPECTED TIMETABLE⁽¹⁾

For applications through the **HK eIPO White Form** service:

- Share certificates to be collected in person at the Hong Kong Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for application of 1,000,000 Hong Kong Offer Shares or more from⁽⁸⁾⁽⁹⁾ 9:00 a.m. to 1:00 p.m. on Tuesday, January 9, 2024

- Share certificates to be sent for application of less than 1,000,000 Hong Kong Offer Shares⁽⁸⁾⁽⁹⁾ Monday, January 8, 2024

For applications through HKSCC EIPO channel, Share certificate(s) will be issued in the name of HKSCC Nominees, deposited into CCASS and credited to your designated HKSCC Participant's stock account.⁽⁸⁾⁽⁹⁾

e-Auto Refund payment instructions/refund cheque(s) via the **HK eIPO White Form** service to be dispatched⁽¹⁰⁾ Tuesday, January 9, 2024

Dealings in the Shares on the Stock Exchange expected to commence at⁽⁹⁾ 9:00 a.m. on Tuesday, January 9, 2024

Notes:

- (1) Unless otherwise stated, all times and dates refer to Hong Kong local times and dates.
- (2) You will not be permitted to submit your application under the **HK eIPO White Form** service through the **IPO App** or the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above and/or Extreme Conditions (collectively, "Severe Weather Signal") in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, January 4, 2024, the application lists will not open or close on that day. For further details, see "How to Apply for Hong Kong Offer Shares—E. Severe Weather Arrangements."
- (4) Applicants who apply via HKSCC EIPO channel shall contact their broker or custodian for the earliest and latest time for giving such instructions, as this may vary by broker or custodian.
- (5) The Price Determination Date is expected to be on or about Friday, January 5, 2024. If, for any reason, the Offer Price is not agreed between the Overall Coordinators (for themselves and on behalf of the other Underwriters) and us by 12:00 noon on Friday, January 5, 2024, the Global Offering will not proceed and will lapse.
- (6) Neither of the websites nor any of the information contained on the websites forms part of this prospectus.

EXPECTED TIMETABLE⁽¹⁾

- (7) The full list of (i) wholly or partially successful applicants using the **HK eIPO White Form** service and HKSCC EIPO channel, and (ii) the number of Hong Kong Offer Shares conditionally allotted to them, among other things, will be displayed at www.hkeipo.hk/IPOResult or www.tricor.com.hk/ipo/result.
- (8) Share certificates will only become valid at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional and the right of termination described in “Underwriting—Underwriting Arrangements—Hong Kong Public Offering—Grounds for Termination” has not been exercised. Investors who trade the Shares on the basis of publicly available allocation details prior to the receipt of Share certificates or prior to the Share certificates becoming valid evidence of title do so entirely at their own risk.
- (9) If a Severe Weather Signal in force is hoisted on Monday, January 8, 2024, the Hong Kong Share Registrar will make appropriate arrangements for the delivery of the Share certificates to the HKSCC Depository’s service counter so that they would be available for trading on Tuesday, January 9, 2024.
- (10) Refund mechanism for surplus application monies paid by application via HKSCC EIPO channel is subject to the arrangement between applicants and their broker or custodian.

Applicants who have applied for Hong Kong Offer Shares through the **HKSCC EIPO** channel should refer to “How to Apply for Hong Kong Offer Shares—D. Dispatch/Collection of Share Certificates and Refund of Application Monies” for details.

Applicants who have applied through the **HK eIPO White Form** service and paid their applications monies through single bank accounts may have refund monies (if any) dispatched to the designated bank account in the form of e-Auto Refund payment instructions. Applicants who have applied through the **HK eIPO White Form** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions in the form of refund cheques in favour of the applicant (or, in the case of joint applications, the first-named applicant) by ordinary post at their own risk.

Further information is set out in “How to Apply for Hong Kong Offer Shares—D. Dispatch/Collection of Share Certificates and Refund of Application Monies.”

The above expected timetable is a summary only. For further details of the structure of the Global Offering, including its conditions, and the procedures for applications for Hong Kong Offer Shares, see “Structure of the Global Offering” and “How to Apply for Hong Kong Offer Shares” in this prospectus.

If the Global Offering does not become unconditional or is terminated in accordance with its terms, the Global Offering will not proceed. In such case, our Company will make an announcement as soon as practicable thereafter.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by us solely in connection with the Hong Kong Public Offering and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or a solicitation of an offer to subscribe for or buy, any security in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Joint Sponsors, the Joint Global Coordinators, the Overall Coordinators, the Capital Market Intermediaries, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of our or their respective directors, officers, employees, agents or representatives, or any other person or party involved in the Global Offering.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in “Risk Factors” of this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

Who We Are

We provide pledged vehicle monitoring services and automobile dealership operation management services in China. According to CIC, we were the largest pledged vehicle monitoring service provider in China’s automobile sales and distribution industry both in terms of revenue in 2022, with a market share of 47.9%, and in terms of the number of automobile dealership users as of December 31, 2022. We achieved such dominant position in the pledged vehicle monitoring service market and outcompeted our peers primarily through (i) our 17 years of operation history; (ii) our nationwide presence with operation in over 500 cities across 31 provinces in China; and (iii) our VFS system that collects, processes and analyzes data from pledged vehicles and our continuous improvement of the VFS system to meet evolving market demands.

We offer pledged vehicle monitoring services primarily to (i) financial institutions that provide secured financing to automobile dealerships for their purchase of vehicles; and (ii) automobile dealerships with pledged vehicles. As of June 30, 2023, we provided pledged vehicle monitoring services to (i) approximately 200 branches of 18 commercial banks, including all of China’s “Big Six” national state-owned commercial banks and 12 joint-stock commercial banks; (ii) 27 automobile finance companies; and (iii) 11,152 automobile dealerships.

Through our provision of pledged vehicle monitoring services over the years, we have accumulated insights regarding China’s automobile sales and distribution industry. As a natural extension, we endeavored to expand our business in China’s automobile sales and distribution industry and began offering operation management services to automobile dealerships that seek more optimal business and financial performance in April 2022. In order to optimize our services before expanding our offering to the wider market and in light of our strategic business relationship with Changjiu Group, we have initially focused on providing operation management services to automobile dealerships owned by Changjiu Group. Through this arrangement with Changjiu Group, we are able to get feedbacks and enhance our service quality. Given that we commenced this business line relatively recently and additional time is required for us to promote our operation management services to broader industry participants,

SUMMARY

automobile dealerships owned by Changjiu Group have accounted for substantially all of our customers for this business line. As of June 30, 2023, we managed a total of 75 automobile dealerships, among which 74 were owned by Changjiu Group and one was owned by an Independent Third Party.

Our Value Propositions

We believe our success is based on the value that we provide to our users:

- **Financial institutions.** We provide efficient pledged vehicle monitoring services to financial institutions and enable them to better safeguard the vehicles pledged to them.
- **Automobile dealerships.** By facilitating more effective and cost-efficient monitoring of pledged vehicles and reducing counterparty risks for financial institutions, our pledged vehicle monitoring services may enhance chances for automobile dealerships to obtain loans from financial institutions. Through our automobile dealership operation management services, we recommend and select experienced staff to automobile dealerships and provide operational support, data system and managerial services that aim to enhance their business and financial performance.

Our Performance

We achieved stable growth during the Track Record Period. In 2020, 2021 and 2022, our revenue amounted to RMB430.6 million, RMB477.7 million and RMB547.9 million, respectively, representing a CAGR of 12.8%. Our revenue also increased from RMB258.7 million in the six months ended June 30, 2022 to RMB309.4 million in the six months ended June 30, 2023. The number of automobile dealerships that were using our pledged vehicle monitoring services increased from 8,316 as of December 31, 2020 to 9,205 as of December 31, 2021, then to 10,684 as of December 31, 2022, and further to 11,152 as of June 30, 2023.

OUR BUSINESS LINES

We operate two business lines: (i) pledged vehicle monitoring services and (ii) automobile dealership operation management services.

Pledged Vehicle Monitoring Services

We offer pledged vehicle monitoring services primarily to (i) financial institutions, mainly including commercial banks and automobile finance companies, that provide secured financing to automobile dealerships for their purchase of vehicles; and (ii) automobile dealerships with pledged vehicles. Although automobile dealerships pledge their vehicles to obtain secured financing from financial institutions and generally have a contractual obligation to provide storage places to safeguard the pledged vehicles, the automobile dealerships retain

SUMMARY

possession of such pledged vehicles. Therefore, it is essential for financial institutions to monitor the pledged vehicles to prevent them from theft, damage or automobile dealerships' embezzlement from a risk management perspective. An effective way to mitigate against such risk is for the financial institutions to enter into tripartite agreements with automobile dealerships and third-party service providers, under which the third-party service providers monitor the pledged vehicles on behalf of the financial institutions.

According to CIC, financial institutions tend to rely on third-party service providers rather than their in-house personnel to provide pledged vehicle monitoring services, primarily because of third-party service providers' cost-efficiency and service quality. According to CIC, as of December 31, 2022, approximately 80% of the financial institutions in China that provided secured financing to automobile dealerships engaged third-party service providers to monitor pledged vehicles. Third-party service providers generally have a team of professional service personnel who are equipped with specialized digital monitoring systems, which enable them to reduce reliance on manpower and identify and report potential risk events in a more comprehensive and cost-effective manner as compared to financial institutions' in-house personnel. A financial institution typically enters into a tripartite agreement with an automobile dealership and third-party pledged vehicle monitoring service provider for such services, under which the financial institution engages the service provider to monitor the dealership's pledged vehicles. Under a typical tripartite agreement, the automobile dealership is primarily responsible for purchasing insurance for and providing a safe place for the storage of the pledged vehicles, and the pledged vehicle monitoring service provider is primarily responsible for monitoring the pledged vehicles, managing the vehicle conformity certificates as well as car keys and notifying the financial institution of risk events in a timely manner.

We cater for this business need from financial institutions by offering our professional pledged vehicle monitoring services supported by our digital monitoring systems and complementary hardware. We provide our users with any one or any combination of the following services: (i) pledged vehicle monitoring and lockbox services, under which we hold and keep vehicle conformity certificates and car keys of pledged vehicles in our traditional and electronic lockboxes placed on automobile dealerships' sites or in the locations mutually agreed upon by the financial institutions and automobile dealerships; (ii) collective management of vehicle conformity certificates; (iii) counting of pledged vehicles, vehicle conformity certificates and car keys; and (iv) other ancillary services. Financial institutions and automobile dealerships can choose the service(s) that best suit their needs. For our pledged vehicle monitoring services, we primarily use a cost-plus pricing model: (i) costs of our pledged vehicle monitoring services may vary depending on the average local salary and the manpower required; and (ii) markup on the costs may vary depending on the city tier of the automobile dealerships and their pledged vehicles, and the scope of our services. Our service fees are typically paid by financial institutions. Nevertheless, either financial institution or automobile dealership may pay for our services under the tripartite service agreement, depending on the negotiation between them. See "Business—Pledged Vehicle Monitoring Services—Scope of Services."

SUMMARY

We provide our pledged vehicle monitoring services through our pledged vehicle monitoring system that consists of the VFS system and Vehicle Connect mobile application, and the integrated complementary hardware that include the RFID labels, PDAs, OBD devices and lockboxes. Our VFS system is a multifunctional IT solution with online operation, automatic alert and pledged vehicle monitoring modules and a pool of over 20,000 preset commands, which allows users to readily choose the settings that best suit their risk management needs without having to create the commands from scratch. Our Vehicle Connect is a mobile application that allows financial institutions and automobile dealerships to access the information collected by our VFS system on mobile devices. See “Business—Pledged Vehicle Services—Pledged Vehicle Monitoring System—VFS System and Vehicle Connect” for more details. Our customers’ confidence in us and our technological advantages were manifested by our market share in terms of revenue of 47.9% in 2022, which was significantly higher than that of the other market participant with an information system, being 25.2%. Considering the information system that we use to facilitate real-time pledged vehicle monitoring for our customers, and our expertise and in-depth knowledge of the automobile sales and distribution industry as well as the practicable difficulties faced by financial institutions in pledged vehicle monitoring, we believe we have distinguished ourselves from our competitors.

Automobile Dealership Operation Management Services

According to CIC, medium- and small-sized automobile dealerships in China generally lack managerial expertise, technological capabilities and sophisticated human resources system. In light of the fierce competition in the industry, these medium- and small-sized automobile dealerships are driven to improve their operational efficiency by adjusting their business plans and upgrading their technologies to cope with the constantly evolving business environment. However, as the competition for each dealership’s performance intensifies and medium- and small-sized automobile dealerships lack the necessary managerial expertise or technological capacities, the need for specialized and professional management arises. To cater to such need, we offer management services to medium- and small-sized automobile dealerships that seek more optimal business and financial performance. Our automobile dealership operation management services consist of automobile dealerships operational support, data system and managerial services. We grant automobile dealerships access to our automobile dealership operation management system, namely Smart Star (“智科星”), allowing them to categorize, process and visualize their operational data, such as inventory level, sales and number of customers. Leveraging our insights in the automobile sales and distribution industry and automobile dealership operations, we also (i) formulate development plans for automobile dealerships; (ii) review and supervise the implementation of automobile dealerships’ annual business plan; (iii) provide guidance to automobile dealerships to improve their operation and management capabilities, including consultation based on our interpretation of the operational data collected and processed by Smart Star, and guidance relating to systematic improvement on automobile dealerships’ management capabilities and operational efficiency; and (iv) assist automobile dealerships to integrate their internal and external corporate resources.

SUMMARY

We strive to help automobile dealerships that procure our operation management services, improve their operational as well as financial performance through operational support, data system and managerial services, and become more competitive in the market, ultimately contributing to the healthy and sustainable development of the automobile sales and distribution industry.

We typically charge automobile dealerships an annual management fee according to the following schedule: (i) 0.1% of the automobile dealership's expected annual revenue payable within 15 days following the signing date of the automobile dealership operation management service agreement; and (ii) 0.4% of the actual quarterly revenue payable within seven days following the end of each of the subsequent quarters. We may also raise our fees subject to market price fluctuations and the scope of services we provide after negotiations with our customers.

During the Track Record Period, we primarily generated revenue from pledged vehicle monitoring services. In April 2022, we started to provide operation management services to automobile dealerships. In 2022 and the six months ended June 30, 2023 the majority of our revenue from our operation management services was derived from automobile dealerships owned by Changjiu Group. The following table sets forth a breakdown of our revenue by business line for the periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2020		2021		2022		2022		2023	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
	<i>(unaudited)</i>									
Pledged vehicle monitoring services	430,587	100.0	477,697	100.0	505,049	92.2	245,760	95.0	279,067	90.2
Automobile dealership operation management services	-	-	-	-	42,818	7.8	12,892	5.0	30,364	9.8
Total	430,587	100.0	477,697	100.0	547,867	100.0	258,652	100.0	309,431	100.0

The following table sets forth a breakdown of our gross profit and gross profit margin by business line for the periods indicated.

SUMMARY

	For the year ended December 31,						For the six months ended June 30,			
	2020		2021		2022		2022		2023	
	Gross profit margin	Gross profit margin	Gross profit margin	Gross profit margin	Gross profit margin	Gross profit margin	Gross profit margin	Gross profit margin	Gross profit margin	Gross profit margin
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
Pledged vehicle monitoring services	168,958	39.2	182,296	38.2	209,690	41.5	99,172	40.4	121,464	43.5
Automobile dealership operation management services	-	-	-	-	15,349	35.8	7,076	54.9	11,939	39.3
Total gross profit/overall gross profit margin	168,958	39.2	182,296	38.2	225,039	41.1	106,248	41.1	133,403	43.1

Our overall gross profit margin remained stable in 2020 and 2021. Our overall gross profit margin increased from 38.2% in 2021 to 41.1% in 2022 and increased from 41.1% for the six months ended June 30, 2022 to 43.1% for the same period in 2023, which was primarily attributable to an increase in gross profit margin of pledged vehicle monitoring services as our business continued to grow, we realized economies of scale with the support of our technologies, which enabled our subcontractors to supervise multiple automobile dealerships at the same time.

Our gross profit margin for pledged vehicle monitoring services decreased from 39.2% in 2020 to 38.2% in 2021, primarily because our cost of sales for such services increased by 12.9% from RMB261.6 million in 2020 to RMB295.4 million in 2021, which was primarily due to an RMB32.7 million increase in subcontracting costs for supervising the pledged vehicles across regions as a result of our business expansion. Our gross profit margin for pledged vehicle monitoring services increased from 38.2% in 2021 to 41.5% in 2022 and increased from 40.4% for the six months ended June 30, 2022 to 43.5% for the same period in 2023, primarily because our business continued to grow and we realized economies of scale with the support of our technologies, which enabled our subcontractors to supervise multiple automobile dealerships at the same time.

Our gross profit margin for automobile dealership operation management services decreased from 54.9% for the six months ended June 30, 2022 to 39.3% for the same period in 2023, primarily due to (i) the expansion of our service team for automobile dealership operation management services and the related increase in staff costs and (ii) the share-based payment incurred in the six months ended June 30, 2023 in connection with the grant of certain share options. See “History, Reorganization and Corporate Structure – Pre-IPO Share Incentive Plans” for more details of the grant of share options.

SUMMARY

KEY OPERATING METRICS

The table below sets forth the movement of the number of our pledged vehicle monitoring service agreements during the Track Record Period.

	For the year ended December 31,			For the six months ended June 30,	
	2020	2021	2022	2022	2023
At the beginning of the period	9,631	10,963	12,271	12,271	14,503
New engagement	4,752	5,319	6,411	2,708	3,615
Termination	(3,420)	(4,011)	(4,179)	(2,233)	(2,659)
At the end of the period	<u>10,963</u>	<u>12,271</u>	<u>14,503</u>	<u>12,746</u>	<u>15,459</u>

We recorded termination of 3,420, 4,011, 4,179, 2,233 and 2,659 pledged vehicle monitoring service agreements, respectively, in 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, primarily because after automobile dealerships have sold all the pledged vehicles or repaid the secured financing, the relevant financial institutions would typically send us a notice to terminate the pledged vehicle monitoring service agreements with us as required by the relevant contractual terms. According to CIC, in the automobile sales and distribution industry in China, after an automobile dealership sells all the pledged vehicles or repaid its secured financing, it is common for the financial institution to send a termination notice to the relevant pledged vehicle monitoring service provider instead of continuing to use its monitoring services to cover the dealership's new pledged vehicles, or wait till the pledged vehicle monitoring service agreement expires.

The following table sets forth the expiration schedule of our existing pledged vehicle monitoring service agreements as of the Latest Practicable Date.

	As of the Latest Practicable Date
Service agreements without fixed terms	13,000
Service agreements with fixed terms expiring in:	
– Year ending December 31, 2023	332
– Year ending December 31, 2024	2,794
– Year ending December 31, 2025	690
– Year ending December 31, 2026 and beyond	253
Total	<u>17,069</u>

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The number of pledged vehicle monitoring service agreements that we entered into continued to grow after the Track Record Period, increasing from 15,459 as of June 30, 2023 to 17,069 as of the Latest Practicable Date. Although 3,126 among these 17,069 agreements would expire by the end of 2024, we will negotiate with the financial institutions and automobile dealerships for renewal at least a month before the expiration dates of the relevant agreements, and our Directors do not expect that these expiring agreements would adversely affect our business, financial condition and operating results.

The following table sets forth (i) the average and the range of monthly service fees that we charged for our pledged vehicle monitoring services; and (ii) the average and the range of duration of our pledged vehicle monitoring service agreements in 2020, 2021, 2022 and the six months ended June 30, 2023.

	For the year ended December 31,			For the six months ended June 30,
	2020	2021	2022	2023
Average service fee (RMB/month/service agreement) ⁽¹⁾	3,564	3,527	3,252	3,206
Range of service fee (RMB/month/service agreement) ⁽²⁾	1,459- 14,500	1,800- 11,600	1,800- 8,100	1,600- 10,800
Average agreement duration (days) ⁽³⁾⁽⁴⁾	636	716	722	713
Range of agreement duration (days) ⁽³⁾⁽⁵⁾	1-4,400	1-5,145	1-5,214	1-5,562

Notes:

- (1) Average service fee per month is calculated by dividing our revenue from pledged vehicle monitoring services in a period by (i) the number of pledged vehicle monitoring service agreements that we had entered into as of the end of that period, and by (ii) the number of months in the relevant period.
- (2) The service fees that we charged varied by service agreements during the Track Record Period, primarily because our customers could choose any one or any combination of the pledged vehicle monitoring services that we provide, and the corresponding service fees varied depending on multiple factors, such as the type and number of services chosen and the location of automobile dealerships. See “Business—Pricing—Pricing Models—Pledged Vehicle Monitoring Services” for more information.
- (3) Agreement duration refers to the actual length of time that we provided our pledged vehicle monitoring services, including those that we were entrusted to provide under the Unassigned Agreements, to an automobile dealership that obtained secured financing from a particular financial institution without interruption.
- (4) Average agreement duration is calculated by dividing the sum of agreement duration for agreements that were terminated in a period by the number of agreements that were terminated in that period.
- (5) During the Track Record Period, some of our pledged vehicle monitoring service agreements had a one-day duration, primarily because, to the best of our knowledge based on our experience, in some instances automobile dealerships of certain car brands might sell the pledged vehicles that they purchased with secured financing from financial institutions to customers within one to two days; once the customers placed their orders, the automobile dealerships would repay the secured financing and deliver the pledged vehicles to the customers, after which our monitoring services were not needed at the moment, and the financial institutions would terminate our services to avoid incurring additional costs.

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The average monthly service fee per service agreement that we charged for our pledged vehicle monitoring services remained relatively stable between 2020 and 2021, and subsequently decreased by 7.8% from RMB3,527 in 2021 to RMB3,252 in 2022, and further decreased slightly to RMB3,206 in the six months ended June 30, 2023, primarily because as we expanded our business operation, the number of service agreements under which our onsite staff provided services increased, which lowered the subcontracting costs per service agreement and led to lower average monthly service fee per service agreement. See “Business—Pricing—Pricing Models—Pledged Vehicle Monitoring Services” for more information. Nevertheless, since the number of our pledged vehicle monitoring service agreements increased by 18.2% from 12,271 as of December 31, 2021 to 14,503 as of December 31, 2022, and increased by 18.2% from 12,746 as of June 30, 2022 to 15,459 as of June 30, 2023, our revenue continued to grow throughout this period. During the Track Record Period, the average duration of the pledged vehicle monitoring service agreements that we entered into remained relatively stable.

As of December 31, 2020, 2021 and 2022 and June 30, 2022 and 2023, we monitored approximately 636,100, 525,500, 710,400, 580,400 and 786,700 pledged vehicles, respectively. 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. As the market recovered and the sales volume of new vehicles increased in 2022, the number of pledged vehicles we monitored increased to 710,400 as of December 31, 2022.

In 2020, 2021, 2022 and the six months ended June 30, 2023, the average number of pledged vehicles underlying each of our pledged vehicle monitoring service agreement was 58, 43, 49 and 51, respectively, which fell within the range of the number of pledged vehicles underlying each pledged vehicle monitoring service agreement among the market participants in the industry that was between 40 and 70 during the Track Record Period, as advised by CIC.

We typically enter into tripartite agreements with financial institutions and automobile dealerships for such services. Although our pledged vehicle monitoring services are designed to help financial institutions manage secured financing provided to automobile dealerships, we consider the paying party under such tripartite agreements as our customer, which may be either financial institutions or automobile dealerships, depending on the negotiation among the contracting parties, and we consider both financial institutions and automobile dealerships as our users. To the best of our knowledge, the negotiations regarding the paying party of our pledged vehicle monitoring services may take into consideration (i) financial institutions’ past experience with automobile dealerships, or automobile dealerships’ track record; and (ii) the amount of secured financing. If an automobile dealership is a regular borrower with a decent track record as manifested by timely interest payment and principal repayment, or if the secured financing that an automobile dealership borrows is sufficiently large, the financial institution may be the paying party of our services after negotiations with the dealership. See “Business—Pledged Vehicle Monitoring Services—Key Terms of Pledged Vehicle Monitoring Service Agreements” for more details.

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The following table sets forth the number of users of our pledged vehicle monitoring services as of the dates indicated.

	As of December 31,			As of June 30,	
	2020	2021	2022	2022	2023
Financial institutions	211	206	219	206	223
– Commercial bank branches	183	179	195	180	196
– Automobile finance companies	28	27	24	26	27
Automobile dealerships	8,316	9,205	10,684	9,700	11,152

The following table sets forth the user-based net expansion rate of our pledged vehicle monitoring services by type of users for the periods indicated. To calculate the user-based net expansion rate for a given period, we divide the difference between the number of our users as of the end and as of the beginning of that period by the corresponding number as of the beginning of the given period.

	For the year ended December 31,			For the six months ended June 30,	
	2020	2021	2022	2022	2023
			(%)		
Financial institutions	(3.7)	(2.4)	6.3	0.0	1.8
– Commercial bank branches	(4.7)	(2.2)	8.9	0.6	0.5
– Automobile finance companies	3.7	(3.6)	(11.1)	(3.7)	12.5
Automobile dealerships	10.5	10.7	16.1	5.4	4.4
Overall	6.8	10.4	15.9	5.3	4.3

The change in the number of users during the Track Record Period was primarily due to changes in demand for our pledged vehicle monitoring services, which was mainly attributable to (i) expansion or contraction of the automobile sales market as a result of the ongoing macroeconomy and/or industry development; and (ii) competition from other market participants.

Our user-based net expansion rate of commercial bank branches increased from a net contraction rate of 2.2% in 2021 to a net expansion rate of 8.9% in 2022, and our user-based net expansion rate of automobile dealerships increased from 10.7% in 2021 to 16.1% in 2022, primarily due to the rapid growth of the NEV market in 2022. As the NEV market expanded, automobile dealerships' demand for secured financing to purchase NEVs increased, and commercial bank branches' demand for our pledged vehicle monitoring services to monitor

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pledged NEVs increased in tandem. Our user-based net expansion rate of automobile finance companies increased from a net contraction of 3.7% in the six months ended June 30, 2022 to a net expansion rate of 12.5% in the six months ended June 30, 2023, primarily because our automobile finance company users slightly decreased from 27 as of December 31, 2021 to 26 as of June 30, 2022, then decreased to 24 as of December 31, 2022 and subsequently increased back to 27 as of June 30, 2023, which was a normal fluctuation during the course of our business.

The following table sets forth the retention rate of our pledged vehicle monitoring services by type of users for the years indicated. To calculate the retention rate for a given year, we divide the number of users as of the end of that year who were also our users as of the end of the previous year by the number of users as of the end of the previous year.

	For the year ended December 31,		
	2020	2021	2022
	<i>(%)</i>		
Financial institutions	66.8	83.9	92.4
Automobile dealerships	81.7	82.4	84.9

During the Track Record Period, our retention rate of financial institutions steadily increased from 66.8% in 2020 to 83.9% in 2021, then to 92.4% in 2022, primarily because we (i) continuously upgraded our VFS system and Vehicle Connect to facilitate the monitoring of pledged vehicles for financial institutions; and (ii) improved our services and products based on financial institutions' demands and feedbacks. During the Track Record Period, our retention rate of automobile dealerships remained relatively high and stable, primarily due to (i) our national service coverage; (ii) the various financial institutions that we served; and (iii) our VFS system and Vehicle Connect that facilitate the whole process of secured financing.

In each of the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, the average revenue contribution by our top ten customers in that period was RMB12.3 million, RMB13.5 million, RMB17.6 million and RMB10.4 million, respectively.

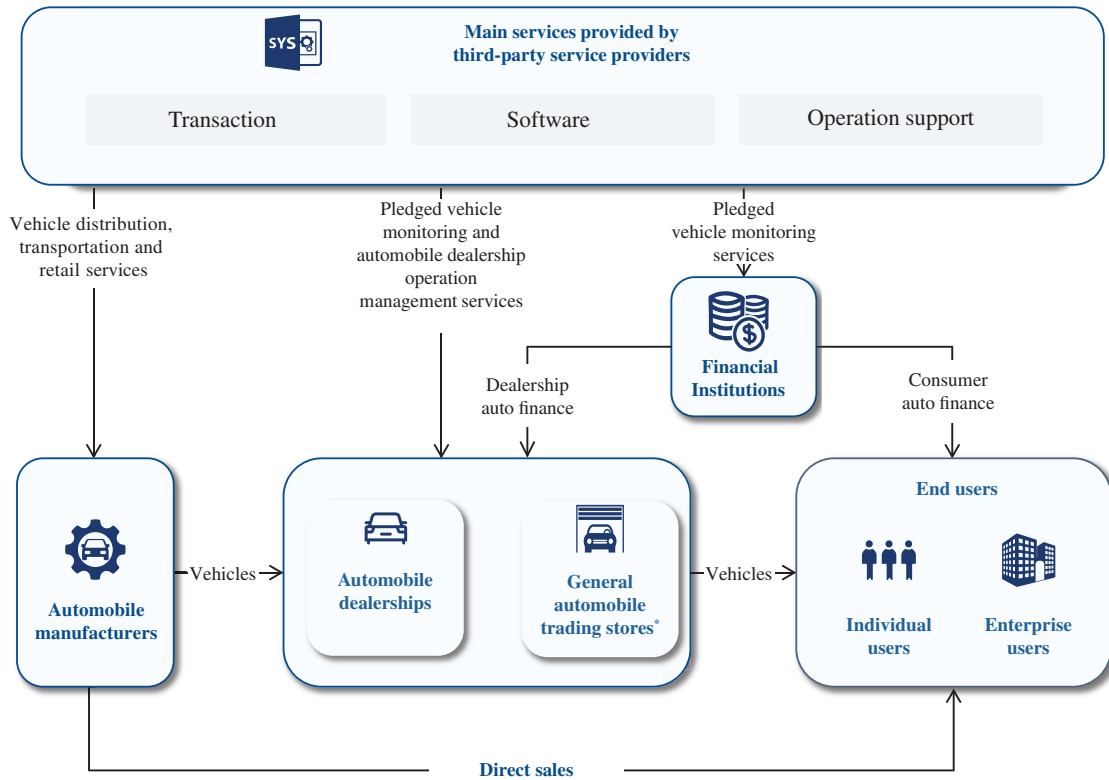
Market Demand and Competitive Landscape

Value chain of the automobile sales and distribution industry

Automobile sales and distribution is a crucial step in the automobile industry that bridges automobile manufacturers and automobile end users. Participants in the automobile sales and distribution industry mainly include automobile manufacturers, automobile dealerships, general automobile trading stores, financial institutions and third-party service providers. Automobile manufacturers mainly focus on vehicle design, production and manufacturing, and are the upstream suppliers of passenger automobiles. Automobile dealerships and general automobile trading stores primarily engage in the sale of passenger vehicles. They also provide

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automobile repair and maintenance services, automobile financing services, insurance services and other after-sales services to downstream users. Financial institutions mainly provide financial services to automobile dealerships and automobile end users, such as vehicle inventory financing and vehicle purchase financing. Third-party service providers in the automobile sales and distribution industry mainly provide (i) transaction services, such as consumer auto finance services; (ii) software services, such as enterprise resource planning (ERP), customer relationship management (CRM), material required planning (MRP) and warehouse management system (MRS); and (iii) operation-related services, such as vehicle distribution, transportation and retail services, to automobile manufacturers, automobile dealerships, financial institutions and other enterprise users. Some participants in the industry also provide specialized services such as pledged vehicle monitoring services and automobile dealership operation management services. The following diagram demonstrates the relationship of participants in the automobile sales and distribution industry.



Source: CIC

Note:

* During the Track Record Period, our major customers did not include general automobile trading stores.

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Pledged vehicle monitoring services

Market demand. Pledged vehicle monitoring services are provided in connection with automobile financing services in China's automobile sales and distribution industry. The demand for pledged vehicle monitoring services arises from financial institutions' difficulty in keeping track of the pledged vehicles after providing secured financing to automobile dealerships. The market demand for pledged vehicle monitoring services in China remains stable. The size of the market grew from RMB873.1 million in 2018 to RMB1,054.0 million in 2022, representing a CAGR of approximately 4.8%. In 2022, with the emphasis on risk management by financial institutions, standardization of operation and increase in the penetration of secured finance, the total addressable market of pledged vehicle monitoring services for automobile dealerships and general automobile trading stores in China was approximately RMB6.1 billion, as calculated by multiplying the number of potential automobile dealership users and general automobile trading store users by the average service fee of the industry, assuming that the demand of all potential automobile dealership users and general automobile trading store users is fully addressed. In particular, in 2022, approximately RMB1.9 billion of the total addressable market was attributable to potential automobile dealership users and approximately RMB4.2 billion of the total addressable market was attributable to potential general automobile trading store users.

Competitive landscape and our competitive advantages. The pledged vehicle monitoring service market in China is highly concentrated, mainly due to the fact that leading market participants have already established entry barriers in terms of technological capabilities, customer relationships and economies of scale. According to CIC, as of December 31, 2022, the top five market participants had a total market share of approximately 90.3% in terms of revenue, while the remaining market participants were typically small regional service providers. According to CIC, leading market participants have nationwide service networks and can meet financial institutions' demand for the monitoring of pledged vehicles across the country and are, therefore, more likely to gain a higher market share. For more information, see "Industry Overview—Overview of China's Pledged Vehicle Monitoring Services Market—The Company is the largest provider of pledged vehicle monitoring services in China's automobile sales and distribution industry." As advised by CIC, as of the Latest Practicable Date, the Company was one of the only two market participants in the pledged vehicle monitoring service market that had established a comprehensive pledged vehicle monitoring system with data storage and analytics capabilities. As the largest service provider in the pledged vehicle monitoring service market in China, we have been providing pledged vehicle monitoring services to a large number of financial institutions and automobile dealerships and achieved digitalization of our services, which allows us to identify, address and alert financial institutions regarding risk incidents more efficiently.

Although certain new vehicles, such as NEVs, are equipped with technologies such as built-in GPS, our Directors are of the view that the application of such emerging technologies would not replace or render our pledged vehicle monitoring services obsolete, primarily because to protect vehicle owners' privacy, typically only the manufacturers and ultimate consumers have the system permission to access data generated by the built-in GPS, unless the vehicles are under repair or maintenance, need emergency assistance (such as police assistance in traffic accidents) or otherwise required by law. As a result, financial institutions and

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automobile dealerships still need to rely on pledged vehicle monitoring service providers with alternative means, such as our RFID labels and OBD devices, to track pledged vehicles' locations and vehicular activities for monitoring purposes.

Although a substantial majority of our revenue and number of pledged vehicle monitoring service agreements during the Track Record Period were attributable to ICEs and to a much less extent to NEVs, our Directors are of the view that the increasing sales of NEVs in the PRC would not adversely affect the competitive landscape of the pledged vehicle monitoring service market, considering that (i) regardless of whether the pledged vehicles are NEVs or ICEs, so long as the automobile dealerships acquire them with secured financing from financial institutions, the business need from financial institutions for professional pledged vehicle monitoring services from third-party service providers is expected to remain; and (ii) as advised by CIC, although certain NEVs are directly sold by their manufacturers, automobile dealerships are still the dominant passenger vehicle sales channel in the PRC, through which over 90% of the total vehicles and over 70% of the NEVs were sold between 2020 and 2022.

Market practice. As advised by CIC, the frequency that financial institutions, automobile dealerships and pledged vehicle monitoring service providers enter into tripartite service agreements typically depends on (i) financial institutions' internal risk management policies and commercial relations with automobile dealerships; and (ii) the vehicle inventory level maintained by automobile dealerships that seek secured financing, which ranged between 40 and 70 among the market participants in the industry during the Track Record Period. Due to the variability of these factors, the frequency that financial institutions, automobile dealerships and pledged vehicle monitoring service providers typically enter into tripartite service agreements is not a common industry metric and could vary significantly from time to time.

Automobile dealership operation management services

Market demand. The automobile dealership operation management service market in China has not yet formed a stable competitive landscape. However, the demand is expected to increase in the future as competition among automobile dealerships in the automobile sales and distribution industry intensifies and more automobile dealerships are expected to seek professional management services from external service providers to optimize their business operations, according to CIC. The current market size is relatively small. In 2022, the market size of automobile dealership operation management services in China was approximately RMB47.6 million as measured by service revenue, with a penetration rate of less than 0.5%, calculated by dividing the number of automobile dealerships served by the total number of automobile dealerships in China, according to CIC.

Competitive landscape and our competitive advantages. The main participants currently expanding into the automobile dealership operation management service market include startup software companies, internet platform companies and large automobile dealerships with strong management capabilities, according to CIC. Automobile dealership operation management services generally require service suppliers to have a deep understanding of the limitations of automobile dealerships' operation management and have the ability to penetrate into automobile dealerships' daily operations to offer optimization adjustments. Leveraging our experience in providing pledged vehicle monitoring services to financial institutions and automobile dealerships, national service network and insights in the automobile sales and

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distribution industry, we began offering management services to automobile dealerships that seek more optimal business and financial performance in April 2022. Our automobile dealership operation management services consist of automobile dealerships operational support, data system and managerial services.

Business Transfer of Pledged Vehicle Monitoring Services from Changjiu Industrial

Prior to our establishment in September 2016, Changjiu Industrial had provided pledged vehicle monitoring services to financial institutions and automobile dealerships since 2006. 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. As of November 30, 2021, the entire operation team and all related personnel of the pledged vehicle monitoring services had been transferred into our Group from Changjiu Industrial. For more information, see “History, Reorganization and Corporate Structure—Reorganization—Onshore Reorganization—Business transfer of pledged vehicle monitoring services.”

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 with reference to their contract value as of November 30, 2021. Such consideration had been fully settled as of the Latest Practicable Date.

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. The Unassigned Agreements involved 23 financial institution customers and 524 automobile dealership customers and had an aggregate contract value of RMB21.4 million as of the Latest Practicable Date. 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.

During the Track Record Period, our revenue from pledged vehicle monitoring services was primarily derived from Independent-Third-Party users, whereas our revenue from automobile dealership operation management services was primarily derived from related-party users. The following table sets forth a breakdown of the number of our service agreements and our total revenue by business line and by user ownership as of the dates and for the periods indicated.

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	As of/For the year ended December 31,				As of/For the six months ended June 30,															
	2020		2021		2022		2023													
	Number of agreements	Revenue (RMB'000)	Number of agreements	Revenue (RMB'000)	Number of agreements	Revenue (RMB'000)	Number of agreements	Revenue (RMB'000)												
	%	%	%	%	%	%	%	%												
	<i>(unaudited)</i>																			
Pledged Vehicle Monitoring Services																				
- Related-party users	10	0.1	1,729	0.4	9	0.1	5,793	1.2	12	0.1	1,284	0.2	7	0.1	1,024	0.4	8	0.1	157	0.1
- Independent-Third-Party users	10,953	99.9	428,858	99.6	12,262	99.9	471,904	98.8	14,491	99.4	503,765	92.0	12,739	99.4	244,736	94.6	15,451	99.4	278,910	90.1
<i>Subtotal</i>	10,963	100.0	430,587	100.0	12,271	100.0	477,697	100.0	14,503	99.5	505,049	92.2	12,746	99.5	245,760	95.0	15,459	99.5	279,067	90.2
Automobile Dealership Operation Management Services																				
- Related-party users	-	-	-	-	-	-	-	-	73	0.5	42,785	7.8	73	0.5	12,892	5.0	73 ⁽¹⁾	0.5	30,281	9.8
- Independent-Third-Party user	-	-	-	-	-	-	-	-	1	0.0	33	0.0	-	-	-	-	1	0.0	83	0.0
<i>Subtotal</i>	-	-	-	-	-	-	-	-	74	0.5	42,818	7.8	73	0.5	12,892	5.0	74	0.5	30,364	9.8
Total	10,963	100.0	430,587	100.0	12,271	100.0	477,697	100.0	14,577	100.0	547,867	100.0	12,819	100.0	258,652	100.0	15,533	100.0	309,431	100.0

Notes:

(1) One of the automobile dealership operation management service agreements that we entered into with related-party users was for our management of two dealerships.

SUMMARY

The following table sets forth a breakdown of our total revenue by business line and by type of paying customer for the periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2020		2021		2022		2022		2023	
	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%
Pledged Vehicle										
Monitoring Services										
– Related parties	1,729	0.4	9,342 ⁽¹⁾	2.0	39,033 ⁽¹⁾	7.1	21,601 ⁽¹⁾	8.3	19,240 ⁽¹⁾	6.2
– Independent Third Parties	428,858	99.6	468,355 ⁽²⁾	98.0	466,016 ⁽²⁾	85.1	224,159 ⁽²⁾	86.7	259,827 ⁽²⁾	84.0
Subtotal	430,587	100.0	477,697	100.0	505,049	92.2	245,760	95.0	279,067	90.2
Automobile Dealership										
Operation Management Services										
– Related parties	-	-	-	-	42,785	7.8	12,892	5.0	30,281	9.8
– Independent Third Party	-	-	-	-	33	0.0	-	-	83	0.0
Subtotal	-	-	-	-	42,818	7.8	12,892	5.0	30,364	9.8
Total	430,587	100.0	477,697	100.0	547,867	100.0	258,652	100.0	309,431	100.0

Notes:

- (1) Including revenue derived from (i) one, two, two and two Unassigned Agreements from Changjiu Group as of December 31, 2021 and 2022 and June 30, 2022 and 2023, respectively; and (ii) 1,059, 794, 1,137 and 649 Unassigned Agreements from Independent Third Parties as of December 31, 2021 and 2022 and June 30, 2022 and 2023, respectively. The revenue generated from automobile dealerships under Unassigned Agreements and Entrustment Agreement was RMB3.6 million, RMB37.8 million, RMB20.6 million and RMB19.1 million in 2021 and 2022 and in the six months ended June 30, 2022 and 2023, respectively, accounting for 0.8%, 6.9%, 8.0% and 6.2% of our total revenue during the same periods, respectively.
- (2) Excluding revenue derived from 1,059, 794, 1,137 and 649 Unassigned Agreements from Independent Third Parties as of December 31, 2021 and 2022 and June 30, 2022 and 2023, respectively, which amounted to RMB3.5 million, RMB37.7 million, RMB20.6 million and RMB19.1 million in 2021 and 2022 and in the six months ended June 30, 2022 and 2023, respectively.

COMPETITIVE STRENGTHS

We believe the following competitive strengths have contributed to our success and differentiated us from our competitors:

- Largest automobile pledged vehicle monitoring service provider in China
- Early mover in automobile dealership operation management services
- Quality user base
- Technologies and R&D capabilities
- Experienced management team

SUMMARY

OUR STRATEGIES

To achieve our mission and further solidify our leadership, we intend to implement the following business strategies:

- Enrich service offering and improve technology capabilities
- Grow and diversify user base and expand ecosystem
- Capitalize on growth trends in NEV market in China's lower-tier cities
- Refine human resource management and enlarge talent pool

OUR CUSTOMERS AND SUPPLIERS

Our customers primarily consist of financial institutions, which mainly include commercial banks and automobile finance companies, as well as automobile dealerships. Changjiu Industrial is also our customer. See “Business—Customers.” Changjiu Industrial, a company set up by our Ultimate Controlling Shareholders and the holding company of Changjiu Group, is a automobile industry service provider that primarily engages in automobile sales and distribution, automobile transportation and vehicle manufacturing. See “Relationship with Our Controlling Shareholders—Delineation of Business.” Our transactions with Changjiu Industrial as one of our customers primarily include (i) providing pledged vehicle monitoring services to certain financial institutions and automobile dealerships on behalf of Changjiu Industrial 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; and (ii) providing automobile dealership operation management services to automobile dealerships owned by Changjiu Group, see “Business—Automobile Dealership Operation Management Services” for details. During the Track Record Period, our major customers did not include general automobile trading stores.

During the Track Record Period, revenue derived from sales to our five largest customers in that year/period amounted to RMB143.6 million in 2020, RMB167.9 million in 2021, RMB279.3 million in 2022 and RMB173.9 million in the six months ended June 30, 2023, which accounted for 33.3%, 35.1%, 51.0% and 56.2% of our total revenue, respectively. During the Track Record Period, revenue derived from sales to our single largest customer in that year/period amounted to RMB38.8 million in 2020, RMB62.2 million in 2021, RMB89.8 million in 2022 and RMB56.5 million in the six months ended June 30, 2023, which accounted for 9.0%, 13.0%, 16.4% and 18.3% of our total revenue, respectively. In 2020, 2021, 2022 and the six months ended June 30, 2023, revenue derived from Changjiu Industrial, our related party and second largest customer in 2022 and the six months ended June 30, 2023, and its subsidiaries amounted to RMB0.7 million, RMB8.7 million, RMB81.1 million and RMB49.5 million, respectively, accounting for 0.2%, 1.8%, 14.8% and 16.0% of our total revenue, respectively. Please refer to “Business—Customers” for further details.

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Our suppliers primarily include subcontractors who provide onsite supervision services, including pledged vehicle monitoring services, collective vehicle conformity certificate management services and counting services, and manufacturers of RFID labels, PDAs, OBD devices and lockboxes. 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. Please refer to “Business—Suppliers” for further details.

Except as disclosed in “History, Reorganization and Corporate Structure—Reorganization—Business transfer of pledged vehicle monitoring services” and “Connected Transactions Non-exempt Continuing Connected Transactions—(4) Entrustment Agreement,” Changjiu Group did not refer any other customer or supplier to us.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables set forth a summary of our consolidated financial statements for the Track Record Period, extracted from the Accountants’ Report set out in Appendix I. The summary of consolidated financial data set forth below should be read together with, and is qualified in its entirety by reference to, the consolidated financial statements contained elsewhere in this prospectus, including the related notes. Our consolidated financial statements have been prepared in accordance with IFRSs.

Selected Items of Consolidated Statements of Profit or Loss

	For the year ended December 31,						For the six months ended June 30,			
	2020		2021		2022		2022		2023	
	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
	<i>(unaudited)</i>									
Revenue	430,587	100.0	477,697	100.0	547,867	100.0	258,652	100.0	309,431	100.0
Gross profit	168,958	39.2	182,296	38.2	225,039	41.1	106,248	41.1	133,403	43.1
Profit from operations	110,798	25.7	96,203	20.1	130,899	23.9	64,121	24.8	56,958	18.4
Profit before taxation	109,834	25.5	93,149	19.5	127,626	23.3	62,884	24.3	55,472	17.9
Profit for the year/ period	114,105	26.5	83,731	17.5	95,912	17.5	48,088	18.6	35,291	11.4

SUMMARY

	For the year ended December 31,						For the six months ended June 30,			
	2020		2021		2022		2022		2023	
	% of		% of		% of		% of		% of	
	Amount	revenue	Amount	revenue	Amount	revenue	Amount	revenue	Amount	revenue
(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	
	<i>(unaudited)</i>									
Attributable to:										
Equity shareholders of										
the Company	114,105	26.5	83,731	17.5	95,877	17.5	48,053	18.6	35,291	11.4
Non-controlling										
interests	-	-	-	-	35	0.0	35	0.0	-	-

Our total revenue increased by 14.7% from RMB477.7 million in 2021 to RMB547.9 million in 2022, which was primarily due to (i) a 5.7% increase in our revenue generated from pledged vehicle monitoring services from RMB477.7 million in 2021 to RMB505.0 million in 2022, primarily attributable to an increase in the number of our service agreements from 12,271 as of December 31, 2021 to 14,503 as of December 31, 2022 as the number of automobile dealerships in China increased during this period, which drove up the demand for pledged vehicle monitoring services, and we were able to obtain the new service agreements from financial institutions and automobile dealerships by leveraging our technological capabilities, experience in the industry and credibility among our user base; and (ii) an RMB42.8 million revenue generated from automobile dealership operation management services in 2022, as we started to provide such services in April 2022. Our total revenue increased from RMB258.7 million in the six months ended June 30, 2022 to RMB309.4 million in the six months ended June 30, 2023, which was primarily due to (i) an RMB33.3 million increase in our revenue generated from pledged vehicle monitoring services, as the pledged vehicle monitoring services market recovered after the COVID-19 pandemic and demand for our services increased, resulting in us obtaining 2,713 more service agreements in the six months ended June 30, 2023 as compared to the same period in 2022; and (ii) an RMB17.5 million increase in revenue generated from automobile dealership operation management services, as we started to provide such services in April 2022 and generated revenue from this business for the full six months in the first half of 2023.

Our overall gross profit margin remained stable in 2020 and 2021. Our overall gross profit margin increased from 38.2% in 2021 to 41.1% in 2022 and from 41.1% in the six months ended June 30, 2022 to 43.1% in the six months ended June 30, 2023, primarily attributable to an increase in gross profit margin of pledged vehicle monitoring services as our business continued to grow, we realized economies of scale with the support of our technologies, which enabled the staff from our subcontractors to supervise multiple automobile dealerships at the same time.

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Our profit from operations decreased by 13.2% from RMB110.8 million in 2020 to RMB96.2 million in 2021, primarily due to an RMB28.5 million, or 67.0%, increase in general and administrative expenses, which was in turn primarily attributable to (i) an RMB10.6 million increase in staff costs as a result of the expansion of our pledged vehicle monitoring services, which led to an increase in the number of staff performing related tasks such as business process formulation and customer communication, and (ii) an RMB10.0 million non-refundable earnest money we paid for a potential investment in an automobile-related e-commerce platform in 2021 that did not consummate after negotiation and due diligence, which was one-off and non-recurring because such payment was not associated with the routine operations of our core business but rather tied to the specific circumstances leading to the occurrence and final non-consummation of a particular investment opportunity. Our profit for the year decreased by 26.6% from RMB114.1 million in 2020 to RMB83.7 million in 2021, primarily because our income tax expenses amounted to RMB9.4 million in 2021 while we recorded income tax benefit of RMB4.3 million in 2020 as a result of recognition of deferred tax assets mainly from deductible accumulative losses in 2020, and due to an increase in general and administrative expenses.

Our profit from operations increased from RMB96.2 million in 2021 to RMB130.9 million in 2022 and our profit for the year increased from RMB83.7 million in 2021 to RMB95.9 million in 2022, primarily because our total revenue increased by 14.7% from RMB477.7 million in 2021 to RMB547.9 million in 2022.

Our profit from operations decreased from RMB64.1 million in the six months ended June 30, 2022 to RMB57.0 million in the six months ended June 30, 2023 and our profit for the period decreased from RMB48.1 million for the six months ended June 30, 2022 to RMB35.3 million for the same period in 2023, primarily due to an RMB29.8 million increase in general and administrative expenses, which was in turn primarily attributable to an RMB12.0 million non-recurring listing expenses associated with this Global Offering, an RMB9.9 million non-operation related share-based payment expenses associated with the grant of certain restricted shares and share options in the period and an RMB6.8 million increase in staff costs as a result of our business expansion.

Selected Items of Consolidated Statements of Financial Position

	As of December 31,			As of
	2020	2021	2022	June 30, 2023
	<i>(RMB'000)</i>			
Total non-current assets	13,864	12,217	13,543	25,849
Total current assets	188,803	206,702	247,621	263,839
Total current liabilities	(169,134)	(200,347)	(248,975)	(221,310)
Net current assets/(liabilities)	19,669	6,355	(1,354)	42,529
Total non-current liabilities	(397)	(2,359)	(64)	(7,308)
Net assets	33,136	16,213	12,125	61,070

SUMMARY

Our net current assets decreased from RMB19.7 million as of December 31, 2020 to RMB6.4 million as of December 31, 2021, which was primarily due to (i) an RMB16.8 million increase in contract liabilities arising from advance payments from customers for the provision of pledged vehicle monitoring services; (ii) an RMB8.9 million increase in accrued expenses and other current liabilities; and (iii) an RMB3.7 million increase in current tax liabilities, partially offset by an RMB19.9 million increase in trade receivables.

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—Reorganization—Onshore Reorganization—Acquisition of Changjiu Jinfu by Shanghai Bozhong” for details.

Our net current liabilities of RMB1.4 million as of December 31, 2022 turned to net current assets of RMB42.5 million as of June 30, 2023, which was primarily due to an increase of RMB78.5 million in trade receivables, and a decrease of RMB40.0 million in bank loans, partially offset by a decrease of RMB46.9 million in cash and cash equivalents and an increase of RMB13.8 million in accrued expenses and other current liabilities.

Our net assets decreased from RMB33.1 million as of December 31, 2020 to RMB16.2 million as of December 31, 2021, which was primarily attributable to (i) the impact of the Reorganization associated with the transfer of pledged vehicle monitoring services business from Changjiu Industrial to Chanjiu Jinfu for a consideration of RMB45.5 million; (ii) the deemed distribution reflecting the net amount of cash transactions relating to the transferred pledged vehicle monitoring services business of RMB33.1 million; and (iii) a distribution to shareholders of RMB22.0 million, partially offset by the RMB83.7 million net profit recorded for the year.

Our net assets further decreased from RMB16.2 million as of December 31, 2021 to RMB12.1 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, partially offset by the RMB95.9 million net profit recorded for the year.

Our net assets increased from RMB12.1 million as of December 31, 2022 to RMB61.1 million as of June 30, 2023, which was primarily due to the net profit of RMB35.3 million recorded for the period and a share-based compensation of RMB13.7 million granted during the period.

SUMMARY

Selected Items of Consolidated Statements of Cash Flows

	For the year ended December 31,			For the six months ended June 30,	
	2020	2021	2022	2022	2023
	<i>(RMB'000)</i>			<i>(unaudited)</i>	
Net cash generated					
from/(used in) operating					
activities	124,227	114,732	82,030	(9,127)	(20,755)
Net cash (used in)/generated					
from investing activities	(74,508)	(52,935)	118,584	(20,036)	12,406
Net cash (used in)/generated					
from financing activities	(67,981)	(60,353)	(82,806)	38,337	(38,768)
Net (decrease)/increase in					
cash and cash equivalents	(18,262)	1,444	117,808	9,174	(47,117)
Cash and cash equivalents at					
the beginning of the period	18,351	89	1,533	1,533	119,341
Effect of foreign exchange					
rate changes	-	-	-	-	171
Cash and cash equivalents as					
of the end of the period	89	1,533	119,341	10,707	72,395

During the six months ended June 30, 2023, our net cash used in operating activities was RMB20.8 million, which was primarily due to profit before tax of RMB55.5 million, as adjusted for non-cash and non-operating items, which was further adjusted by negative changes in working capital of RMB84.1 million and income tax paid of RMB15.3 million. The negative changes in working capital were mainly due to (i) an RMB82.4 million increase in trade receivables; and (ii) an RMB8.3 million decrease in contract liabilities, partially offset by an RMB9.5 million increase in accrued expenses and other liabilities. During the six months ended June 30, 2022, our net cash used in operating activities was RMB9.1 million, which was primarily due to profit before tax of RMB62.9 million, as adjusted for non-cash and non-operating items, which was further adjusted by negative changes in working capital of RMB75.1 million and income tax paid of RMB2.7 million. The negative changes in working capital were mainly due to (i) an RMB68.8 million increase in trade receivables; and (ii) an RMB16.4 million decrease in contract liabilities, partially offset by an RMB10.1 million increase in accrued expenses and other liabilities. See “Risk Factors—Risks Relating to Our Business and Industry—We had negative operating cash flows in the six months ended June 30, 2022 and 2023.”

SUMMARY

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as of the dates or for the periods indicated.

	As of/For the year ended			As of/For the	
	December 31,			six months ended	
	2020	2021	2022	2022	2023
				<i>(unaudited)</i>	
Return on equity ⁽¹⁾ (%)	344.3	339.3	676.9	(493.5) ⁽⁶⁾	96.4
Return on asset ⁽²⁾ (%)	56.3	39.7	40.0	17.9	12.8
Current ratio ⁽³⁾	1.1	1.0	1.0	0.9	1.2
Liabilities to assets ratio ⁽⁴⁾	0.8	0.9	1.0	1.1	0.8
Gearing ratio ⁽⁵⁾ (%)	150.9	308.4	618.6	(248.5) ⁽⁶⁾	57.3

Notes:

- (1) Equals profit for the period divided by average balance of total equity at the beginning and the end of that period and multiplied by 100%.
- (2) Equals profit for the period divided by average balance of total assets at the beginning and the end of that period and multiplied by 100%.
- (3) Current ratio represents current assets divided by current liabilities as of the same date.
- (4) Liabilities to assets ratio represents total liabilities divided by total assets as of the same date.
- (5) Gearing ratio represents the sum of interest-bearing bank loans divided by total equity as of the same dates and multiplied by 100%.
- (6) As of June 30, 2022, our return on equity and gearing ratio were negative primarily because we recorded net liabilities as of the same date.

Our gearing ratio increased from 150.9% as of December 31, 2020 to 308.4% as of December 31, 2021, primarily due to a decrease in our equity from RMB33.1 million as of December 31, 2020 to RMB16.2 million as of December 31, 2021, which was primarily attributable to a deemed distribution in relation to cash transferred to Changjiu Industrial in 2021 and a dividend distribution by Changjiu Jinfu to its then shareholders in 2021. Our gearing ratio increased from 308.4% as of December 31, 2021 to 618.6% as of December 31, 2022, primarily due to an increase in our bank loans from RMB50.0 million as of December 31, 2021 to RMB75.0 million as of December 31, 2022, as well as a decrease in our equity from RMB16.2 million as of December 31, 2021 to RMB12.1 million as of December 31, 2022, which was primarily attributable to the consideration paid in 2022 to acquire the 100% equity interest in Changjiu Jinfu as part of the Reorganization. Our gearing ratio decreased from 618.6% as of December 31, 2022 to 57.3% as of June 30, 2023, primarily due to the decrease

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in our bank loans from RMB75.0 million as of December 31, 2022 to RMB35.0 million as of June 30, 2023, as well as the increase in our total equity from RMB12.1 million as of December 31, 2022 to RMB61.1 million as of June 30, 2023, primarily as a result of the recorded net profit.

See “Financial Information—Key financial ratios” for a detailed discussion on our financial ratios.

We recorded an opening balance of accumulated loss of RMB65.7 million as of January 1, 2020 primarily arising from the Reorganization. Prior to the Reorganization, part of the pledged vehicle monitoring services was operated by a division of Changjiu Industrial and the related cash and bank accounts were centrally managed by Changjiu Industrial, therefore the cash generated from the division was periodically transferred to Changjiu Industrial and the net cash transaction amounts were treated as deemed distribution to Changjiu Industrial. See Note 1 to the Accountants’ Report in Appendix I to this prospectus for further details. The total deemed distribution to Changjiu Industrial exceeded the accumulated net profits generated from the pledged vehicle monitoring services as of January 1, 2020, leading to an accumulated loss of RMB65.7 million as of the same date.

OUR CONTROLLING SHAREHOLDERS

Pursuant to a concert party confirmation dated March 1, 2023 entered into between Ms. Li and Mr. Bo, they have confirmed that they are parties acting in concert in respect of their voting rights in our Company. For details, please see “History, Reorganization and Corporate Structure—Concert Party Confirmation.” Therefore, Ms. Li, Mr. Bo and the entities controlled by them, namely Bright Limited, Brightio Limited, Advance Limited, Advan Limited, Creation Limited and CreateCube Limited, shall be regarded as a group of Controlling Shareholders. Immediately upon completion of the Global Offering (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Pre-IPO Share Options), our Controlling Shareholders will be collectively interested in and will control an aggregate of 74.20% of the voting power of our Company and will remain as our Controlling Shareholders upon Listing. For details, see “Relationship with Our Controlling Shareholders.”

PRE-IPO SHARE INCENTIVE PLANS

Our Company adopted the Pre-IPO Restricted Share Plan on March 7, 2023. On the same day, we allotted and issued 1,620,000 Shares at par value to the Restricted Share SPV, the limited partners of which are the participants of our Pre-IPO Restricted Share Plan. As of the Latest Practicable Date, a total of 1,620,000 restricted shares, representing all the Restricted Shares issuable under the Pre-IPO Restricted Share Plan, had been conditionally granted to five officers of our Group. No further restricted shares may be granted under the Pre-IPO Restricted Share Plan after the Listing. See “Appendix IV—Statutory and General Information—D. Pre-IPO Share Incentive Plans—1. Pre-IPO Restricted Share Plan” for further details.

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Our Company also adopted the Pre-IPO Share Option Plan on March 7, 2023. Following the adoption of the Pre-IPO Share Option Plan and as of the Latest Practicable Date, 10,199,730 Pre-IPO Share Options, representing approximately 5.05% of the issued share capital of our Company immediately after the Global Offering (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Pre-IPO Share Options), had been conditionally granted to 48 grantees, including a Director, senior management members and employees of our Group. Pursuant to the terms of the Pre-IPO Share Option Plan, the grantees shall not exercise the outstanding options granted to them under the Pre-IPO Share Option Plan prior to the Listing. No further options may be granted under the Pre-IPO Share Option Plan after the Listing. For details, see “Appendix IV—Statutory and General Information—D. Pre-IPO Share Incentive Plans—2. Pre-IPO Share Option Plan.”

USE OF PROCEEDS

We estimate that the net proceeds from the Global Offering which we will receive, assuming an Offer Price of HK\$6.93 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), will be approximately HK\$313.0 million, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering. We intend to use the net proceeds from the Global Offering for the following purposes:

- 35.0%, or approximately HK\$109.6 million, will be used to improve our pledged vehicle monitoring services;
- 30.0%, or approximately HK\$93.9 million, will be used to develop an integrated supporting system for the automobile sales and distribution industry;
- 15.0%, or approximately HK\$47.0 million, will be used to expand our automobile dealership operation management capacity;
- 10.0%, or approximately HK\$31.3 million, will be used to expand our sales and marketing capacity; and
- 10.0%, or approximately HK\$31.3 million, will be used for general business operations and working capital.

For further details, see “Future Plans and Use of Proceeds” in this prospectus.

LISTING EXPENSES

Our listing expenses include underwriting commission, professional fees and other fees incurred in connection to the Listing and the Global Offering. Listing expenses to be borne by us are estimated to be RMB46.8 million (including underwriting commission and fees of approximately RMB16.8 million, and non-underwriting related expenses of approximately RMB30.0 million, which consist of accounting and legal fees and expenses of approximately

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RMB17.3 million and other fees and expenses of approximately RMB12.7 million, assuming an Offer Price of HK\$6.93 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$5.95 to HK\$7.90 per Offer Share), of which RMB17.7 million is expected to be accounted for as a deduction from equity upon the Listing. Listing expenses accounted for 14.7% of our gross proceeds. During the Track Record Period, the listing expenses charged to profit or loss were RMB14.1 million (HK\$15.5 million). RMB15.0 million is expected to be charged to our consolidated statements of profit or loss for the remaining period ending December 31, 2023. The listing expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

GLOBAL OFFERING STATISTICS

	Based on the minimum Offer Price of HK\$5.95 per Offer Share	Based on the maximum Offer Price of HK\$7.90 per Offer Share
Market capitalization of our Shares ⁽¹⁾ (in millions)	HK\$1,202.9	HK\$1,597.1
Unaudited pro forma adjusted net tangible assets per Share ⁽²⁾	HK\$1.62	HK\$2.09

Notes:

- (1) The calculation of market capitalization is based on 202,160,000 Shares expected to be in issue immediately upon completion of the Global Offering.
- (2) The unaudited pro forma adjusted net tangible assets of the Company attributable to the shareholders of the Company per Share was calculated based on the assumption that 200,540,000 Shares were in issue as of June 30, 2023 and after adjustments as specified in “Appendix II—Unaudited Pro Forma Financial Information.” The difference between the number of Shares used in market capitalization calculation 202,160,000 and 200,540,000 is 1,620,000, which is the number of restricted shares issued by the Company under the Pre-IPO Restricted Share Plan in March 2023 and accounted for as treasury shares as shown in Note 23 to the Accountants’ Report in Appendix I to this prospectus.

DIVIDENDS

During the Track Record Period, our Company did not declare or pay any dividend. In 2021, Changjiu Jinfu, a wholly owned subsidiary of our Company, declared and paid dividends of RMB22.0 million to its then shareholders.

We do not have a specific dividend policy or a predetermined dividend payout ratio. The decision to pay dividends in the future will be made at the discretion of our Board and will be based on our profits, cash flows, financial condition, capital requirements and other conditions that our Board deems relevant. The payment of dividends may be limited by other legal restrictions and agreements that we may enter into in the future.

SUMMARY

EFFECT OF THE COVID-19 PANDEMIC

According to CIC, the passenger automobile market in China in general had been adversely affected in the short term as the COVID-19 pandemic shrank production material supplies, slowed down automobile production, curbed onsite sales, adversely affected consumers' willingness and purchase power, and resulted in the government's epidemic prevention measures, such as quarantine and order to delay resumption of service and mass production. In 2021, the number of pledged vehicles that we monitored decreased 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.

Nevertheless, the passenger automobile market in China has gradually recovered since 2021 in line with the recovery of the national economy. In particular, according to CIC, the sales volume of new passenger automobiles increased by 8.8% to 24.0 million in 2022 as compared to 2021. Despite the outbreak of COVID-19, we achieved growth during the Track Record Period. The number of automobile dealerships to which we provided pledged vehicle monitoring services increased by 28.5% from 8,316 as of December 31, 2020 to 10,684 as of December 31, 2022, and our revenue increased from RMB430.6 million in 2020 to RMB547.9 million in 2022, representing a CAGR of 12.8% between 2020 and 2022.

For more information, see “Business—Effect of the COVID-19 Pandemic.”

RECENT DEVELOPMENTS

Financial Performance

Based on our unaudited management accounts, our total revenue increased by 17.5% in the ten months ended October 31, 2023 as compared to the same period in 2022, which was primarily attributable to an increase in revenue from our pledged vehicle monitoring services. Despite the recent difficult macroeconomic conditions, the pledged vehicle monitoring services market in general recovered after the COVID-19 pandemic, according to CIC, and demand for our services increased in line with market recovery, which resulted in the increase in revenue from our pledged vehicle monitoring services.

In the ten months ended October 31, 2023, our gross profit increased by 27.0% and our gross profit margin was 3.3 percentage points higher, as compared to the same period in 2022, primarily attributable to increases in the gross profit and gross profit margin of pledged vehicle monitoring services as our business continued to grow, the staff from our subcontractors are able to supervise multiple automobile dealerships at the same time with the support of our technologies (such as the VFS system and the complementary hardware), thereby reducing the required manpower for our pledged vehicle monitoring services and we are able to curb the increase in subcontracting costs and realize economies of scale.

SUMMARY

Primarily due to increases in our listing expenses associated with the Global Offering and share-based compensation expenses associated with the issuance of certain restricted shares and options, we expect to experience a significant decrease in our profit for the year of 2023 as compared to 2022.

Recent Development in Our Business Operations

As of October 31, 2023, we provided pledged vehicle monitoring services to 227 financial institutions and 16,569 automobile dealerships in over 500 cities across 31 provinces in China.

As of October 31, 2023 and since the inception of our automobile dealership operation management services, we had entered into five automobile dealership operation management service agreements with automobile dealerships owned by Independent Third Parties, and had commenced our operation management services under three of them. For the remaining two operation management service agreements, we expect to commence our services after the relevant automobile dealerships completed their internal corporate adjustments. As of October 31, 2023, we had also entered into 144 non-legally binding letters of intent for our automobile dealership operation management services with automobile dealerships owned by Independent Third Parties.

Trial Operation of Automobile Supply Chain Service Mobile Application

Our automobile supply chain service mobile application commenced trial operation in April 2023. The mobile application is designed to connect NEV manufacturers with automobile dealerships to facilitate the sales, delivery and other supply chain services of NEVs in our mobile application, and enable NEV manufacturers to expand their business reach with our supply chain service capability in lower-tier cities. For more information, see “Business—Our Strategies—Capitalize on growth trends in NEV market in China’s lower-tier cities.”

Cybersecurity and Data Privacy Related Regulations

On November 14, 2021, the CAC released the Regulations on the Administration of Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) (the “Draft Regulations”). See “Regulatory Overview—Regulations on Internet Information Security and Privacy Protection.” Although the Draft Regulations have not been formally adopted, we had taken relevant measures to comply with the Draft Regulations. See “Business—Data Security and Privacy.”

On December 28, 2021, the CAC, together with other relevant departments, jointly promulgated the Cybersecurity Review Measures (《網絡安全審查辦法》), which became effective on February 15, 2022. See “Regulatory Overview—Regulations on Internet Information Security and Privacy Protection.”

SUMMARY

On July 30, 2021, the State Council promulgated the Critical Information Infrastructure Protection Regulations (《關鍵信息基礎設施安全保護條例》) (the “CII Regulations”), which came into effect on September 1, 2021. During the Track Record Period and up to the Latest Practicable Date, we had not received any notice or order from any government authority that identified or might identify us as a critical information infrastructure operator. Therefore, our PRC Legal Advisors are of the view that it is unlikely that we would be identified as a critical information infrastructure operator.

On April 17, 2023, our PRC Legal Advisors conducted a real-name telephone consultation with the China Cybersecurity Review Technology and Certification Center (中國網絡安全審查技術與認證中心) and confirmed that (i) listing on the Hong Kong Stock Exchange is not treated as listing abroad under the Cybersecurity Review Measures; and (ii) the government authorities would notify us before initiating a cybersecurity review if we were deemed to be associated with national security risks, and we would not be required to conduct self-assessment on our association with national security risks. Based on the foregoing, our PRC Legal Advisors are of the view that our proposed listing on the Hong Kong Stock Exchange will not trigger mandatory application for cybersecurity review under the Cybersecurity Review Measures.

During the Track Record Period and up to the Latest Practicable Date, we had not received any interview requests or inquiries from the PRC government in relation to cybersecurity review. However, we cannot rule out the possibility that we would be subject to cybersecurity review, and we cannot assure you that the relevant government authorities will not interpret the regulations in ways that may negatively affect our business operations in the future.

Regulations Related to Overseas Listing

On February 17, 2023, the CSRC released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the “Overseas Listing Trial Measures”) and five supporting guidelines (collectively, the “Trial Measures and Supporting Guidelines”), which came into effect on March 31, 2023. For more details, please refer to “Regulatory Overview—Regulations on M&A and Overseas Listings.” Based on the foregoing, our PRC Legal Advisors are of the view that we need to complete the filing procedures with the CSRC in connection with the Listing pursuant to the Overseas Listing Trial Measures. We submitted a filing to the CSRC for application of the Listing and the Global Offering on May 19, 2023. As of the Latest Practicable Date, we had completed such filing procedures.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in our financial, trading position or prospects since June 30, 2023, being the latest date of our consolidated financial statements, up to the date of this prospectus.

SUMMARY

SUMMARY OF MATERIAL RISK FACTORS

There are certain risks relating to an investment in the Offer Shares. Some of the particular risks in investing in the Offer Shares are further described in the section entitled “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares. We believe some of the more significant risk factors include: (i) 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; (ii) 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; (iii) 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; (iv) 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; and (v) our initiatives to develop new services may not succeed as planned, which may make it difficult to assess our prospects.

DEFINITIONS AND ACRONYMS

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below. Certain other terms are explained in the section headed “Glossary of Technical Terms” in this prospectus.

“Accountants’ Report”	the accountants’ report of our Company for the Track Record Period, the text of which is set out in Appendix I to this prospectus
“affiliate”	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“AFRC”	the Accounting and Financial Reporting Council of Hong Kong
“Articles of Association” or “Articles”	the third amended and restated articles of association of our Company, conditionally adopted on December 11, 2023 and will come into effect upon Listing, a summary of which is set out in Appendix III to this prospectus, as amended, supplemented or otherwise modified from time to time
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board” or “Board of Directors”	the board of Directors of our Company
“Business Day” or “business day”	a day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“CAC”	the Cyberspace Administration of China (中國國家互聯網信息辦公室)
“CADA”	China Automobile Dealers Association (中國汽車流通協會)
“CAGR”	compounded annual growth rate

DEFINITIONS AND ACRONYMS

“Capital Market Intermediary(ies)” or “CMI(s)”	the capital market intermediary(ies) named in the section headed “Directors and Parties Involved in the Global Offering” of this prospectus
“Cayman Companies Act” or “Companies Act”	the Companies Act, Cap 22 (As Revised) of the Cayman Islands
“CBIRC”	the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CFLP”	China Federation of Logistics & Purchasing (中國物流與採購聯合會)
“Changjiu HK”	Hong Kong Changjiu Digital Technology Limited (香港長久數字科技有限公司), a limited company incorporated in Hong Kong on July 15, 2021 and a wholly-owned subsidiary of our Company
“Changjiu Group”	Changjiu Industrial and its subsidiaries, excluding our Group
“Changjiu Industrial”	Jilin Changjiu Industrial Group Co., Ltd. (吉林省長久實業集團有限公司), a limited liability company established in the PRC on March 30, 1999 and owned as to approximately 82.46% by Mr. Bo and approximately 17.54% by Ms. Li
“Changjiu Jinfu”	Changjiu Jinfu Enterprise Management Consultation (Shenzhen) Co., Ltd. (長久金孚企業管理諮詢(深圳)有限公司), a limited liability company established in the PRC on September 9, 2016 and an indirect wholly-owned subsidiary of our Company
“China” or “PRC”	the People’s Republic of China, but for the purpose of this prospectus and for geographical reference only and except where the context requires otherwise, references in this prospectus to “China” and the “PRC” do not apply to Hong Kong, the Macao Special Administrative Region or Taiwan

DEFINITIONS AND ACRONYMS

“CIC” or “Industry Consultant”	China Insights Industry Consultancy Limited, an Independent Third Party, and a market research firm engaged by our Company to prepare an industry report, the details of which are set out in “Industry Overview”
“CIC Report”	an independent market research report commissioned by our Company and prepared by CIC for the purpose of this prospectus
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Code” or “Corporate Governance Code”	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Company,” “our Company” or “the Company”	Changjiu Holdings Limited (长久股份有限公司), formerly known as Changjiu Digital Technology Limited (长久数字科技有限公司), an exempted company incorporated in the Cayman Islands with limited liability on June 16, 2021
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules, and unless the context otherwise requires, refers to Ms. Li, Mr. Bo, Bright Limited, Brightio Limited, Advance Limited, Advan Limited, Creation Limited and CreateCube Limited
“core connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“COVID-19”	an infectious disease caused by the severe acute respiratory syndrome coronavirus 2, first reported in December 2019
“CPCA”	China Passenger Car Association (中國乘用車市場信息聯席會)

DEFINITIONS AND ACRONYMS

“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會)
“Customer Service Centre”	the location specified by HKSCC from time to time at which Investor Participants may give instructions (in such form as HKSCC may require) in connection with the HKSCC services available to them to HKSCC
“Deed of Non-competition”	a deed of non-competition undertakings dated December 11, 2023 entered into by our Controlling Shareholders in favor of our Company (for itself and as trustee for the benefit of each of our subsidiaries from time to time), particulars of which are summarized in “Relationship with Our Controlling Shareholders”
“Director(s)”	the director(s) of our Company
“EIT”	enterprise income tax
“EIT Law”	the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), as enacted by the NPC on March 16, 2007, effective on January 1, 2008, and latest amended on December 29, 2018, as amended, supplemented or otherwise modified from time to time
“Extreme Conditions”	the occurrence of “extreme conditions” as announced by any government authority of Hong Kong due to serious disruption of public transport services, extensive flooding, major landslides, large-scale power outage or any other adverse conditions before Typhoon Signal No. 8 or above is replaced with Typhoon Signal No. 3 or below
“FINI”	“Fast Interface for New Issuance,” an online platform operated by HKSCC that is mandatory for admission to trading and, where applicable, the collection and processing of specified information on subscription in and settlement for new listings in Hong Kong
“Global Offering”	the Hong Kong Public Offering and the International Offering

DEFINITIONS AND ACRONYMS

“Group,” “our Group,” “we,” “our” or “us”	our Company, its subsidiaries, where the context so requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be)
“ HK eIPO White Form ”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name, submitted online through the IPO App or on designated website at www.hkeipo.hk
“ HK eIPO White Form Service Provider ”	the HK eIPO White Form service provider designated by our Company as specified in the IPO App and on the designated website at www.hkeipo.hk
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC EIPO”	the arrangement in these HKSCC Operational Procedures for instructions to be given electronically to HKSCC by HKSCC Participants via FINI for applications to be made on their behalf for new issue shares and for the payment of application moneys, and for those instructions to be acted upon
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“HKSCC Operational Procedures”	the Operational Procedures of HKSCC, containing the practices, procedures and administrative or other requirements relating to HKSCC’s services and the operations and functions of the Systems, as from time to time in force
“HKSCC Participant(s)”	a participant admitted to participate in CCASS as a direct clearing participant, a general clearing participant or a custodian participant
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS AND ACRONYMS

“Hong Kong Offer Shares”	the 5,054,000 Offer Shares (subject to reallocation as described in “Structure of the Global Offering”) being initially offered by our Company for subscription pursuant to the Hong Kong Public Offering
“Hong Kong Public Offering”	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong (subject to reallocation) at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%) on the terms and subject to the conditions described in this prospectus as further described in the section headed “Structure of the Global Offering—The Hong Kong Public Offering”
“Hong Kong Share Registrar”	Tricor Investor Services Limited
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering listed in “Underwriting—Hong Kong Underwriters”
“Hong Kong Underwriting Agreement”	the underwriting agreement dated December 28, 2023 relating to the Hong Kong Public Offering and entered into by our Company, our Controlling Shareholders, the Joint Sponsors, the Overall Coordinators and the Hong Kong Underwriters, as further described in “Underwriting”
“IASB”	International Accounting Standards Board
“IFRS(s)”	International Financial Reporting Standards, and related amendments and interpretations issued by the IASB
“Independent Third Party(ies)”	individual(s) or company(ies) who or which, to the best of our Directors’ knowledge, information, and belief, having made all due and careful enquiries, is/are not a connected person(s) of our Company under the Listing Rules
“International Offer Shares”	the 45,486,000 Offer Shares being initially offered for subscription under the International Offering, subject to reallocation as described in “Structure of the Global Offering”

DEFINITIONS AND ACRONYMS

“International Offering”	the conditional placing of the International Offering Shares at the Offer Price in offshore transactions outside the United States in reliance on Regulation S or any other available exemption from the registration requirement under the U.S. Securities Act, as further described in “Structure of the Global Offering”
“International Underwriters”	the group of international underwriters expected to enter into the International Underwriting Agreement relating to the International Offering
“International Underwriting Agreement”	the international underwriting agreement relating to the International Offering and expected to be entered into by our Company, the Controlling Shareholders, the Joint Sponsors, the Overall Coordinators, and the International Underwriters on or about the Price Determination Date, as further described in “Underwriting—Underwriting Arrangements and Expenses—The International Offering—International Underwriting Agreement”
“ IPO App ”	the mobile application for the HK eIPO White Form service which can be downloaded by searching “ IPO App ” in the App Store or Google Play or downloaded at www.hkeipo.hk/IPOApp or www.tricorglobal.com/IPOApp
“Joint Bookrunners”	the joint bookrunners as named in “Directors and Parties Involved in the Global Offering”
“Joint Global Coordinators”	the joint global coordinators as named in “Directors and Parties Involved in the Global Offering”
“Joint Lead Managers”	the joint lead managers as named in “Directors and Parties Involved in the Global Offering”
“Joint Sponsors”	CITIC Securities (Hong Kong) Limited and ICBC International Capital Limited
“Latest Practicable Date”	December 20, 2023, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
“Listing”	the listing of our Shares on the Main Board

DEFINITIONS AND ACRONYMS

“Listing Date”	the date, expected to be on or about January 9, 2024, on which dealings in our Shares first commence on the Main Board
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“M&A Rules”	the Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors (《關於外國投資者併購境內企業的規定》), which were jointly promulgated by MOFCOM, the State-owned Assets Supervision and Administration Commission, the STA, the SAIC, the CSRC, and the SAFE on August 8, 2006, and came into effect on September 8, 2006 and subsequently amended on June 22, 2009, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with Growth Enterprise Market of the Stock Exchange
“Memorandum” or “Memorandum of Association”	the third amended and restated memorandum of association, conditionally adopted on December 11, 2023 which will come into effect upon Listing, a summary of which is set out in the Appendix III to this prospectus, as amended, supplemented or otherwise modified from time to time
“MIIT”	the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
“MOF”	the Ministry of Finance of the PRC (中華人民共和國財政部)
“MOFCOM” or “Ministry of Commerce”	the Ministry of Commerce of the PRC (中華人民共和國商務部)
“Mr. Bo”	Mr. Bo Shijiu (薄世久), the founder of our Group, our chief executive officer, an executive Director, the spouse of Ms. Li and one of our Controlling Shareholders

DEFINITIONS AND ACRONYMS

“Ms. Li”	Ms. Li Guiping (李桂屏), the founder of our Group, chairwoman of our Board, an executive Director, the spouse of Mr. Bo and one of our Controlling Shareholders
“NBS”	National Bureau of Statistics of China (中國國家統計局)
“NDRC”	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“NPC”	the National People’s Congress of the PRC (中華人民共和國全國人民代表大會)
“ODI”	overseas direct investments
“Offer Price”	the final offer price per Offer Share (exclusive of brokerage fee of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%) of not more than HK\$7.90 and expected to be not less than HK\$5.95, at which Hong Kong Offer Shares are to be subscribed for pursuant to the Hong Kong Public Offering and International Offer Shares are to be offered pursuant to the International Offering, as further detailed in “Structure of the Global Offering—Pricing and Allocation”
“Offer Shares”	the Hong Kong Offer Shares and the International Offer Shares
“Overall Coordinators”	the overall coordinators as named in “Directors and Parties Involved in the Global Offering”
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“PRC Company Law”	Company Law of the PRC (《中華人民共和國公司法》) enacted by the Standing Committee of the Eighth National People’s Congress on December 29, 1993 and effective on July 1, 1994, and latest amended on October 26, 2018, as amended, supplemented or otherwise modified from time to time
“PRC Legal Advisors”	JunHe LLP, the legal advisors to our Company on PRC laws in connection with the Global Offering

DEFINITIONS AND ACRONYMS

“Pre-IPO Restricted Share Plan”	the pre-IPO restricted share plan approved and adopted by our Company on March 7, 2023, the principal terms of which are summarized in “Appendix IV—Statutory and General Information—D. Pre-IPO Share Incentive Plans—1. Pre-IPO Restricted Share Plan”
“Pre-IPO Share Option Plan”	the pre-IPO share option plan approved and adopted by our Company on March 7, 2023, the principal terms of which are summarized in “Appendix IV—Statutory and General Information—D. Pre-IPO Share Incentive Plans—2. Pre-IPO Share Option Plan”
“Pre-IPO Share Options”	the share options granted under the Pre-IPO Share Option Plan
“Price Determination Agreement”	the agreement to be entered into between our Company and the Overall Coordinators (for themselves and on behalf of the Underwriters) on the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be on or about January 5, 2024, on which the Offer Price is to be fixed by agreement between our Company and the Overall Coordinators (for themselves and on behalf of the Underwriters)
“Province” or “province”	each being a province or, where the context requires, a provincial level autonomous region or municipality under the direct supervision of the PRC government
“Regulation S”	Regulation S under the U.S. Securities Act
“Renminbi” or “RMB”	the lawful currency of the PRC
“Reorganization”	the reorganization of our Group in preparation of the Listing, details of which are described in “History, Reorganization and Corporate Structure—Reorganization”
“Restricted Share SPV”	Yuanshenghe (Shanghai) Enterprise Management Partnership (Limited Partnership) (元聖禾(上海)企業管理合夥企業(有限合夥)), a limited partnership established in the PRC on February 22, 2023, the limited partners of which are the participants of our Pre-IPO Restricted Share Plan

DEFINITIONS AND ACRONYMS

“Restricted Shares”	the restricted shares granted under the Pre-IPO Restricted Share Plan
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAIC”	State Administration for Industry and Commerce (國家工商行政管理局)
“SAMR”	the State Administration for Market Regulation (國家市場監督管理總局)
“SCNPC”	the Standing Committee of the National People’s Congress of the PRC (全國人民代表大會常務委員會)
“Securities and Futures Commission” or “SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shanghai Bozhong” or “WFOE”	Shanghai Bozhong Digital Technology Co., Ltd. (上海鉅中數字科技有限公司), a limited liability company established in the PRC on September 6, 2021 and an indirect wholly-owned subsidiary of our Company
“Share(s)”	ordinary share(s) with nominal value of US\$0.00000066667 each in the share capital of our Company
“Shareholder(s)”	holder(s) of our Share(s)
“STA”	the State Taxation Administration of the PRC (中華人民共和國國家稅務總局)
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“System”	CCASS, FINI or any other platform, facility or system established, operated and/or otherwise provided by or through HKSCC

DEFINITIONS AND ACRONYMS

“Takeovers Code”	the Code on Takeovers and Mergers and Share Buy-backs issued by the SFC
“Track Record Period”	the period comprising the three years ended December 31, 2020, 2021 and 2022 and six months ended June 30, 2023
“Ultimate Controlling Shareholder(s)”	Ms. Li and Mr. Bo
“Underwriter(s)”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“U.S. persons”	U.S. persons as defined in Regulation S
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“US\$” or “U.S. dollars”	United States dollars, the lawful currency of the United States
“VAT”	the PRC value-added tax
“WFOE”	wholly foreign-owned enterprise within the meaning prescribed under PRC laws

Unless the content otherwise requires, references to “2020,” “2021” and “2022” in this prospectus refer to our financial year ended December 31 of such year, respectively.

Certain amounts and percentage figures included in this prospectus were subjected to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

The English translation of PRC entities, enterprises, nationals, facilities and regulations in Chinese or another language in this prospectus is for identification purposes only. To the extent that there is any inconsistency between the Chinese names of PRC entities, enterprises, nationals, facilities and regulations and their English translations, the Chinese names shall prevail.

GLOSSARY OF TECHNICAL TERMS

In this prospectus, unless the context otherwise requires, explanations and definitions of certain terms used in this prospectus in connection with our Group and our business shall have the meanings set out below. The terms and their meanings may not correspond to standard industry meaning or usage of these terms.

“application”	application software designed to run on mobile and computer devices
“automobile dealerships”	businesses primarily including manufacturer-authorized automobile dealerships
“automobile finance companies”	companies engaged in automobile finance businesses in China, including but not limited to those licensed and regulated by the CBIRC
“‘Big Six’ national state-owned commercial banks”	the Bank of China, the China Construction Bank, the Industrial and Commercial Bank of China, the Agricultural Bank of China, the Bank of Communications and the Postal Savings Bank of China
“car parc”	the number of registered cars within a defined geographic region or market
“DevOps”	a methodology in the software development and IT industry that integrates and automates the work of software development (“Dev”) and IT operations (“Ops”) as a means for improving and shortening the systems development life cycle
“ERP”	enterprise resource planning, the integrated management of main business processes, often in real time and mediated by software and technology
“first-tier cities”	Beijing, Shanghai, Guangzhou and Shenzhen, according to the National Bureau of Statistics of the PRC
“general automobile trading stores”	businesses that sell vehicles obtained from various sources, including automobile dealerships and other types of dealers, as well as automobile manufacturers, and may also provide automobile repair and maintenance services, automobile financing services, insurance services and other after-sales services

GLOSSARY OF TECHNICAL TERMS

“GFA”	gross floor area
“GPS”	Global Positioning System, an accurate worldwide navigational and surveying facility based on the reception of signals from an array of orbiting satellites
“GSM”	Global System for Mobile communication, a digital cellular network standard widely used by mobile devices
“ICE”	internal combustion engine, a heat engine in which the combustion of a fuel occurs with an oxidizer (usually air) in a combustion chamber that is an integral part of the working fluid flow circuit
“IT”	information technology, the use of computers to create, process, store, retrieve and exchange all kinds of data and information
“lower-tier cities”	cities other than first-tier cities
“NEV(s)”	new energy vehicles, including pure, or battery-powered, electric vehicles, plug-in hybrid electric vehicles and extended range electric vehicles
“OA”	office automation, the varied computer machinery and software used to digitally create, collect, store, manipulate and relay office information needed for accomplishing basic tasks
“OBD”	on-board diagnostics, which refers to a vehicle’s self-diagnostic and reporting capability
“PDAs”	personal digital assistants, handheld radio frequency transmitting and receiving devices that can read information from and write information on our RFID labels
“PIN”	personal identification number, a numeric passcode used in the process of authenticating a user accessing a system
“RFID”	radio-frequency identification, the use of electromagnetic fields to automatically identify and track tags attached to objects

GLOSSARY OF TECHNICAL TERMS

“R&D”	research and development
“SaaS”	software as a service, a software licensing and delivery model in which software is centrally hosted and licensed on a subscription basis
“Smart Star (“智科星”)”	an operation management system tailored for managing the daily operations of automobile dealerships that consists of a customer relationship management (“CRM”) software-as-a-service (“SaaS”) system and an enterprise resource planning (“ERP”) system; Smart Star was developed by Xunruida Technology (Beijing) Co., Ltd., a wholly-owned subsidiary of Changjiu Industrial, and the copyright of Smart Star was transferred to Shanghai Bozhong, an indirect wholly-owned subsidiary of our Company, by Xunruida Technology (Beijing) Co., Ltd. in April 2023
“TAM” or “total addressable market”	total addressable market, the total market demand for a product or service assuming that the demand from customers is fully addressed
“Vehicle Connect”	a mobile application that allows (i) financial institutions and automobile dealerships to access our VFS system on their mobile terminal; and (ii) financial institutions to choose and apply the settings that best suit their risk management needs
“VFS system”	a multifunctional IT solution with online operation, automatic alert and pledged vehicle monitoring modules and a pool of over 20,000 preset commands which allows financial institutions to readily choose the settings that best suit their risk management needs without having to create the commands from scratch, developed by us, and together with Vehicle Connect, allows financial institutions to (i) access the location and activities information of pledged vehicles collected by our PDAs and OBD devices; (ii) process certain requests and documentations, such as granting automobile dealerships permissions to access car keys that are held in our custody for customers’ test drives, from automobile dealerships online; (iii) customize rules and permissions governing automobile dealerships’ rights over the pledged vehicles; and (iv) tailor risk alert triggers based on their own risk management needs

GLOSSARY OF TECHNICAL TERMS

“VIN”	vehicle identification number, a unique code assigned to an individual vehicle by its manufacturer that distinguishes it from all other vehicles
“Wi-Fi”	a wireless networking technology that is commonly used to provide high-speed Internet access, allowing nearby digital devices to exchange data by radio waves

FORWARD-LOOKING STATEMENTS

We have included in this prospectus forward-looking statements. Statements that are not historical facts, including statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements.

This prospectus contains certain forward-looking statements and information relating to our Company and its subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words “aim,” “anticipate,” “believe,” “could,” “expect,” “going forward,” “intend,” “may,” “ought to,” “plan,” “project,” “seek,” “should,” “will,” “would” and the negative of these words and other similar expressions, as they relate to our Group or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our strategies, plans, objectives and goals and our ability to successfully implement these strategies, plans, objectives and goals;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment and general outlook in the industry and market in which we operate;
- our financial condition and operating results and performance;
- the effects of the global financial markets and economic environment;
- our ability to reduce costs and offer competitive prices;
- our ability to attract customers and build our brand image;
- our dividend policy;

FORWARD-LOOKING STATEMENTS

- our ability to attract and retain senior management and key employees;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors;
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends;
- certain statements in the sections headed “Business” and “Financial Information” of this prospectus with respect to trends in prices, operations, margins, overall market trends, and risk management; and
- other statements in this prospectus that are not historical facts.

This prospectus also contains market data and projections that are based on a number of assumptions. The markets may not grow at the rates projected by the market data, or at all. The failure of the markets to grow at the projected rates may materially and adversely affect our business and the market price of our Shares. In addition, due to the rapidly changing nature of the PRC economy and China’s automobile sales and distribution industry, projections or estimates relating to the growth prospects or future conditions of the markets are subject to significant uncertainties. If any of the assumptions underlying the market data prove to be incorrect, actual results may differ from the projections based on these assumptions. You should not place undue reliance on these forward-looking statements.

We do not guarantee that the transactions and events described in the forward-looking statements in this prospectus will happen as described, or at all. Actual outcomes may differ materially from the information contained in the forward-looking statements as a result of a number of factors, including, without limitation, the risks and uncertainties set forth in “Risk Factors” in this prospectus. You should read this prospectus in its entirety and with the understanding that actual future results may be materially different from what we expect. The forward-looking statements made in this prospectus relate only to events as of the date on which the statements are made or, if obtained from third-party studies or reports, the dates of the respective studies or reports. Since we operate in an evolving environment where new risks and uncertainties may emerge from time to time, you should not rely on forward-looking statements as predictions of future events. We undertake no obligation, beyond what is required by law, to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made, even when our situation may have changed.

RISK FACTORS

You should carefully consider all of the information set out in this prospectus, 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 trading price 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.

RISK FACTORS

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 periods, 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 formed a customer base through the provision of pledged vehicle monitoring services, there is no assurance that our existing customers will have a demand for our automobile

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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 an Independent Third Party, 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.

RISK FACTORS

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 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 built-in GPS before the vehicles are sold to vehicle owners, if permitted by law. Other service providers may also develop new or alternative technology to monitor pledged vehicles, which could potentially render our existing technologies, such as our RFID labels and OBD devices, obsolete or unattractive. 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. Moreover, a substantial majority of our revenue and number of pledged vehicle monitoring service agreements related to ICE vehicles during the Track Record Period. In light of the increasing sales of NEVs in the PRC, the demand for our pledged vehicle monitoring services may decline if more NEV manufacturers adopt the direct sales model rather than sell NEVs through automobile dealerships. In the future, if we fail to obtain pledged vehicle monitoring service agreements for NEVs sold under the direct sales model, 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 services networks, stronger technological capacities or larger 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.

RISK FACTORS

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 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

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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.

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 model, and the automobile dealership under our management is restricted from selling other vehicle 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 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.

RISK FACTORS

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 10,199,730 share options to certain of our employees and Directors. See “History, Reorganization and Corporate Structure—Pre-IPO 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 prospectus 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.

RISK FACTORS

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.

RISK FACTORS

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.

RISK FACTORS

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—Reorganization—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.

RISK FACTORS

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 prospectus. 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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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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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.

There is no guarantee that we will be successful in defending ourselves in 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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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

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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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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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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. During the Track Record Period and up to 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 listed company upon the completion of the Global Offering. 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 proceeds gained from the sale 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 Global Offering. 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 GLOBAL OFFERING

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

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

The price and trading volume of our Shares may be volatile, which could lead to substantial losses to you.

The price and trading 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 Kong may affect the volatility in the price of and trading volume for our Shares. In addition, factors such as

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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 trade. 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 Offer Shares.

Since there will be a gap of several days between the pricing and trading 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 trading of our Shares begins.

The initial price to the public of our Shares sold in the Global Offering is expected to be determined on the Price Determination Date. However, the Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be several business days after the Price Determination Date. 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 trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.

Purchasers of our Shares in the Global Offering will experience immediate dilution and you may experience further dilution if we issue additional Shares in the future.

The initial Public Offer Price 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 Global Offering. Therefore, all investors and purchasers of our Shares in the Global Offering will experience an immediate dilution and existing holders of our Shares will receive an increase in net tangible asset value.

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In spite of our current cash and cash equivalents and the net proceeds from the Global Offering, 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 Global Offering (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Pre-IPO Share Options), our Controlling Shareholders will be entitled to exercise the voting rights attached to approximately 74.20% 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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We cannot guarantee the accuracy of facts, forecasts and other statistics obtained from official government sources contained in this prospectus.

Certain facts, forecasts and other statistics contained in this prospectus 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 Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers, employees, advisors or agents or any other persons or parties involved in the Global Offering.

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 prospectus 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 prospectus 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 prospectus, 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 prospectus. 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 prospectus. 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 prospectus 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 prospectus 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.

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You should read the entire prospectus 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 Global Offering.

Subsequent to the date of this prospectus but prior to the completion of the Global Offering, there may be press and media coverage regarding us and the Global Offering, which may contain, among other things, certain financial information, projections, valuations and other forward- looking information about us and the Global Offering. 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 prospectus, we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this prospectus only and should not rely on any other information.

You should rely solely upon the information contained in this prospectus, the Global Offering 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 Global Offering 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 Global Offering. By applying to purchase our Shares in the Global Offering, you will be deemed to have agreed that you will not rely on any information other than that contained in this prospectus and the Global Offering.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the Listing, our Company has applied for the following waivers from strict compliance with the relevant provisions of the Listing Rules:

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, we must have a sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Since substantially all of our business operations are managed and conducted outside of Hong Kong, and all of our executive Directors ordinarily reside in the PRC, we do not have, and for the foreseeable future will not have, sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules. Accordingly, we have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules. One of our authorized representatives is ordinarily resident in Hong Kong, and we will ensure that there are adequate and efficient arrangements to achieve regular and effective communication between us and the Stock Exchange as well as compliance with the Listing Rules by way of the following arrangements:

- (a) we have appointed Ms. Li Guiping (李桂屏), one of our executive Directors, and Ms. Tang King Yin (鄧景賢) (“Ms. Tang”), one of our joint company secretaries who is ordinarily resident in Hong Kong, as our authorized representatives for the purpose of Rule 3.05 of the Listing Rules to serve as our principal channel of communication with the Stock Exchange. We have provided the Stock Exchange with their contact details, and they will be available to meet with the Stock Exchange within a reasonable period of time upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and email;
- (b) as and when the Stock Exchange wishes to contact our Directors on any matters, each of our authorized representatives will have means to contact all of our Directors promptly at all times. We will implement measures such that (i) each Director must provide his or her mobile phone number, office phone number, facsimile number and email address to our authorized representatives and the Stock Exchange; and (ii) in the event that a Director expects to travel or otherwise be out of office, he or she will provide the phone number of the place of his or her accommodation to our authorized representatives. We have provided the Stock Exchange with the contact details of each Director to facilitate communication with the Stock Exchange;
- (c) each Director who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period of time, if required;

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (d) we have appointed Zhongtai International Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules, which will act as our additional and alternative channel of communication with the Stock Exchange for a period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the Listing Date, and its representative(s) will be fully available to answer enquiries from the Stock Exchange. The compliance advisor will advise our Company on on-going compliance requirements and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong after the Listing, and will have access at all times to our authorized representatives, our Directors and the other senior management of our Company to ensure that it is in a position to provide prompt responses to any queries or requests from the Stock Exchange in respect of our Company; and
- (e) any meeting between the Stock Exchange and our Directors will be arranged through our authorized representatives or compliance advisor or directly with our Directors within a reasonable time frame. We will inform the Stock Exchange promptly in respect of any changes in our authorized representatives and compliance advisor.

WAIVER IN RELATION TO APPOINTMENT OF JOINT COMPANY SECRETARIES

Pursuant to Rule 8.17 of the Listing Rules, our company must appoint a company secretary who satisfies the requirements under Rule 3.28 of the Listing Rules. Rule 3.28 of the Listing Rules provides that our company secretary must be an individual who, by virtue of his or her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary. Note 1 to Rule 3.28 of the Listing Rules further provides that the Stock Exchange considers the following academic or professional qualifications to be acceptable:

- (a) a member of The Hong Kong Chartered Governance Institute;
- (b) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); or
- (c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Pursuant to Note 2 to Rule 3.28 of the Listing Rules, in assessing “relevant experience,” the Stock Exchange will consider the individual’s:

- (a) length of employment with the listing applicant and other issuers and the roles he/she played;

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (b) familiarity with the Listing Rules and other relevant law and regulations including the SFO, the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance, and the Takeovers Code;
- (c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and
- (d) professional qualifications in other jurisdictions.

We have appointed Ms. Zhang Yexi (張燁茜) (“Ms. Zhang”) as one of the joint company secretaries in April 2023. Ms. Zhang joined our Group as the securities representative and then served as the secretary to the board in December 2021, primarily responsible for capital financing, investor relations maintenance, daily operation of the office of the board and the company secretarial matters of our Group. Ms. Zhang has accumulated abundant knowledge about the business operations and governance of corporations with a strong recognition of the corporate culture of our Group. By virtue of her position, industry experience and familiarity with our Group, Ms. Zhang has worked closely with our Directors and thus possessed a thorough understanding of matters concerning the Board and its operations. As such, our Directors believe that Ms. Zhang is a suitable person to act as the company secretary of our Company.

However, Ms. Zhang has not possessed the specified qualifications strictly required by Rule 3.28 of the Listing Rules. Therefore, we have also appointed Ms. Tang, who meets the requirements under Rule 3.28 of the Listing Rules, to act as the joint company secretary. For more details of Ms. Zhang’s and Ms. Tang’s biographies, see “Directors and Senior Management.”

Over the initial period of the three years from the Listing Date, we will implement the following measures to assist Ms. Zhang to satisfy the requisite qualifications as prescribed in Rules 3.28 and 8.17 of the Listing Rules:

- (a) Ms. Tang will assist Ms. Zhang to enable her to discharge her duties and responsibilities as the company secretary of our Company. Given Ms. Tang’s relevant experience, Ms. Tang will be able to advise Ms. Zhang and us on the relevant requirements of the Listing Rules as well as other applicable laws and regulations of Hong Kong;
- (b) Ms. Zhang will be assisted by Ms. Tang for an initial period of three years commencing from the Listing Date, which should be sufficient for Ms. Zhang to acquire the requisite knowledge and experience under Rule 3.28 of the Listing Rules;

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (c) we will ensure that Ms. Zhang has access to the relevant trainings and support to enable her to familiarize herself with the Listing Rules and the duties required of company secretaries of a Hong Kong listed company, and Ms. Zhang has undertaken to attend such trainings;
- (d) Ms. Tang will communicate with Ms. Zhang on a regular basis regarding matters in relation to corporate governance, the Listing Rules as well as other applicable laws and regulations in Hong Kong which are relevant to our operations and affairs. Ms. Tang will work closely with and provide assistance to Ms. Zhang with a view to discharging her duties and responsibilities as the company secretary, including but not limited to organizing the Board meetings and Shareholders' meetings; and
- (e) pursuant to Rule 3.29 of the Listing Rules, Ms. Zhang and Ms. Tang will also attend no less than 15 hours of relevant professional training courses in each financial year to familiarize themselves with the requirements of the Listing Rules and other legal and regulatory requirements of Hong Kong. Both of Ms. Zhang and Ms. Tang will be advised by our legal advisors as to Hong Kong laws and our compliance advisor as and when appropriate and required.

Accordingly, we have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules for an initial period of three years from the Listing Date, in accordance with the Guidance Letter HKEX-GL108-20, on the conditions that (i) we engage Ms. Tang as one of our joint company secretaries, who possesses the qualifications and experience as required under Rule 3.28 of the Listing Rules, and will provide assistance to Ms. Zhang during this period; and (ii) the waiver will be revoked if Ms. Tang, during the three-year waiver period, ceases to provide assistance to Ms. Zhang, or if there are material breaches of the Listing Rules by our Company. Prior to the expiry of the three-year period, we will conduct a further evaluation of the qualification and experience of Ms. Zhang to determine whether the requirements as stipulated in Rules 3.28 and 8.17 of the Listing Rules can be satisfied, and we will liaise with the Stock Exchange to assess whether Ms. Zhang, having had the benefit of Ms. Tang's assistance for three years, would have acquired the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules such that there is no need to further apply for a waiver.

WAIVER IN RELATION TO CONTINUING CONNECTED TRANSACTIONS

We have entered into, and expect to continue, certain transactions which would constitute continuing connected transactions of our Company under the Listing Rules upon Listing. We have applied for, and the Stock Exchange has granted, a waiver from strict compliance with certain requirements set out in Chapter 14A of the Listing Rules for certain continuing connected transactions. For details of such continuing connected transactions and the waiver, see "Connected Transactions."

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regards to our Group. Our Directors (including any proposed Director who is named as such in this prospectus) collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this prospectus misleading.

INFORMATION ON THE GLOBAL OFFERING, STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING AND PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The Hong Kong Offer Shares are offered solely on the basis of the information contained, representations made, and on and subject to the terms and conditions set out, in this prospectus. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorized by our Company, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries any of their respective directors, agents, employees or advisors or any other party involved in the Global Offering.

Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Offer Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

Details of the structure of the Global Offering, including its conditions, are set out in "Structure of the Global Offering" and the procedures for applying for the Hong Kong Offer Shares are set out in "How to Apply for Hong Kong Offer Shares."

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus set out the terms and conditions of the Hong Kong Public Offering.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

The Listing is sponsored by the Joint Sponsors and the Global Offering is managed by the Overall Coordinators. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to us and the Overall Coordinators (for themselves and on behalf of the other Underwriters) agreeing on the Offer Price. The International Offering is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement, which is expected to be entered into on or around the Price Determination Date.

If, for any reason, our Company and the Overall Coordinators (for themselves and on behalf of the other Underwriters) are unable to reach an agreement on the Offer Price by 12:00 noon on Friday, January 5, 2024, the Global Offering will not proceed and will lapse. For full information about the Underwriters and the underwriting arrangements, see “Underwriting” in this prospectus.

RESTRICTIONS ON OFFER AND SALE OF THE SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his/her acquisition of the Offer Shares to, confirm that he/she is aware of the restrictions on offers of the Offer Shares described in this prospectus.

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the Global Offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Stock Exchange for the granting of the listing of, and permission to deal in, the additional Shares in issue and to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Pre-IPO Share Options).

No part of our Company’s Shares or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future. All the Shares will be registered on the Hong Kong register of members of our Company in order to enable them to be traded on the Stock Exchange.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by the Stock Exchange.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Tuesday, January 9, 2024. The Shares will be traded in board lots of 500 Shares each. The stock code of the Shares will be 6959.

ADMISSION OF THE SHARES INTO CCASS

Subject to the granting of the listing of, and permission to deal in, our Shares on the Stock Exchange and our compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second settlement day after any trading day. All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisors for details of the settlement arrangements as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

REGISTER OF MEMBERS AND STAMP DUTY

Our Company's principal register of members will be maintained by our principal registrar, Harneys Fiduciary (Cayman) Limited, in the Cayman Islands, and our Company's Hong Kong register of members will be maintained by our Hong Kong Share Registrar, Tricor Investor Services Limited, in Hong Kong.

All Offer Shares issued pursuant to applications made in the Hong Kong Public Offering and the International Offering will be registered on the Hong Kong register of members. Dealings in the Shares registered on our Hong Kong register of members will be subject to Hong Kong stamp duty. For further details of Hong Kong stamp duty, please seek professional tax advice.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposal of, and dealing in our Shares (or exercising rights attached to them). None of us, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries, any of their respective directors or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to, our Shares.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations among certain amounts denominated in Renminbi, Hong Kong dollars and U.S. dollars.

Unless otherwise specified, amounts denominated in Hong Kong dollars and Renminbi have been translated, for the purpose of illustration only, into U.S. dollars in this prospectus at the following exchange rates:

HK\$1.00 to	(being the prevailing exchange rate on December 20, 2023 set by
RMB0.90999	the PBOC)
US\$1.00 to	(being the prevailing exchange rate on December 20, 2023 set by
RMB7.09660	the PBOC)

No representation is made that any amounts in Renminbi, Hong Kong dollars or U.S. dollars can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Translated English names of Chinese laws and regulations, governmental authorities, departments, entities, enterprises (including certain of our subsidiaries), institutions, natural persons, facilities, certificates, titles and the like included in this prospectus and for which no official English translation exists are unofficial translations for identification purposes only. In the event of any inconsistency, the Chinese names (as appropriate) will prevail.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments, or have been rounded to a set number of decimal places.

Any discrepancies in any table or chart between totals and sums of amounts listed therein are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS**Executive Directors**

Name	Address	Nationality
Ms. Li Guiping (李桂屏)	Flat 201, Unit 3, Building 8 No. 1 Sijixinghe Middle Road Chaoyang District Beijing China	Chinese
Mr. Bo Shijiu (薄世久)	Flat 201, Unit 22, Building 13 Yangzhouxinyuan Block 2 Shunyi District Beijing China	Chinese
Ms. Jia Hui (賈惠)	Flat 701, Unit 2, Building 2 No. 1 Huangchangnanli Chaoyang District Beijing China	Chinese

Non-executive Director

Name	Address	Nationality
Ms. Jin Ting (靳婷)	Flat 221 No. 40 Shashi Road Heping District Tianjin China	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Independent Non-executive Directors

<u>Name</u>	<u>Address</u>	<u>Nationality</u>
Mr. Shen Jinjun (沈進軍)	Flat 6, Unit 3, Building 12 Baiwanzhuangzhongli Xicheng District Beijing China	Chinese
Mr. Dong Yang (董揚)	Flat 2202, Building 1 Mantingfangyuan Qingyunli Haidian District Beijing China	Chinese
Mr. Wang Fukuan (王福寬)	No. 27-35, Bei'erhutong Jiefang Road Nanguan District Changchun China	Chinese

For further information about our Directors and members of our senior management, please refer to “Directors and Senior Management” of this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors	CITIC Securities (Hong Kong) Limited 18/F, One Pacific Place 88 Queensway Hong Kong
	ICBC International Capital Limited 37/F, ICBC Tower 3 Garden Road Hong Kong
Sponsor-Overall Coordinator	ICBC International Securities Limited 37/F, ICBC Tower 3 Garden Road Hong Kong
Overall Coordinators	CLSA Limited 18/F, One Pacific Place 88 Queensway Hong Kong
	ICBC International Securities Limited 37/F, ICBC Tower 3 Garden Road Hong Kong
Joint Global Coordinators	CLSA Limited 18/F, One Pacific Place 88 Queensway Hong Kong
	ICBC International Securities Limited 37/F, ICBC Tower 3 Garden Road Hong Kong
Joint Bookrunners and Joint Lead Managers	CLSA Limited 18/F, One Pacific Place 88 Queensway Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

ICBC International Securities Limited

37/F, ICBC Tower
3 Garden Road
Hong Kong

CEB International Capital Corporation Limited

22/F, AIA Central
1 Connaught Road Central
Hong Kong

BOCOM International Securities Limited

9/F, Man Yee Building
68 Des Voeux Road Central
Hong Kong

SPDB International Capital Limited

33/F, SPD Bank Tower
1 Hennessy Road
Hong Kong

Patrons Securities Limited

Unit 3214, 32/F, Cosco Tower
183 Queen's Road Central
Sheung Wan
Hong Kong

CMB International Capital Limited

45/F, Champion Tower
3 Garden Road
Central, Hong Kong

Zhongtai International Securities Limited

19 Floor, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

UOB Kay Hian (Hong Kong) Limited

6/F, Harcourt House
39 Gloucester Road
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Tiger Brokers (HK) Global Limited

1/F, FWD Financial Centre
308 Des Voeux Road Central
Hong Kong

Livermore Holdings Limited

Unit 1214A, 12/F, Tower II Cheung Sha Wan Plaza
833 Cheung Sha Wan Road, Kowloon
Hong Kong

Valuable Capital Limited

RM 3601-06 & 3617-19, 36/F
China Merchants Tower, Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Capital Market Intermediaries

CLSA Limited

18/F, One Pacific Place
88 Queensway
Hong Kong

ICBC International Securities Limited

37/F, ICBC Tower
3 Garden Road
Hong Kong

CEB International Capital Corporation Limited

22/F, AIA Central
1 Connaught Road Central
Hong Kong

BOCOM International Securities Limited

9/F, Man Yee Building
68 Des Voeux Road Central
Hong Kong

SPDB International Capital Limited

33/F, SPD Bank Tower
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Hong Kong

Patrons Securities Limited

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Hong Kong

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Zhongtai International Securities Limited

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Hong Kong

Livermore Holdings Limited

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833 Cheung Sha Wan Road, Kowloon
Hong Kong

Valuable Capital Limited

RM 3601-06 & 3617-19, 36/F
China Merchants Tower, Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Legal advisors to our Company

As to Hong Kong law:

Tian Yuan Law Firm LLP

Suites 3304-3309, 33/F
Jardine House
One Connaught Place
Central
Hong Kong

As to PRC law:

JunHe LLP

20/F, China Resources Building
8 Jianguomenbei Avenue
Beijing
China

As to Cayman Islands law:

Conyers Dill and Pearman

29/F, One Exchange Square
8 Connaught Place
Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

**Legal advisors to
the Joint Sponsors
and the Underwriters**

As to Hong Kong law:
Sidley Austin
39/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

As to PRC law:
Beijing DHH Law Firm
11-12/F, Tower C, Yintai Centre
No. 2 Jianguomenwai Avenue
Chaoyang District
Beijing
China

**Auditor and Reporting
Accountants**

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

Industry consultant

China Insights Industry Consultancy Limited
10/F, Block B
Jing'an International Center
88 Puji Road
Jing'an District
Shanghai
China

Receiving bank

Bank of China (Hong Kong) Limited
Bank of China Tower
1 Garden Road
Central
Hong Kong

CORPORATE INFORMATION

Registered office	4th Floor, Harbour Place 103 South Church Street P.O. Box 10240 Grand Cayman KY1-1002 Cayman Islands
Principal place of business and headquarters in the PRC	Changjiu Building No. 99 Shigezhuang Road Chaoyang District Beijing China
Principal place of business in Hong Kong	5/F, Manulife Place 348 Kwun Tong Road Kowloon Hong Kong
Joint company secretaries	Ms. Zhang Yexi (張燁茜) Changjiu Building No. 99 Shigezhuang Road Chaoyang District Beijing China Ms. Tang King Yin (鄧景賢) (ACG, HKACG) 5/F, Manulife Place 348 Kwun Tong Road Kowloon Hong Kong
Company's website	<u>www.99digtech.com</u>

CORPORATE INFORMATION

Authorized representatives	Ms. Li Guiping (李桂屏) Flat 201, Unit 3, Building 8 No. 1 Sijixinghe Middle Road Chaoyang District Beijing China
	Ms. Tang King Yin (鄧景賢) 5/F, Manulife Place 348 Kwun Tong Road Kowloon Hong Kong
Audit Committee	Mr. Wang Fukuan (王福寬) (<i>Chairman</i>) Ms. Jin Ting (靳婷) Mr. Dong Yang (董揚)
Remuneration Committee	Mr. Shen Jinjun (沈進軍) (<i>Chairman</i>) Mr. Bo Shijiu (薄世久) Mr. Dong Yang (董揚)
Nomination Committee	Ms. Li Guiping (李桂屏) (<i>Chairwoman</i>) Mr. Shen Jinjun (沈進軍) Mr. Dong Yang (董揚)
Principal Share Registrar and transfer office in the Cayman Islands	Harneys Fiduciary (Cayman) Limited 4th Floor, Harbour Place 103 South Church Street P.O. Box 10240 Grand Cayman KY1-1002 Cayman Islands
Hong Kong Share Registrar	Tricor Investor Services Limited 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong
Compliance Advisor	Zhongtai International Capital Limited 19/F Li Po Chun Building 189 Des Voeux Road Central Hong Kong

CORPORATE INFORMATION

Principal banks

China Merchants Bank Co., Ltd.

Shenzhen Huaqiaocheng Branch

No. 9015-3, Shennan Boulevard

Nanshan District

Shenzhen

China

Shanghai Pudong Development

Bank Limited

Shanghai Pilot Free Trade Zone Branch

22/F No. 588, Pudong South Road

Pudong New District

Shanghai

China

INDUSTRY OVERVIEW

Certain information and statistics (including quantitative and market trend information) set out in this section have been extracted from various official government publications, market data providers and a report commissioned by us and prepared by our industry consultant, CIC. The information from official government sources has not been independently verified by us, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers, employees, advisors or agents or any other persons or parties involved in the Global Offering, and no representation is given as to its accuracy.

SOURCES OF INFORMATION

We commissioned CIC, an independent market research and consulting company and an Independent Third Party, to conduct research and analysis of, and to produce a report on, the pledged vehicle monitoring services market and the automobile dealership operation management services market in China. CIC's services include industry consultancy services, commercial due diligence and strategic consulting. The CIC Report has been prepared by CIC independent of the influence of our Group and other interested parties. We have agreed to pay a fee of RMB630,000 to CIC in connection with the preparation of the CIC Report. We have extracted certain information from the CIC Report in this section and elsewhere in this prospectus to provide our potential investors with a more comprehensive presentation of the industries where we operate.

During the preparation of the CIC Report, CIC performed both primary and secondary research, and obtained knowledge, statistics, information and industry insights on the industry trends of the target market in China. Primary research included interviews with key industry experts and leading industry participants from the automobile sales and distribution industry, who are identified by CIC to have professional knowledge and experience relating to China's pledged vehicle monitoring service market and China's automobile dealership operation management service market as a result of their current and previous roles in the industry. The views they shared with CIC were based on their work experience and ongoing communications with market participants in the automobile sales and distribution industry. Secondary research involved analyzing data from various publicly available data sources, such as the PRC National Bureau of Statistics and various industry associations. The information and data collected by CIC have been analyzed, assessed and validated using CIC's in-house analysis models and techniques.

The CIC Report was compiled based on the following assumptions: (i) the overall social, economic and political environment in China is expected to remain stable during the forecast period; (ii) the related key industry drivers are likely to facilitate continued growth in the target market during the forecast period, including the steady increase of per capita disposable income, the constant growth of urbanization rate and the continued implementation of

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favorable policies for China's passenger automobile market; and (iii) there is no extreme force majeure events or unforeseen industry regulations, which may dramatically or fundamentally affect the market during the forecast period.

Our Directors confirm that after making reasonable inquiries and exercising reasonable care, there is no adverse change in the market information since the date of publication of the CIC Report, which may qualify, contradict or impact the information in this section.

OVERVIEW OF CHINA'S PASSENGER AUTOMOBILE MARKET

China is the world's largest passenger automobile market as measured by new passenger automobile sales volume, with 24.0 million new passenger automobiles sold in 2022. However, from the perspective of per capita car parc, there is still room for growth in China compared to developed countries. As of December 31, 2022, China's per capita car parc was approximately 194 per 1,000 people, significantly lower than that of the U.S. and the European Union, which was 769 and 563 per 1,000 people, respectively. In particular, the per capita car parc is still relatively low in China's lower-tier cities, which include second-tier and below cities. As of December 31, 2022, the per capita car parc of passenger automobiles in China's first-tier cities was approximately 217 per 1,000 people, while the number in lower-tier cities was only approximately 193 per 1,000 people. The consumption potential of China's passenger automobile market, especially the lower-tier cities, is expected to be unleashed due to the increase in residents' income and purchasing power, relaxed vehicle license plate restrictions and favorable policies for China's passenger automobile market. For more information, see "—Future Opportunities for China's Pledged Vehicle Monitoring Service Market and Automobile Dealership Operation Management Service Market—Further increase in demand in lower-tier cities." Furthermore, it is expected that automobile dealerships will have increasing financing needs to cater for the potential growth of China's passenger automobile market.

According to CIC, certain medium and large cities in China have adopted policies limiting the purchase of new passenger automobiles, which may cause consumers in a particular region to delay or adjust their new passenger automobile purchase plans. However, these policies do not materially affect the overall demand in China's passenger automobile market because these policies do not apply on a national basis, and thus have less indirect impact on China's pledged vehicle monitoring service market and automobile dealership operation management service market. In addition, the MIIT and six other administrative agencies jointly promulgated the Announcement on the Issuance of Work Program for Stabilizing Growth in the Automobile Industry (2023-2024) (《關於印發汽車產業穩健成長工作方案(2023-2024年)的通知》) in August 2023, which stipulated that local authorities shall not adopt new measures to limit the purchase of automobiles.

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In recent years, in light of the macro development strategies of “carbon peaking” and “carbon neutral,” the sale of NEVs has become a significant trend in China’s passenger automobile market, and the sales volume of NEVs is rising rapidly. China’s NEV sales volume surged from approximately 1.0 million units in 2018 to approximately 6.5 million units in 2022, representing a CAGR of 58.2%, and its share in new passenger automobile sales volume also increased rapidly from approximately 4.3% in 2018 to approximately 27.2% in 2022.

OVERVIEW OF CHINA’S AUTOMOBILE SALES AND DISTRIBUTION INDUSTRY

Value chain of the automobile sales and distribution industry

Automobile sales and distribution is a crucial step in the automobile industry that bridges automobile manufacturers and automobile end users. Participants in the automobile sales and distribution industry mainly include automobile manufacturers (including ICE vehicle manufacturers and NEV manufacturers), automobile dealerships, general automobile trading stores, financial institutions and third-party service providers. Automobile manufacturers mainly focus on vehicle design, production and manufacturing, and are the upstream suppliers of passenger automobiles. Automobile dealerships and general automobile trading stores primarily engage in the sale of passenger vehicles. They also provide automobile repair and maintenance services, automobile financing services, insurance services and other after-sales services to downstream users. Financial institutions mainly provide financial services to automobile dealerships and automobile end users, such as vehicle inventory financing and vehicle purchase financing. Third-party service providers in the automobile sales and distribution industry mainly provide transaction, software and operation-related services to automobile manufacturers, automobile dealerships, financial institutions and other enterprise users. Some participants in the industry also provide specialized services such as pledged vehicle monitoring services and automobile dealership operation management services.

The increase in the sales volume of NEVs has brought incremental market opportunities for market participants, as well as innovations to their business models. The direct sales model adopted by NEV manufacturers has brought competition and challenges to automobile dealerships. Under the direct sales model, NEV manufacturers directly provide NEV sales and after-sales services through their stores. These stores are usually located in the central business districts of first-tier cities to attract potential customers. While some NEV manufacturers have adopted a direct sales model, automobile dealerships are still the primary channels for the sale of new passenger automobiles, including NEVs, due to mature sales and distribution channels that integrate sales, logistics, warehousing, spare parts, repair and maintenance services. In addition, NEV manufacturers that adopt a direct sales model need to bear the cost of building stores as well as inventory and operating costs. Therefore, NEV manufacturers face the risk of reduced efficiency if they aim to reach lower-tier cities with relatively dispersed demand. As a result, NEV manufacturers may still need to rely on the mature sales and distribution channels of automobile dealerships in their continuous expansion, and automobile dealerships are expected to purchase more NEVs through secured financing, leading to an increase in the demand for pledged vehicle monitoring services.

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In addition, automobile dealerships face numerous opportunities and challenges with regard to the sale, repair, maintenance, charging and battery replacement of NEVs. To capture these opportunities and overcome these challenges, automobile dealerships need to adjust their business strategies accordingly. Medium- and small-sized automobile dealerships, especially those with relatively weak operational capabilities, may fail to do so due to lack of market insights and professional management teams. The emergence of automobile dealership operation management services can help connect automobile dealerships with NEV manufacturers, and at the same time improve the operational efficiency of automobile dealerships.

LIMITATIONS OF MARKET PARTICIPANTS

Limitations of automobile dealerships and general automobile trading stores

Fragmented market with fierce competition

As of December 31, 2022, there were over 30,000 automobile dealerships and approximately 120,000 general automobile trading stores in China. The top 100 automobile dealership groups in China in terms of new passenger automobile sales had over 6,600 automobile dealerships, accounting for approximately 22.0% of the total number of automobile dealerships, indicating a market with relatively low concentration rate and a large number of medium- and small-sized enterprise participants who have limited overall strength. In addition, the profit margins of the main business segments of automobile dealerships are under varying degrees of pressure.

High working capital pressure

Automobile dealerships and general automobile trading stores must pre-purchase new passenger automobile inventory, which requires significant working capital. However, automobile dealerships and general automobile trading stores commonly face problems such as limited access to financing sources and high financing costs. Therefore, once new passenger automobile sales are under pressure, the payback cycle is likely to be extended, affecting the daily operation of all businesses. In order to reduce inventory pressure and effectively manage cash flow, some automobile dealerships and general automobile trading stores chose to increase discounts on new passenger automobiles, reducing their profit margin and leading to a vicious circle.

Lack of professional management team

Currently, there are a large number of medium- and small-sized enterprises in China's automobile sales and distribution industry. These enterprises generally lack managerial expertise, technological capabilities and sophisticated human resources system. The core management team members face problems such as a lack of energy, sloppy management and unprofessionalism.

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Lack of digital capabilities

In terms of sales and marketing, automobile dealerships and general automobile trading stores lack the ability to continuously manage and market to their customers with digital systems, resulting in unsatisfactory customer conversion and retention. In terms of management, the lack of digital management capabilities makes it difficult for management team to obtain comprehensive, reliable and accurate data and information, which can easily lead to mistakes in decision-making or other problems.

Limitations of financial institutions

High pledged vehicle monitoring workload

When financial institutions provide secured financing to automobile dealerships and general automobile trading stores, financial institutions have relatively onerous and specialized requirements for pledged vehicle monitoring, requiring regular and irregular stocktaking and continuous monitoring of inventory status. With the rise of business volume, financial institutions need to manage an increasing number of automobile dealerships and general automobile trading stores covering a wide geographical area with limited resources, making it difficult for financial institutions to rely entirely on internal resources to accomplish pledged vehicle monitoring.

Cumbersome offline process with limited data availability and reliability

In the traditional pledged vehicle monitoring model of automobile financing, pledged vehicle monitoring processes, such as stocktaking, data recording and status auditing, rely heavily on manual operations, which are inefficient and subject to operational risks such as human errors and improper management. Financial institutions have been improving their pledged vehicle monitoring capabilities to meet increasingly refined pledged vehicle monitoring standards and thus putting forward higher requirements for service providers. In addition, since different financial institutions have varying pledged vehicle monitoring systems, a higher demand is placed on external service providers' customization and development capabilities.

Traditional pledged vehicle monitoring leaves room for risks and lacks efficiency

Under traditional pledged vehicle monitoring mode, the quality of pledged vehicle monitoring depends on the supervisors' ability and the personnel's level of responsibility, leading to operational and moral risks. Meanwhile, due to the lagging and opaque collection of inventory and automobile dealership management information, it is difficult for financial institutions to perceive the status of assets in real-time, which could negatively impact the effectiveness and timeliness of pledged vehicle monitoring.

INDUSTRY OVERVIEW

OVERVIEW OF CHINA'S PLEDGED VEHICLE MONITORING SERVICES MARKET

Pledged vehicle monitoring services can help financial institutions improve pledged vehicle monitoring efficiency and break down information barriers

Inventory-based loans are one of the main financing channels for the automobile sales and distribution industry, and financial institutions are limited by personnel and resource constraints, and face challenges on directly monitoring and managing pledged vehicles. In this model, pledged vehicle monitoring service providers mainly act as third-party supervisors, helping financial institutions monitor automobile dealerships' inventory and operating conditions through technologies.

Pledged vehicle monitoring services can provide objective and independent monitoring of pledged vehicles for financial institutions, thereby enhancing the quality and authenticity of monitoring while promoting the efficiency of pledged vehicle monitoring for financial institutions to support their business expansions. Service providers' digital capacity can also help break down the information barrier between automobile dealerships and financial institutions, and thus realize early perception and intervention of potential risks.

According to CIC, as of December 31, 2022, approximately 80% of the financial institutions in China that provided secured financing to automobile dealerships engaged third-party service providers to monitor pledged vehicles. Financial institutions tend to rely on third-party service providers, rather than their in-house personnel, to perform these services, primarily out of cost-efficiency and service quality. Third-party service providers generally have a team of professional service personnel who are equipped with specialized digital monitoring systems, which generally enable them to reduce reliance on manpower and identify and report potential risk events in a more comprehensive and cost-effective manner, as compared to financial institutions' in-house personnel.

Demand for pledged vehicle monitoring services in China is stable

Pledged vehicle monitoring service providers in China provide services primarily to (i) financial institutions that provide secured financing to automobile dealerships for their purchase of vehicles; and (ii) automobile dealerships with pledged vehicles. As of December 31, 2022, there were over 200,000 branches of financial institutions in China, and approximately 750 branches of financial institutions were providing secured financing to automobile dealerships, among which approximately 600 branches of such financial institutions, including all of China's "Big Six" national state-owned commercial banks, 12 joint-stock commercial banks and 25 automobile finance companies, were users of pledged vehicle monitoring services, according to CIC. As of December 31, 2022, there were over 30,000 automobile dealerships in China, and approximately 79.9% of them were users of pledged vehicle monitoring services, according to CIC. In 2022, with the emphasis on pledged vehicle monitoring by financial institutions, standardization of operation and increase in the penetration of secured finance, the total addressable market of pledged vehicle monitoring services for automobile dealerships and general automobile trading stores in China was

INDUSTRY OVERVIEW

approximately RMB6.1 billion, as calculated by multiplying the number of potential automobile dealership users and general automobile trading store users by the average service fee⁽¹⁾ of the industry, assuming that the demand of all potential automobile dealership users and general automobile trading store users is fully addressed. In particular, in 2022, approximately RMB1.9 billion of the total addressable market was attributable to potential automobile dealership users and approximately RMB4.2 billion of the total addressable market was attributable to potential general automobile trading store users.

General automobile trading stores are considered as potential customers for pledged vehicle monitoring services, and therefore are included in the calculation of the total addressable market for the following reasons.

- General automobile trading stores and automobile dealerships share a similar business model, which requires a substantial level of automobile inventory to meet their daily sales demands. General automobile trading stores need financial support in order to maintain a substantial level of automobile inventory, and thus, also have strong demand for secured financing. Similar to automobile dealerships, general automobile trading stores seeking secured financing from financial institutions also need to pledge their automobile inventory. In the past, it was difficult for general automobile trading stores to obtain secured financing from financial institutions directly. Once general automobile trading stores are able to obtain secured financing from financial institutions, they are expected to pay for pledged vehicle monitoring services to monitor their pledged vehicles.
- Financial institutions have started to provide secured financing to general automobile trading stores. In the past, secured financing generally existed among financial institutions, automobile dealerships and automobile manufacturers primarily because financing institutions generally required automobile manufacturers to provide credit support for automobile dealerships in order for automobile dealerships to obtain secured financing. Currently, financial institutions are changing this landscape by launching new secured financing products targeting general automobile trading stores. For example, one national commercial bank in China has launched a new secured financing product targeting general automobile trading stores, which is similar to secured financing products generally provided to automobile dealerships.

Note:

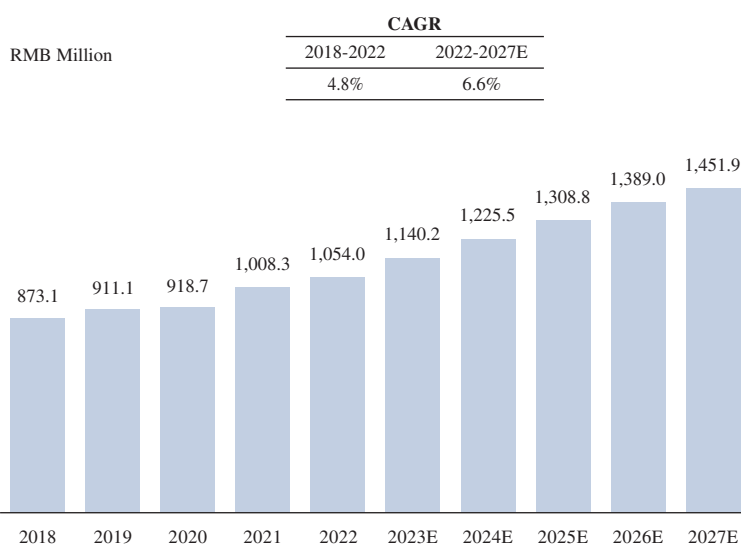
(1) According to CIC, the average service fee of the industry is based on actual service fees charged by service providers in 2022, which range from RMB40,000 to RMB60,000 per year per pledged vehicle monitoring service agreement.

INDUSTRY OVERVIEW

- Based on research conducted by CIC, in developed markets such as the United States, it is common for financial institutions to provide secured financing to general automobile trading stores. As the market in China develops, it is reasonable to expect that more financial institutions will provide secured financing to general automobile trading stores in the future.

The market size of China's pledged vehicle monitoring services for automobile dealerships in terms of revenue grew from RMB873.1 million in 2018 to RMB1,054.0 million in 2022, representing a CAGR of approximately 4.8%. As demand for such services increases, the market size is expected to reach RMB1,451.9 million in 2027, primarily based on an estimated increase in penetration rate of such services in line with the development of China's passenger automobile market.

Market size of China's pledged vehicle monitoring services for automobile dealerships, 2018-2027E



Source: CPCA, CADA, NBS, CIC

The Company is the largest provider of pledged vehicle monitoring services in China's automobile sales and distribution industry

The pledged vehicle monitoring services market for China's automobile sales and distribution industry is highly concentrated, mainly due to the fact that leading market participants have already formed entry barriers in terms of technological capabilities, customer relationships and economies of scale. As of December 31, 2022, the top five market participants had a total market share of approximately 90.3% in terms of revenue, while most of the remaining market participants were typically small regional service providers. Leading market participants have nationwide service networks and can meet financial institutions' demand for the monitoring of pledged vehicles across the country and are, therefore, more likely to gain a higher market share. At the same time, financial institutions have stringent

INDUSTRY OVERVIEW

requirements for third-party institutions' professionalism, reliability, timeliness and other service capabilities. The leading service providers have formed stable partnerships with financial institutions, creating high barriers to entry for new market entrants. In addition, leading market participants have accumulated certain technological capabilities. They can enhance the efficiency of monitoring, reduce costs and improve the effectiveness of pledged vehicle monitoring with the help of technologies, which further reduce the marginal cost, so leading companies can enjoy economies of scale and capture greater market share.

In 2022, the Company was the largest pledged vehicle monitoring service provider in China's automobile sales and distribution industry, with a market share of 47.9% in terms of revenue in 2022. The Company's market position is primarily attributable to a combination of industry experience, technology capabilities and nationwide service network. As one of the first movers in the market, the Company has formed guidelines and know-how on pledged vehicle monitoring based on its industry insights.

In 2022, there were approximately 50 pledged vehicle monitoring service providers in China, among which approximately 10 service providers had formed nationwide service networks. The following table sets forth the ranking of major pledged vehicle monitoring service providers in China's automobile sales and distribution industry in terms of revenue generated from pledged vehicle monitoring services in 2022 and the number of automobile dealership users as of December 31, 2022. While the other four service providers provide other services in addition to pledged vehicle monitoring services, their pledged vehicle monitoring services are comparable to the Company's, primarily due to the similarity in service scope, pricing model and business model. In addition, while some of the other service providers did not have a comprehensive digital system to facilitate their services, they also use technology to monitor pledged vehicles and compete directly with the Company in the pledged vehicle monitoring services market.

Ranking	Company	Revenue ⁽⁵⁾ in 2022 <i>(RMB in millions)</i>	Market Share in terms of revenue ⁽⁵⁾ in 2022	Number of automobile dealership users as of December 31, 2022
1	Our Company	505.0	47.9%	10,684
2	Company A ⁽¹⁾	~265.0	25.2%	~3,600
3	Company B ⁽²⁾	~115.0	10.9%	~2,500
4	Company C ⁽³⁾	~46.0	4.4%	~780
5	Company D ⁽⁴⁾	~20.0	1.9%	~440

Source: CIC

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Notes:

- (1) Company A, a private company established in 2013 and headquartered in Tianjin, mainly provides automobile logistics services, pledged vehicle monitoring services and other automobile-related services.
- (2) Company B, a private company established in 2002 and headquartered in Changchun, Jilin Province, mainly provides automobile transportation services, automobile warehousing services, logistics financial services, automobile spare parts transportation services, pledged vehicle monitoring services and other automobile-related services.
- (3) Company C, a private company established in 2008 and headquartered in Beijing, mainly provides automobile warehousing and logistics services, and also provides pledged vehicle monitoring services.
- (4) Company D, a private company established in 2006 and headquartered in Guangzhou, Guangdong Province, mainly provides insurance brokerage services for consumers, and also provides pledged vehicle monitoring services.
- (5) Represents revenue generated from pledged vehicle monitoring services.

Entry barriers for China's pledged vehicle monitoring services

- ***Technological capabilities.*** Developing and maintaining pledged vehicle monitoring services require market participants to enhance their technology, infrastructure and data security. New entrants need to have sufficient access to funding to cover the costs of developing relevant technologies and infrastructure and recruiting qualified employees to develop and maintain these technologies.
- ***Customer relationships.*** China's pledged vehicle monitoring services industry is characterized by long-term customer relationships with financial institutions and automobile dealerships. New entrants need to attract customers from other service providers and obtain trust from these customers by providing high-quality services with competitive pricing.
- ***Economies of scale.*** Existing market participants have achieved large economies of scale by serving a wide range of clients across different regions. They have also invested heavily in developing and maintaining their digital systems, data analytics tools, cybersecurity, customer service capabilities and human resources. These factors enable them to offer high-quality services with competitive pricing compared with new entrants, who would need to incur high fixed and variable costs to create their presence in the market.

Risks and challenges to China's pledged vehicle monitoring services market

China's pledged vehicle monitoring services market faces certain risks and challenges. The slowdown of China's economic growth may result in a decrease in residents' income and their ability to purchase new passenger automobiles, which may reduce the demand for new passenger automobiles and the demand for such services. In addition, favorable PRC regulations and policies for pledged vehicle monitoring services, as well as the business models of financial institutions, may change, thus affecting the demand for such services.

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Furthermore, changes in the automobile sales and distribution industry, such as changes in the demand of new passenger automobiles, could also affect the demand for such services. If there is an increase in the demand for new passenger automobiles, automobile dealerships are expected to purchase more passenger automobiles through secured financing, leading to an increase in the demand for pledged vehicle monitoring services. Similarly, if there is a decrease in the demand for new passenger automobiles, the demand for pledged vehicle monitoring services is expected to decrease.

Service providers also face risks and challenges from (i) changes in China's general economy and automobile sales and distribution industry; (ii) fluctuations in labor and subcontracting costs; and (iii) intensified competition in the pledged vehicle monitoring service market. See "Risk Factors—Risks Relating to Our Business and Industry" for details.

OVERVIEW OF CHINA'S AUTOMOBILE DEALERSHIP OPERATION MANAGEMENT SERVICES MARKET

Automobile dealership operation management service providers can help automobile dealerships reduce costs, increase efficiency and improve competitiveness

Automobile dealership operation management services are designed to help automobile dealerships reduce costs and increase efficiency by introducing professional management teams and concepts, comprehensive management and accounting systems and intelligent marketing and customer management tools. In particular, professional management teams can help automobile dealerships optimize their staff resources through comprehensive management systems by gathering staff utilization data and allocating staff resources effectively, thereby reducing labor costs. In addition, accounting systems can help automobile dealerships improve their financial management efficiency by reducing in-person and offline procedures, and at the same time help automobile dealerships gather financial data more efficiently. Furthermore, intelligent marketing tools can provide accurate delivery of marketing information, evaluate the effectiveness of advertisement and improve the content management of advertising, which will improve the overall efficiency of marketing efforts of automobile dealerships. At the same time, customer relationship management tools can accumulate sales information and customer communication records, which can help strengthen contact between sales staff from automobile dealerships and potential customer groups, and thus increase the efficiency of automobile dealerships.

China's automobile dealership operation management services market has not yet formed a stable competitive landscape

While certain market participants have already been exploring viable business models for automobile dealership operation management services in light of the increase in market size for such services from RMB13.2 million in 2021 to RMB47.6 million in 2022, China's automobile dealership operation management services market has not yet formed a stable competitive landscape. Market participants typically enter into individual service agreements with automobile dealerships. According to CIC, as of December 31, 2022, the penetration rate of

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automobile dealership operation management services in China was less than 0.5%, as calculated by dividing the number of automobile dealerships served by the total number of automobile dealerships in China. In addition, there are currently only approximately 10 market participants expanding into this area, including third-party service providers in the automobile sales and distribution industry, startup software companies, internet platform companies and large automobile dealerships with strong management capabilities, and most of these market participants are still at the stage of analyzing customer demand and service scope, and have not been able to actually provide such services or generate substantial revenue from such services. The competitive landscape could undergo significant changes depending on the willingness of automobile dealerships to obtain such services, the promotion efforts by service providers and the development of successful management cases.

The demand for automobile dealership operation management services in China is expected to increase in the future as competition among automobile dealerships in the automobile sales and distribution industry intensifies

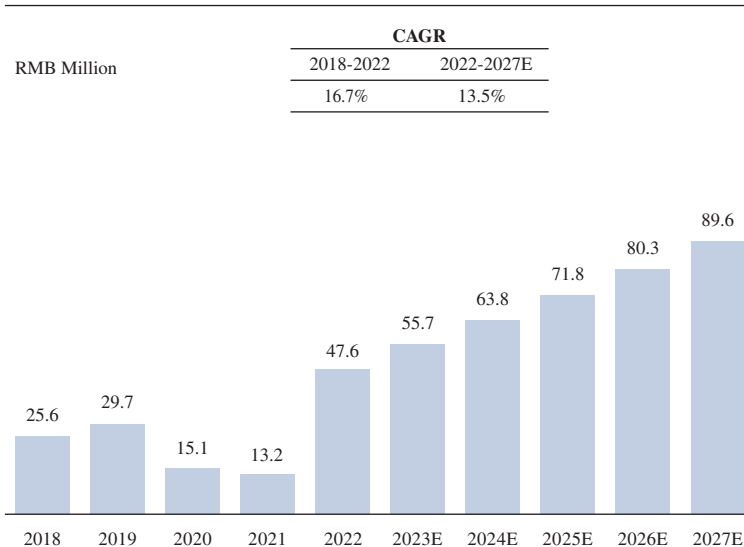
The future growth of China's automobile dealership operation management services market depends on the potential demand from automobile dealerships, recovery from the COVID-19 pandemic and development of successful management cases. In 2022, there were approximately 30,000 automobile dealerships in China and approximately 70% of these automobile dealerships were unable to make a profit, according to CADA. According to CIC, automobile dealerships that were unable to make a profit will have demand for professional management services that could help them reduce costs and improve operation efficiency, such as automobile dealership operation management services. In addition, the automobile sales and distribution industry has been negatively affected by the COVID-19 pandemic over the past three years, which delayed market participants' efforts to expand their businesses and provide such services. According to CIC, the market is expected to grow in the future as more market participants start to provide such services after the recovery from the COVID-19 pandemic, and with the help of service providers, non-profitable automobile dealerships may increase their paces to improve their operation efficiency so as to become profitable. These market participants are actively expanding their business and implementing promotional policies such as offering discounts on fixed management fees, accommodating flexible payment cycles, providing free software and other services, and demonstrating their advantages in helping automobile dealerships achieve their performance targets. In addition, the development successful management cases by service providers can help potential automobile dealerships understand the value of such services, which will aid the promotion of such services.

The market size of China's automobile dealership operation management services in terms of revenue grew from RMB25.6 million in 2018 to RMB29.7 million in 2019. However, the market size declined from RMB29.7 million in 2019 to RMB13.2 million in 2021, primarily because startup companies that provide such services experienced difficulties in their operations in 2020 when the market was negatively impacted by the COVID-19 pandemic. As market conditions improved, the market size increased from RMB13.2 million in 2021 to RMB47.6 million in 2022. The Company started to provide such services in 2022, with a market share of approximately 90% in 2022. Revenue generated by the Company from such

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services was RMB42.8 million in 2022. Based on the reasons for the expected growth set out above, the market size is expected to reach RMB89.6 million in 2027, according to CIC. According to CIC, the Company's market share in 2027 is expected to be lower than that in 2022, primarily due to the entry of other market participants. These market participants are expected to capture a portion of the market share while contributing to the growth of the overall market size.

Market size of China's automobile dealership operation management services, 2018-2027E



Source: CPCA, CADA, NBS, CIC

Entry barriers for China's automobile dealership operation management services

- **Industry expertise.** Automobile dealership operation management services require service providers to have a deep understanding of the limitations of automobile dealerships and scrutinize the daily operations and management of automobile dealerships to offer customized services. Therefore, startup software companies and internet platform companies that do not have a deep understanding of the limitations of automobile dealerships may not be successful in this industry.
- **Technological capabilities.** The technological capabilities of the automobile dealership operation management service providers are also improving. With the digitalization of automobile dealerships, automobile dealership operation management service providers are expected to develop and utilize technologies to develop automobile dealership operation management systems, optimize their services and improve efficiency and effectiveness.
- **Access to industry resources.** Automobile dealership operation management service providers rely on effective distribution channels and other industry resources to help automobile dealerships manage orders from their customers, deliver vehicles to their

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customers and provide high-quality after-sales services with enhanced efficiency. New entrants may have limited access to these distribution channels and resources, which may negatively affect their ability to offer high-quality services with competitive pricing to customers.

Risks and challenges to China's automobile dealership operation management services market

China's automobile dealership operation management services market faces certain risks and challenges. Service providers face risks and challenges from changes in China's general economy and automobile sales and distribution industry, which could negatively affect service providers' promotional efforts relating to such services. In addition, if more consumers purchase automobiles from internet platforms or other means and no longer rely on automobile dealerships, the automobile dealership operation management services market could be negatively affected. Furthermore, service providers may be unable to develop successful management cases or meet the expectations of automobile dealerships, which may cause them to lose automobile dealership users. Moreover, service providers may also be unable to retain key employees.

FUTURE OPPORTUNITIES FOR CHINA'S PLEDGED VEHICLE MONITORING SERVICE MARKET AND AUTOMOBILE DEALERSHIP OPERATION MANAGEMENT SERVICE MARKET

Further increase in demand in lower-tier cities

Driven by favorable policies, increased purchasing power of residents and development of road, fuel and electric-charging infrastructures, which will increase the convenience of driving automobiles, the demand for new passenger automobiles in lower-tier cities is expected to increase and will become one of the key drivers of market growth. Favorable policies include (i) the Opinion on Further Unleashing Consumption Potential and Promoting Sustained Recovery of Consumption (《關於進一步釋放消費潛力促進消費持續恢復的意見》) issued by the General Office of the State Council in April 2022, aimed at promoting the consumption of automobiles in China; (ii) the Announcement on the Reduction of Purchase Tax for Certain Passenger Automobiles (《關於減徵部分乘用車車輛購置稅的公告》) jointly issued by the MOF and the STA in May 2022, aimed at stimulating the sale of passenger automobiles in China; and (iii) the Notice on Measures to Invigorate Automobile Sales and Distribution and Promote Automobile Consumption (《關於搞活汽車流通擴大汽車消費若干措施的通知》) jointly promulgated by the MOFCOM and 16 other administrative agencies in July 2022, aimed at stimulating the sale of passenger automobiles and NEVs and encouraging financial institutions to provide automobile secured financing in China.

According to CIC, these favorable policies are expected to continue to promote the sale of passenger automobiles, and automobile dealerships are expected to purchase more passenger automobiles through secured financing, leading to an increase in the demand for pledged vehicle monitoring services. At the same time, in light of the expected increase in passenger

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automobile sales, automobile dealerships are expected to optimize their business operations through professional management teams. As a result, the demand for automobile dealership operation management services is expected to further increase.

Further increase in business volume and target customers of financial institutions

Financial institutions, which primarily include commercial banks and automobile finance companies, provide secured financing to automobile dealerships. Driven by favorable policies for China's passenger automobile market, financial institutions have launched new online secured financing products typically with higher credit limit and simplified application procedure attempting to cover automobile dealerships, general automobile trading stores and used car dealers. For example, one national commercial bank in China has launched a new secured financing product targeting general automobile trading stores, which is similar to secured financing products generally provided to automobile dealerships. The amount of secured financing provided by automobile finance companies has doubled in the past decade. With the increase of secured financing provided to automobile dealerships and general automobile trading stores, the business volume of pledged vehicle monitoring services is expected to rise, driving the growth of the pledged vehicle monitoring services market.

Further increase in demand for secured financing of automobile dealerships and general automobile trading stores

With the further development of China's passenger automobile market, automobile dealerships and general automobile trading stores are expected to increase their inventory level to expand their geographic coverage and diversify their vehicle brands and models. Therefore, the demand for secured financing of automobile dealerships and general automobile trading stores is expected to further increase, which could generate more demand for pledged vehicle monitoring services and related services.

Fiercer competition in the automobile sales and distribution industry

The target customers of automobile dealership operation management services are medium- and small-sized automobile dealerships, which include automobile dealerships that have 5 to 20 automobile dealership stores, and the number of these customers is growing steadily. These customers generally have a certain scale of business and thus have greater potential for business growth. However, they face problems such as lack of professional management teams due to the retirement of their original management personnel, as well as inefficiencies due to lack of technological capabilities. In this market adjustment period, automobile dealerships who rely on such services will have a better chance to expand their market share and consolidate their dominant position to stand out in the competition.

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FUTURE DEVELOPMENT FOR CHINA'S PLEDGED VEHICLE MONITORING SERVICE MARKET AND AUTOMOBILE DEALERSHIP OPERATION MANAGEMENT SERVICE MARKET

Development of technology

With the development of technologies, data relating to automobile dealerships' inventory can be dynamically transmitted back to the system and connected directly with financial institutions' pledged vehicle monitoring systems and thus significantly improving regulatory efficiency, accuracy and timeliness. Such development of technology could enable service providers to monitor pledged vehicles more efficiently, and thus reduce the marginal cost of pledged vehicle monitoring services.

Development of third-party service providers

Automobile dealerships face issues that need to be handled by professionals, such as inventory management, capital management, channel optimization and team building. The requirements for refinement and specialization of management have increased significantly. With rich experience in the automobile dealership industry, mature management systems and strong industry resources, automobile dealership operation management service providers can provide integrated professional services, including capital, sales, human resources, finance and brand building services.

Development of diversified services

According to CIC, new passenger automobile sales volume in China increase from 2013 to 2017, representing a CAGR of approximately 8.5%. However, new passenger automobile sales volume in China decreased from 2018 to 2022, representing a negative CAGR of approximately 0.4%, which was due to the decrease in the demand for new passenger automobiles as a result of the COVID-19 pandemic. In addition, the average age of passenger automobiles increased from 4.9 years in 2019 to 6.2 years in 2022. With the slowdown in new passenger automobile sales and the increase in average vehicle age in China's passenger automobile market, the business focus of automobile dealerships is gradually shifting. The service scope of suppliers is expected to change accordingly, with some suppliers establishing new service models focusing on NEV trading, as well as other automobile services. These market trends will provide market participants with more opportunities to address market demand.

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KEY SUCCESS FACTORS

Industry know-how

The digital transformation of the automobile sales and distribution industry is rooted in its traditional business model, supplemented by sufficient data and information technology to ultimately achieve the upgrade of service quality and management efficiency. Therefore, it is vital to understand the automobile dealership industry and the accumulation of operational capabilities.

Customer and branding capabilities

Through the accumulation of customer resources and experience, service providers can build up their industry reputation and their own brands, which will help expand the scope of their services and procure new customers and thus increasing revenue and further enhancing their market shares.

Integrated service capabilities

The automobile sales and distribution industry involves many businesses and participants, including various vehicle brands, automobile logistics companies, financial institutions, after-sales service workshops and automobile parts suppliers. Therefore, companies with rich and comprehensive ecological resources and service capabilities can better grasp automobile dealerships' needs and accumulate competitive advantages.

REGULATORY OVERVIEW

REGULATIONS ON FOREIGN INVESTMENT

The establishment, operation, and management of corporate entities in the PRC is governed by the PRC Company Law (《中華人民共和國公司法》), which was promulgated by the SCNPC, on December 29, 1993, and came into effect on July 1, 1994. The PRC Company Law was most recently amended on October 26, 2018. A foreign invested company is also subject to the PRC Company Law, unless otherwise provided by the foreign investment laws.

On March 15, 2019, the NPC promulgated the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the “Foreign Investment Law”), which came into effect on January 1, 2020 and replaced the trio of laws regulating foreign investment in China, namely, the Sino-foreign Equity Joint Venture Enterprise Law (《中華人民共和國中外合資經營企業法》), the Sino-foreign Cooperative Joint Venture Enterprise Law (《中華人民共和國中外合作經營企業法》) and the Wholly Foreign-invested Enterprise Law (《中華人民共和國外資企業法》), together with their implementation rules and ancillary regulations. Existing foreign-invested enterprises established prior to the effective of the Foreign Investment Law may keep their corporate forms for five years. The Implementing Rules of the Foreign Investment Law (《中華人民共和國外商投資法實施條例》) were promulgated by the State Council on December 26, 2019 and came into effect on January 1, 2020. Pursuant to the Foreign Investment Law, “foreign investors” means natural person, enterprise, or other organization of a foreign country, “foreign-invested enterprises”, (the “FIEs”), means any enterprise established under PRC law that is wholly or partially invested by foreign investors and “foreign investment” means any foreign investor’s direct or indirect investment in China, including: (i) establishing FIEs in China either individually or jointly with other investors; (ii) obtaining stock shares, stock equity, property shares, or other similar interests in Chinese domestic enterprises; (iii) investing in new projects in China either individually or jointly with other investors; and (iv) making investment through other means provided by laws, administrative regulations, or State Council provisions.

The Foreign Investment Law stipulates that China implements the management system of pre-establishment national treatment plus a negative list to foreign investment and the government generally will not expropriate foreign investment, except under special circumstances, in which case it will provide fair and reasonable compensation to foreign investors. Foreign investors are barred from investing in prohibited industries on the negative list and must comply with the specified requirements when investing in restricted industries on that list. When a license is required to enter a certain industry, the foreign investor must apply for one, and the government must treat the application the same as one by a domestic enterprise, except where laws or regulations provide otherwise. In addition, foreign investors or FIEs are required to file information reports and foreign investment shall be subject to national security review.

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The Provisions on Guiding the Orientation of Foreign Investment (《指導外商投資方向規定》), which was promulgated by the State Council on February 11, 2002, and became effective on April 1, 2002, categorizes all foreign-invested projects into encouraged, permitted, restricted, and prohibited projects. The Special Administrative Measures (Negative List) for Foreign Investment Access (2021 Edition) (《外商投資准入特別管理措施(負面清單)》(2021年版)), was promulgated by the NDRC and the MOFCOM on December 27, 2021, and became effective on January 1, 2022, and lists the categories of restricted and prohibited foreign-invested projects. Those not listed are permitted foreign-invested projects.

On December 30, 2019, MOFCOM and the State Administration for Market Regulation (the “SAMR”), jointly promulgated the Measures for Information Reporting on Foreign Investment (《外商投資信息報告辦法》), which became effective on January 1, 2020. Pursuant to the Measures for Information Reporting on Foreign Investment, where a foreign investor carries out investment activities in China directly or indirectly, the foreign investor or the foreign-invested enterprise shall submit the investment information to the competent commerce department.

On December 19, 2020, the NDRC and the MOFCOM jointly promulgated the Measures on the Security Review of Foreign Investment (《外商投資安全審查辦法》), effective on January 18, 2021, which sets forth the provisions concerning the security review mechanism on foreign investment, including, amongst others, the types of investments subject to review, review scopes and procedures. The Office of the Working Mechanism of the Security Review of Foreign Investment (外商投資安全審查工作機制辦公室) (the “Office of the Working Mechanism”) will be established under the NDRC which will lead the task together with the MOFCOM. Foreign investor or relevant parties in China must declare the security review to the Office of the Working Mechanism prior to (i) the investments in the military industry, military industrial supporting and other fields relating to the security of national defense, and investments in areas surrounding military facilities and military industry facilities; and (ii) investments in important agricultural products, important energy and resources, important equipment manufacturing, important infrastructure, important transport services, important cultural products and services, important information technology and Internet products and services, important financial services, key technologies and other important fields relating to national security, and to obtain control in the target enterprise. “Control” as contemplated in item (ii) of the preceding sentence exists when the foreign investor (a) holds over 50% equity interests in the target enterprise, (b) has voting rights that can have material influence on the resolutions of the board of directors or shareholders meeting of the target enterprise even when it holds less than 50% equity interests in the target enterprise, or (c) has material influence on the target enterprise’s business decisions, human resources, accounting and technology.

REGULATORY OVERVIEW

REGULATIONS ON NEVS

On June 22, 2022, the CBIRC promulgated the Notice of Encouraging Non-banking Institutions to Support the Development of New Energy Vehicles (《關於鼓勵非銀機構支持新能源汽車發展的通知》) (the “Non-banking Institutions Notice”), which regulates non-banking institutions such as automobile finance companies, finance companies of enterprise groups and financial leasing companies. The Non-banking Institutions Notice aims to promote the sale of NEVs and the availability of financial services with respect to the sale of NEVs. The Non-banking Institutions Notice encourages non-banking institutions to enhance the application of financial technologies, optimize the use of big data and credit ratings and improve the intelligence and precision level of loan approval when they provide loans and financial leasing services in relation to the sale of NEVs. In addition, the CBIRC paid close attention to the development of NEVs, which was reflected in the Guiding Opinions on Strengthening Industry-finance Cooperation to Promote Industrial Green Development (《關於銀行業保險業支持城市建設和治理的指導意見》), which was promulgated and became effective on May 6, 2022, and the Guiding Opinions on Strengthening Industry-finance Cooperation to Promote Industrial Green Development (《關於加強產融合作推動工業綠色發展的指導意見》), which was promulgated and became effective on September 3, 2021.

REGULATIONS ON INTERNET INFORMATION SECURITY AND PRIVACY PROTECTION

The PRC government has enacted Laws with respect to internet information security and protection of personal information from any abuse or unauthorized disclosure. Internet information in China is regulated and restricted from a national security standpoint. The SCNPC enacted the Decision on the Maintenance of Internet Security (《關於維護互聯網安全的決定》) on December 28, 2000, which was amended on August 27, 2009 and may subject persons to criminal liabilities in the PRC for any attempt to: (i) gain improper entry into a computer or system of strategic importance; (ii) disseminate politically disruptive information; (iii) leak state secrets; (iv) spread false commercial information; or (v) infringe intellectual property rights. In addition, on December 16, 1997, the Ministry of Public Security (the “MPS”), issued the Administration Measures on the Security Protection of Computer Information Network with International Connections (《計算機信息網絡國際聯網安全保護管理辦法》), which took effect on December 30, 1997 and were amended by the State Council on January 8, 2011, and which prohibits using the internet in ways which, among others, result in a leakage of state secrets or a spread of socially destabilizing content. The MPS has supervision and inspection powers in this regard, and relevant local security bureaus may also have jurisdiction. If an internet information service provider violates any of these measures, competent authorities may revoke its operating license and shut down its websites. The Administrative Measures for the Graded Protection of Information Security (《信息安全等級保護管理辦法》) that was issued and took effect on June 22, 2007 requires entities that operate and use information systems to fulfil the obligation of protection of the information system at multi-level. Entities that operate the information systems at Grade II or above shall, within 30 days after the date when its security protection grade is determined, handle the record-filing procedures at the local public security authority.

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Under the Several Provisions on Regulating the Market Order of Internet Information Services (《規範互聯網信息服務市場秩序若干規定》), issued by the MIIT in 2011, an internet information service provider may not collect any personal information of a user or provide any such information to third parties without the user's consent. It must expressly inform the user of the method, content and purpose of the collection and processing of such user's personal information and may only collect information to the extent necessary to provide its services. An internet information service provider is also required to properly maintain users' personal information, and in case of any leak or likely leak of such information, it must take immediate remedial measures and, in the event of a serious leak, report to the telecommunications regulatory authority immediately.

Pursuant to the Decision on Strengthening the Protection of Online Information (《關於加強網絡信息保護的決定》), issued by the SCNPC in 2012, and the Provisions on Protection of Personal Information of Telecommunication and Internet Users (《電信和互聯網用戶個人信息保護規定》), issued by the MIIT in 2013, any collection and use of a user's personal information must be subject to the consent of the user, be legal, rational and necessary and be limited to specified purposes, methods and scopes. An internet information service provider must also keep such information strictly confidential, and is further prohibited from divulging, tampering with or destroying any such information, or selling or providing such information to other parties. An internet information service provider is required to take technical and other measures to prevent the collected personal information from any unauthorized disclosure, damage or loss. Any violation of these laws may subject the internet information service provider to warnings, fines, confiscation of illegal gains, revocation of licenses, cancellation of filings, closure of websites or even criminal liabilities.

Pursuant to the Ninth Amendment to the Criminal Law (《中華人民共和國刑法修正案(九)》) issued by the SCNPC in August 2015 and which became effective in November 2015, any internet service provider that fails to fulfil the obligations related to the internet information security administration as required by applicable laws and refuses to rectify such failures when ordered, shall be subject to criminal penalty. Pursuant to the Notice of the Supreme People's Court, the Supreme People's Procuratorate and the MPS on Legally Punishing Criminal Activities Infringing upon the Personal Information of Citizens (《最高人民法院、最高人民檢察院、公安部關於依法懲處侵害公民個人信息犯罪活動的通知》), issued in 2013, and the Interpretation of the Supreme People's Court and the Supreme People's Procuratorate on Several Issues regarding Legal Application in Criminal Cases Infringing upon the Personal Information of Citizens (《最高人民法院、最高人民檢察院關於辦理侵犯公民個人信息刑事案件適用法律若干問題的解釋》), which was issued on May 8, 2017 and took effect on June 1, 2017, the following activities may constitute the crime of infringing upon a citizen's personal information: (i) providing a citizen's personal information to specified persons or releasing a citizen's personal information online or through other methods in violation of relevant national provisions; (ii) providing legitimately collected information relating to a citizen to others without such citizen's consent (unless the information is processed, not traceable to a specific person and not recoverable); (iii) collecting a citizen's personal information in violation of applicable rules and regulations when performing a duty or providing services; or (iv) obtaining a citizen's personal information by purchasing, accepting or exchanging such information in violation of applicable rules and regulations.

REGULATORY OVERVIEW

The PRC Cyber Security Law (《中華人民共和國網絡安全法》), which was promulgated by the SCNPC in November 2016 and took effect on June 1, 2017, reaffirmed certain basic principles and requirements on personal information protection previously specified in other existing Laws, including those described above. It also requires a network operator, including internet information service providers among others, to adopt technical measures and other necessary measures in accordance with applicable Laws as well as compulsory national and industrial standards to safeguard the safety and stability of network operations, effectively respond to network security incidents, prevent illegal and criminal activities, and maintain the integrity, confidentiality and availability of network data. Any individuals and organisations that use networks must not endanger network security or use networks to engage in unlawful activities, such as those endangering national security, economic order and the social order or infringing the reputation, privacy, intellectual property rights and other lawful rights and interests of others. Violations of the provisions and requirements under the PRC Cyber Security Law may subject an internet information service provider to warnings, fines, confiscation of illegal gains, revocation of licenses, cancellation of filings, closure of websites or even criminal liabilities.

On 23 January 2019, the Office of the Central Cyberspace Affairs Commission (the “OCCAC”), the MIIT, and the MPS, and the SAMR jointly issued the Notice on Special Governance of Illegal Collection and Use of Personal Information via Apps (《關於開展App違法違規收集使用個人信息專項治理的公告》), which restates the requirement of legal collection and use of personal information, encourages APP operators to conduct security certifications, and encourages search engines and APP stores to clearly mark and recommend those certified APPs.

The Method for Identifying the Illegal Collection and Use of Personal Information by Apps (《APP違法違規收集使用個人信息行為認定方法》), promulgated jointly by the MIIT, the MPS, the OCCAC and the SAMR in November 2019 specifies the practices of illegal collection and use of personal information, providing reference for regulatory authorities and offering guidance for App operators’ self-examination and self-correction under the current regulatory environment. We have strictly complied with the aforesaid regulations and have not received any inquiries or been asked for correction from the regulatory authorities so far.

The PRC Civil Code (《中華人民共和國民法典》) that was issued by the NPC on May 28, 2020 and was effective on January 1, 2021 provides that natural persons’ personal information shall be protected by law, and the processing of personal information shall be subject to the principle of legitimacy, rightfulness and necessity, with no excessive processing.

On June 10, 2021, the SCNPC issued the Data Security Law of the PRC (《中華人民共和國數據安全法》) to regulate data processing activities and security supervision in the PRC, which took effect on September 1, 2021. According to the Data Security Law of the PRC, data processing activities shall be carried out in accordance with PRC laws and regulations, establishing and improving the data security management system of the whole process, organizing and carrying out data security education and training, and taking corresponding technical measures and other necessary measures to guarantee data security. Where data processing activities are carried out through the Internet and other information networks, the above-mentioned data security protection obligations shall be fulfilled on the basis of the

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hierarchical network security protection system. In carrying out data processing activities, risk monitoring shall be strengthened, and remedial measures shall be taken immediately when data security defects, loopholes and other risks are found. In the event of a data security incident, the processors of data shall take immediate measures to deal with it, inform the user in time and report to the competent authorities in accordance with relevant provisions. The processors of important data shall, in accordance with relevant provisions, carry out regular risk assessments of their data processing activities and submit risk assessment reports to the competent authorities. The Data Security Law of the PRC provides a national data security review system, under which data processing activities that affect or may affect national security shall be reviewed. Any organization or individual carrying out data processing activities that violates the Data Security Law of the PRC shall bear the corresponding civil, administrative or criminal liability depending on the specific circumstances.

On August 20, 2021, the SCNPC promulgated the Personal Information Protection Law (《中華人民共和國個人信息保護法》) (the “PIPL”), which took effect on November 1, 2021. Pursuant to the PIPL, a personal information processor may process the personal information of an individual only under the following circumstances: (i) where consent is obtained from the individual; (ii) where it is necessary for the execution or performance of a contract to which the individual is a party, or where it is necessary for carrying out human resource management pursuant to employment rules legally adopted or a collective contract legally concluded; (iii) where it is necessary for performing a statutory responsibility or statutory obligation; (iv) where it is necessary in response to a public health emergency, or for protecting the life, health or property safety of a natural person in the case of an emergency; (v) where the personal information is processed within a reasonable scope to carry out any news reporting, supervision by public opinions or any other activity for public interest purposes; (vi) where the personal information, which has already been disclosed by an individual or otherwise legally disclosed, is processed within a reasonable scope; or (vii) any other circumstance as provided by laws or administrative regulations. In principle, the consent of an individual must be obtained for the processing of his or her personal information, except under the circumstances of the aforementioned items (ii) to (vii). Where personal information is to be processed based on the consent of an individual, such consent shall be a voluntary and explicit indication of intent given by such individual on a fully informed basis. If laws or administrative regulations provide that the processing of personal information shall be subject to the separate consent or written consent of the individual concerned, such provisions shall prevail.

On November 14, 2021, the CAC released the Regulations on the Administration of Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) (the “Draft Regulations”), which stipulated that a data processor would be subject to mandatory cybersecurity review under relevant rules and regulations if such data processor (i) engages in the merger, reorganization or division of internet platform operators that have gathered a large number of data resources related to national security, economic development and public interests, which affects or may affect national security; (ii) processes personal information of more than one million users and seeks to be listed abroad; (iii) seeks to be listed on the Hong Kong Stock Exchange and such listing affects or may affect national security; or (iv) engages in other data processing activities that affect or may affect national security. However, the Draft Regulations did not provide further clarification on “affect or may affect national security.” As of the Latest Practicable Date, the Draft Regulations had not been formally adopted, and it remains uncertain when and in what form the Draft Regulations will be enacted.

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On December 28, 2021, the CAC, together with other relevant departments, jointly promulgated the Cybersecurity Review Measures (《網絡安全審查辦法》), which became effective on February 15, 2022. According to the Cybersecurity Review Measures, (i) the purchase of network products and services by a critical information infrastructure operator, or the data processing activities of a network platform operator that affect or may affect national security shall be subject to cybersecurity review; (ii) a network platform operator who possesses personal information of more than one million users are subject to mandatory cybersecurity review before it could be listed abroad; and (iii) the relevant government authorities may also initiate cybersecurity review if such government authorities determine a network product, service or data processing activity affects or may affect national security. We possess the personal information of more than one million individuals, which were collected primarily by automobile dealerships that procured our operation management services from their customers and stored on our Smart Star system. Nevertheless, our PRC Legal Advisors are of the view that our proposed listing on the Hong Kong Stock Exchange would not trigger mandatory application for cybersecurity review since listing on the Hong Kong Stock Exchange is not treated as listing abroad under the Cybersecurity Review Measures based on our PRC Legal Advisors' consultation with the China Cybersecurity Review Technology and Certification Center (中國網絡安全審查技術與認證中心) on April 17, 2023.

Our PRC Legal Advisors are also of the view that we were in compliance with the Cybersecurity Review Measures and the Draft Regulations (if implemented in their current forms) in all material aspects, considering that (i) we have implemented various internal control measures and policies to ensure data security and privacy protection to comply with applicable cybersecurity and data privacy laws and regulations as disclosed in “Business—Pledged Vehicle Monitoring Services—Data Security and Privacy;” (ii) during the Track Record Period and up to the Latest Practicable Date, we had not experienced any material data or personal information leakage or loss, infringement of data or personal information, or information security incident; (iii) during the Track Record Period and up to the Latest Practicable Date, we had not been subject to any fines, administrative penalties, or other sanctions by any relevant regulatory authorities in the PRC in relation to violation of cybersecurity, data security and personal data protection laws and regulations; (iv) we had not been notified by any Chinese government authorities of being classified as a critical information infrastructure operator in accordance with the CII Regulations, nor had we been involved in any data processing activities that might give rise to national security risks based on the factors set out in Article 10 of the Cybersecurity Review Measures and have not been inquired, investigated, warned or penalized by any Chinese government authorities in this respect; and (v) we will continually monitor our compliance status in accordance with the latest changes in applicable regulatory requirements regarding cybersecurity and data privacy laws, and enhance our data processing practices in a timely manner.

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REGULATIONS ON ANTI-MONEY LAUNDERING

The PRC Anti-money Laundering Law (《中華人民共和國反洗錢法》), which became effective in 2007, sets forth the principal anti-money laundering requirements applicable to financial institutions as well as non-financial institutions with anti-money laundering obligations, including the adoption of precautionary and supervisory measures, establishment of various systems for client identification, retention of clients' identification information and transactions records, and reports on large transactions and suspicious transactions. Financial institutions subject to the PRC Anti-money Laundering Law include banks, credit unions, trust investment companies, stock brokerage companies, futures brokerage companies, insurance companies, fund management companies and other financial institutions as listed and published by the PBOC, while the list of the non-financial institutions with anti-money laundering obligations will be jointly published by the PBOC and other related authorities of the State Council. The PBOC and other government authorities issued a series of administrative rules and regulations to specify the anti-money laundering obligations of financial institutions and certain non-financial institutions, such as fund sales institutions. However, the State Council has not yet promulgated a list of the non-financial institutions subject to anti-money laundering obligations.

REGULATIONS ON ANTI-CORRUPTION

The Interim Provisions on the Prohibition of Commercial Bribery Behavior issued by the State Administration for Industry and Commerce (《國家工商行政管理局關於禁止商業賄賂行為的暫行規定》) which came into effect on November 15, 1996, further stipulated the constitution and legal liabilities of commercial bribery. The United Nations Convention against Corruption (《聯合國反腐敗公約》) was adopted by the General Assembly of the United Nations on October 31, 2003. The convention aims to promote and enhance various measures for preventing and combating corruption in a more effective and powerful way, and to promote, facilitate and support international cooperation and technical assistance in preventing and combating corruption, including asset recovery, encouraging integrity, accountability and proper management of public affairs and properties. The PRC government ratified this convention in 2005 with reservations.

REGULATIONS ON ANTI-UNFAIR COMPETITION AND ANTI-MONOPOLY

According to the Anti-Unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》) (the "Anti-Unfair Competition Law"), which was adopted by the SCNPC on September 2, 1993, became effective as of December 1, 1993, and last amended on April 23, 2019, unfair competition refers to that the operator disrupts the market competition order and damages the legitimate rights and interests of other operators or consumers in violation of the provisions of the Anti-unfair Competition Law in the production and operating activities. Pursuant to the Anti-unfair Competition Law, operators shall abide by the principle of voluntariness, equality, impartiality, integrity and adhere to laws and business ethics during market transactions. Operators in violation of the Anti-unfair Competition Law shall bear corresponding civil, administrative or criminal liabilities depending on the specific circumstances.

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The Anti-monopoly Law of the PRC (《中華人民共和國反壟斷法》) promulgated by the Standing Committee of the National People's Congress, or the Anti-monopoly Law, which became effective on August 1, 2022, prohibits undertakings from monopolistic conducts such as:

- Entering into monopolistic agreements, which means agreements or concerted practices to eliminate or restrict competition. For example, agreements for fixing or altering prices of goods, limiting the output or sales volume of goods, fixing the price of goods for resale to third parties, among others, unless such agreements satisfy the specific exemptions prescribed therein, such as improving technologies or increasing the efficiency and competitiveness of medium- and small-sized undertakings. Relevant conducts may lead to an order to cease the relevant activities, and confiscation of illegal gains and fines (from 1% to 10% of sales revenue in the preceding year, or a fine up to RMB5,000,000 if the intended monopolistic agreement has not been performed);
- Abuse of dominant market position. For example, selling goods at unfairly high prices or purchasing goods at unfairly low prices, selling goods at prices below cost or refusing to trade with a trading party without any justifiable cause. Relevant conducts may lead to an order to cease the relevant activities, confiscation of the illegal gains and fines (from 1% to 10% of sales revenue in the preceding year); and
- Concentration of undertakings which has or may have an effect of eliminating or restricting competition. Pursuant to the Anti-monopoly Law and the Rules of the State Council on Declaration Threshold for Concentration of Undertakings (《國務院關於經營者集中申報標準的規定》) as amended on September 18, 2018, require that the anti-monopoly enforcement agency (i.e., the State Administration for Market Regulation) shall be notified in advance of any concentration of undertaking if certain filing thresholds (i.e., during the previous fiscal year, (i) the total global turnover of all operators participating in the transaction exceeded RMB10 billion in the preceding fiscal year and at least two of these operators each had a turnover of more than RMB400 million within China in the preceding fiscal year, or (ii) the total turnover within China of all the operators participating in the concentration exceeded RMB2 billion in the preceding fiscal year, and at least two of these operators each had a turnover of more than RMB400 million within China in the preceding fiscal year) are triggered, and no concentration shall be implemented until the anti-monopoly enforcement agency clears the anti-monopoly filing.

In March 2018, the SAMR was formed as a new regulatory agency to take over, among other things, the anti-monopoly enforcement functions from the relevant departments under the MOFCOM, the NDRC and the SAIC, respectively. Since its inception, the SAMR has continued to strengthen its anti-monopoly enforcement. The SAMR issued the Notice on Anti-monopoly Enforcement Authorization (《關於反壟斷執法授權的通知》) on December 28, 2018, which grants authorizations to the SAMR's province-level branches for anti-monopoly enforcement within their respective jurisdictions, and issued the Anti-monopoly

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Compliance Guideline for Operators (《經營者反壟斷合規指南》) on September 11, 2020, which applies to operators under the Anti-monopoly Law for establishing an anti-monopoly compliance management system and preventing 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, undertake the guidance for enterprises' anti-monopoly action responding abroad and so on.

According to the Anti-monopoly Guidelines of the Anti-monopoly Commission under the State Council in the Field of Intellectual Property Rights (《國務院反壟斷委員會關於知識產權領域的反壟斷指南》), which was promulgated and became effective on January 4, 2019, or the Anti-monopoly IP Rights Guidelines, the Anti-monopoly Law is applicable when the operator abuses intellectual property rights and conducts acts that exclude or restrict competition. Pursuant to the Anti-monopoly IP Rights Guidelines, analysis of whether the operator has abused intellectual property rights to exclude or restrict competition shall follow the following basic principles: (i) the same regulatory standards for other forms of property rights shall be adopted and the relevant provisions of the Anti-monopoly Law of the PRC shall be followed; (ii) the characteristics of intellectual property rights shall be taken into account; (iii) the operator shall not be presumed to have a dominant market position in the relevant market because of its ownership of intellectual property rights; and (iv) the positive impact of relevant behaviors on efficiency and innovation shall be considered on a case-by-case basis.

On June 26, 2019, the SAMR issued the Interim Provisions on the Prohibitions of Acts of Abuse of Dominant Market Positions (《禁止濫用市場支配地位行為暫行規定》), which took effect on September 1, 2019 and was amended on March 24, 2022 to further prevent and prohibit the abuse of dominant market positions.

On June 24, 2022, the Decision of the Standing Committee of the National People's Congress to Amend the Anti-monopoly Law of the People's Republic of China (《全國人民代表大會常務委員會關於修改〈中華人民共和國反壟斷法〉的決定》), or the Decision to Amend the Anti-monopoly Law, was adopted and became effective on August 1, 2022. The Decision to Amend the Anti-monopoly Law strengthens the regulation on the internet platforms, requiring that undertakings shall not use data and algorithms, technologies, capital advantages, platform rules, and other means to engage in monopolistic conduct; and also escalates in full scale the administrative penalties for monopolistic conducts, for the failure to notify the anti-monopoly enforcement agency on the proposed concentration of undertakings, the State Council Anti-monopoly Enforcement Agency may order to reinstate the original status prior to the concentration and impose a fine up to ten percent of the operator's last year's sales revenue, provided that the concentration of undertakings has or may have an effect on excluding or limiting competition; if the concentration does not have the effect on excluding or limiting competition, a fine up to RMB5,000,000 may be imposed on operators. Since such provisions are relatively new, uncertain still remains as to the interpretation and implementation of such laws and regulations.

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As advised by our PRC Legal Advisors and based on confirmation from our Directors, during the Track Record Period and up to the Latest Practicable Date, we had never (i) entered into any monopolistic agreements; (ii) abused our dominant market position; or (iii) engaged in illegal concentration of undertakings, which are prohibited under the Anti-monopoly Law and relevant laws and regulations. Based on the foregoing, our PRC Legal Advisors are of the view that we had not been involved in any material non-compliance with relevant anti-monopoly laws and regulations during the Track Record Period and up to the Latest Practicable Date.

REGULATIONS ON FOREIGN EXCHANGE

Regulation on foreign currency exchange

The principal regulations governing foreign currency exchange in the PRC are the Foreign Exchange Administration Regulations of the PRC (《中華人民共和國外匯管理條例》), most recently amended in 2008. Under PRC foreign exchange regulations, payments of current account items, such as profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the SAFE, by complying with certain procedural requirements. By contrast, approval from or registration with appropriate government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital account items, such as direct investments, repayment of foreign currency-denominated loans, repatriation of investments and investments in securities outside of China.

In 2012, SAFE promulgated the Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment (《關於進一步改進和調整直接投資外匯管理政策的通知》) (the “Circular 59”), which substantially amends and simplifies the current foreign exchange procedure. Pursuant to Circular 59, the opening of various special purpose foreign exchange accounts, such as pre-establishment expenses accounts, foreign exchange capital accounts and guarantee accounts, the reinvestment of RMB proceeds derived by foreign investors in the PRC, and the remittance of foreign exchange profits and dividends by a foreign-invested enterprise to its foreign shareholders no longer require the approval or verification of SAFE, and multiple capital accounts for the same entity may be opened in different provinces, which was not possible previously. In 2013, SAFE specified that the administration by SAFE or its local branches over direct investment by foreign investors in the PRC must be conducted by way of registration and banks must process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by SAFE and its local branches. In February 2015, SAFE promulgated the Notice on Further Simplifying and Improving the Administration of the Foreign Exchange Concerning Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》). Instead of applying for approvals regarding foreign exchange registrations of foreign direct investment and overseas direct investment from SAFE, entities and individuals may apply for such foreign exchange registrations from qualified banks. The qualified banks, under the supervision of SAFE, may directly review the applications and conduct the registration.

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In March 2015, SAFE promulgated the Circular of the SAFE on Reforming the Management Approach regarding the Settlement of Foreign Capital of Foreign-invested Enterprise (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) (the “Circular 19”), which expands a pilot reform of the administration of the settlement of the foreign exchange capitals of foreign-invested enterprises nationwide. Circular 19 replaced both the Circular of the SAFE on Issues Relating to the Improvement of Business Operations with Respect to the Administration of Foreign Exchange Capital Payment and Settlement of Foreign-invested Enterprises (《國家外匯管理局關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知》) (the “Circular 142”), and the Circular of the SAFE on Issues concerning the Pilot Reform of the Administrative Approach Regarding the Settlement of the Foreign Exchange Capitals of Foreign-invested Enterprises in Certain Areas (《國家外匯管理局關於在部分地區開展外商投資企業外匯資本金結匯管理方式改革試點有關問題的通知》) (the “Circular 36”). Circular 19 allows all foreign-invested enterprises established in the PRC to settle their foreign exchange capital on a discretionary basis according to the actual needs of their business operation, provides the procedures for foreign invested companies to use RMB converted from foreign currency-denominated capital for equity investments and removes certain other restrictions that had been provided in Circular 142. However, Circular 19 continues to prohibit foreign-invested enterprises from, among other things, using RMB funds converted from their foreign exchange capital for expenditure beyond their business scope and providing entrusted loans or repaying loans between non-financial enterprises. SAFE promulgated the Notice of the SAFE on Reforming and Standardising the Foreign Exchange Settlement Management Policy of Capital Account (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (the “Circular 16”), effective June 2016, which reiterates some of the rules set forth in Circular 19. Circular 16 provides that discretionary foreign exchange settlement applies to foreign exchange capital, foreign debt offering proceeds and remitted foreign listing proceeds, and the corresponding RMB capital converted from foreign exchange may be used to extend loans to related parties or repay inter-company loans (including advances by third parties). However, there are substantial uncertainties with respect to Circular 16’s interpretation and implementation in practice. Circular 19 or Circular 16 may delay or limit us from using the proceeds of offshore offerings to make additional capital contributions to our PRC subsidiaries and any violations of these circulars could result in severe monetary or other penalties.

In January 2017, SAFE promulgated the Circular on Further Improving Reform of Foreign Exchange Administration and Optimising Genuineness and Compliance Verification (《關於進一步推進外匯管理改革完善真實合規性審核的通知》) (the “Circular 3”), which stipulates several capital control measures with respect to the outbound remittance of profits from domestic entities to offshore entities, including (i) banks must check whether the transaction is genuine by reviewing board resolutions regarding profit distribution, original copies of tax filing records and audited financial statements, and (ii) domestic entities must retain income to account for previous years’ losses before remitting any profits. Moreover, pursuant to Circular 3, domestic entities must explain in detail the sources of capital and how the capital will be used, and provide board resolutions, contracts and other proof as a part of the registration procedure for outbound investment.

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Regulations on foreign exchange registration of overseas investment by PRC residents

In 2014, SAFE issued the SAFE Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment Through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the "Circular 37"), replacing the SAFE Circular on Issues Concerning the Regulation of Foreign Exchange in Equity Finance and Return Investments by Domestic Residents through Offshore Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司融資及返程投資外匯管理有關問題的通知》). Circular 37 regulates foreign exchange matters in relation to the use of special purpose vehicles by PRC residents or entities to seek offshore investment and financing or conduct round trip investment in China. Under Circular 37, a "special purpose vehicle" refers to an offshore entity established or controlled, directly or indirectly, by PRC residents or entities for the purpose of seeking offshore financing or making offshore investment, using legitimate onshore or offshore assets or interests, while "round trip investment" refers to direct investment in China by PRC residents or entities through special purpose vehicles, namely, establishing foreign invested enterprises to obtain ownership, control rights and management rights. Circular 37 provides that, before making a contribution into a special purpose vehicle, PRC residents or entities are required to complete foreign exchange registration with SAFE or its local branch.

In 2015, SAFE promulgated the Notice on Further Simplifying and Improving the Administration of the Foreign Exchange Concerning Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》). This notice has amended Circular 37 by requiring PRC residents or entities to register with qualified banks rather than SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. PRC residents or entities who had contributed legitimate onshore or offshore interests or assets to special purpose vehicles but had not registered as required before the implementation of the Circular 37 must register their ownership interests or control in the special purpose vehicles with qualified banks. An amendment to the registration is required if there is a material change with respect to the special purpose vehicle registered, such as any change of basic information (including change of the PRC resident, name and operation term), increases or decreases in investment amount, transfers or exchanges of shares, and mergers or divisions. Failure to comply with the registration procedures set forth in Circular 37 and the subsequent notice, or making misrepresentations or failing to disclose the control of the foreign-invested enterprise that is established through round-trip investment, may result in restrictions being imposed on the foreign exchange activities of the relevant foreign-invested enterprise, including payment of dividends and other distributions, such as proceeds from any reduction in capital, share transfer or liquidation, to its offshore parent or affiliate, and the capital inflow from the offshore parent, and may also subject relevant PRC residents or entities to penalties under PRC foreign exchange administration regulations.

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Regulations on stock incentive plans

SAFE promulgated the Circular of the SAFE on Issues concerning the Administration of Foreign Exchange Used for Domestic Individuals' Participation in Equity Incentive Plans of Companies Listed Overseas (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》) (the "Stock Option Rules"), in February 2012. Under the Stock Option Rules and other relevant rules and regulations, PRC residents who participate in a stock incentive plan in an overseas publicly listed company are required to register with SAFE or its local branches and complete certain other procedures. Participants in a stock incentive plan who are PRC residents must retain a qualified PRC agent, which could be a PRC subsidiary of the overseas publicly listed company or another qualified institution selected by the PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plan on behalf of the participants. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan or the PRC agent or any other material changes. The PRC agent must apply to SAFE or its local branches on behalf of the PRC residents who have the right to exercise the employee share options for an annual quota for the payment of foreign currencies in connection with the PRC residents' exercise of the employee share options. The foreign exchange proceeds received by the PRC residents from the sale of shares under the stock incentive plans granted and dividends distributed by the overseas listed companies must be remitted into the bank accounts in the PRC opened by the applicable PRC agent before distribution to such PRC residents.

Regulations on dividend distribution

The principal regulations governing distribution of dividends of wholly foreign-invested enterprises include the PRC Company Law, the Foreign Investment Law and the Implementing Rules of the Foreign Investment Law. Under these laws, foreign-invested enterprises in the PRC may pay dividends only out of their accumulated after-tax profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, foreign-invested enterprises in the PRC are required to allocate at least 10% of their respective accumulated profits each year, if any, to fund certain reserve funds until these reserves have reached 50% of the registered capital of the enterprises. A PRC company shall not distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year. Foreign-invested enterprises may, at their discretion, allocate a portion of their after-tax profits based on PRC accounting standards to staff welfare and bonus funds. These reserves are not distributable as cash dividends.

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REGULATIONS ON INTELLECTUAL PROPERTY

Copyright

The PRC Copyright Law (《中華人民共和國著作權法》) was last amended on February 26, 2010 and came into effect on April 1, 2010. A new Copyright Law was published on November 11, 2020, and will become effective on June 1, 2021. Copyrights include personal rights such as the right of publication and that of attribution, as well as property rights such as the right of production and that of distribution. Reproducing, distributing, performing, projecting, broadcasting or compiling a work or communicating the same to the public via an information network without permission from the owner of the copyright therein, unless otherwise provided in the Copyright Law, shall constitute infringements of copyrights. The infringer shall, according to the circumstances of the case, undertake to cease the infringement, take remedial action, and offer an apology, pay damages, etc.

The Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》) (the “Software Copyright Measures”), promulgated by the NCA on February 20, 2002, regulates registrations of software copyright, exclusive licensing contracts for software copyright and transfer contracts. The NCA shall be the competent authority for the nationwide administration of software copyright registration, and the Copyright Protection Centre of China (the “CPCC”) is designated as the software registration authority. The CPCC shall grant registration certificates to the Computer Software Copyrights applicants which conforms to the provisions of both the Software Copyright Measures and the Regulations on Computer Software Protection (Revised in 2013) (《計算機軟件保護條例》(2013年修訂)).

Trademark

Pursuant to the PRC Trademark Law (《中華人民共和國商標法》), which was last revised on April 23, 2019 and came into effect on November 1, 2019, the right to exclusive use of a registered trademark shall be limited to trademarks which have been approved for registration and to goods for which the use of trademark has been approved. The period of validity of a registered trademark shall be ten years from the day the registration is approved. Using a trademark that is identical with or similar to a registered trademark in connection with the same or similar goods without the authorization of the owner of the registered trademark constitutes an infringement of the exclusive right to use a registered trademark. The infringer shall undertake to cease the infringement, take remedial action, and pay damages, etc.

Patent

Patents are protected by the Patent Law of the PRC (《中華人民共和國專利法》) which was promulgated on March 12, 1984 and last amended on October 17, 2020 with effect from June 1, 2021. A patentable invention or utility model must meet three conditions: novelty, inventiveness and practical applicability. Patents cannot be granted for scientific discoveries, rules and methods for intellectual activities, methods used to diagnose or treat diseases, animal and plant breeds, methods of nuclear transformation or substances obtained by means of

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nuclear transformation. The Patent Office under the National Intellectual Property Administration is responsible for receiving, examining and approving patent applications. A patent is valid for a twenty-year term for an invention, a ten-year term for a utility model and a fifteen-year term for a design. Except under certain specific circumstances provided by law, any third-party user must obtain consent or a proper license from the patent owner to use the patent, or else the use will constitute an infringement of the rights of the patent holder.

Domain name

Pursuant to the Measures for the Administration of Internet Domain Names (《互聯網域名管理辦法》), which was promulgated on August 24, 2017 and came into effect on November 1, 2017, “domain name” shall refer to the character mark of hierarchical structure, which identifies and locates a computer on the internet and corresponds to the Internet protocol address of that computer. The principle of “first come, first serve” is followed for the domain name registration service. After completing the domain name registration, the applicant becomes the holder of the domain name registered by them. Furthermore, the holder shall pay operation fees for registered domain names on schedule. If the domain name holder fails to pay the corresponding fees as required, the original domain name registrar shall write it off and notify the holder of the domain name in written form.

REGULATIONS ON TAX

Enterprise Income Tax

The Law of the PRC on Enterprise Income Tax (《中華人民共和國企業所得稅法》) and The Regulations for the Implementation of the Law on Enterprise Income Tax (《中華人民共和國企業所得稅法實施條例》) (collectively, the “EIT Laws”) were promulgated on March 16, 2007 and December 6, 2007, respectively and were most recently amended on December 29, 2018 and April 23, 2019, respectively. According to the EIT Laws, taxpayers consist of resident enterprises and non-resident enterprises. Resident enterprises are defined as enterprises that are established in the PRC in accordance with PRC laws, or that are established in accordance with the laws of foreign countries but whose actual or de facto control is administered from within the PRC. Non-resident enterprises are defined as enterprises that are set up in accordance with the laws of foreign countries and whose actual administration is conducted outside the PRC, but have established institutions or premises in the PRC, or have no such established institutions or premises but have income generated from inside the PRC. Under the EIT Laws and relevant implementing regulations, a uniform EIT rate of 25% is applicable. However, if non-resident enterprises have not formed permanent establishments or premises in the PRC, or if they have formed permanent establishment institutions or premises in the PRC but there is no actual relationship between the relevant income derived in the PRC and the established institutions or premises set up by them, the enterprise income tax is, in that case, set at the rate of 10% for their income sourced from inside the PRC.

REGULATORY OVERVIEW

Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as the PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》) (the “Circular 82”) promulgated by the STA on 22 April 2009 and amended on January 29, 2014 and December 29, 2017, sets out the standards and procedures for determining whether the “de facto management body” of an enterprise registered outside of the PRC and controlled by PRC enterprises or PRC enterprise groups is located within the PRC.

According to Circular 82, a Chinese-controlled offshore incorporated enterprise will be regarded as a PRC tax resident by virtue of having a “de facto management body” in the PRC and will be subject to PRC EIT on its worldwide income only if all of the following criteria are met: (i) the primary location of the day-to-day operation management is in the PRC; (ii) decisions relating to the enterprise’s financial and human resource matters are made or are subject to approval by organizations or personnel in the PRC; (iii) the enterprise’s primary assets, accounting books and records, company seals, and board and shareholders meeting minutes are located or maintained in the PRC; and (iv) 50% or more of voting board members or senior executives habitually reside in the PRC.

The EIT Laws permit certain High and New Technologies Enterprises, or HNTEs, to enjoy a reduced 15% EIT rate subject to these HNTEs meeting certain qualification criteria. In addition, the relevant EIT laws and regulations also provide that entities recognized as Software Enterprises are able to enjoy a tax holiday consisting of a two-year-exemption commencing from their first profitable calendar year and a 50% reduction in ordinary tax rate for the following three calendar years, while entities qualified as key software enterprises can enjoy a preferential EIT rate of 10%.

The Announcement on Issues of Enterprise Income Tax on Indirect Transfers of Assets by Non-PRC Resident Enterprises (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) (the “Announcement 7”) was issued by the STA on February 3, 2015 and most recently amended pursuant to the Announcement on Issues Concerning the Withholding of Enterprise Income Tax at Source on Non-PRC Resident Enterprises, which was issued by the STA on October 17, 2017 and became effective as of 1 December 2017. Pursuant to Announcement 7, an “indirect transfer” of assets, including equity interests in a PRC resident enterprise, by non-PRC resident enterprises may be recharacterized and treated as a direct transfer of PRC taxable assets, if the arrangement does not have a reasonable commercial purpose and was established for the purpose of avoiding payment of PRC EIT. As a result, gains derived from an indirect transfer may be subject to PRC EIT. According to Announcement 7, “PRC taxable assets” include assets attributed to an establishment or a place of business in the PRC, immovable properties in the PRC, and equity investments in PRC resident enterprises. In respect of an indirect offshore transfer of assets of a PRC establishment or place of business, the relevant gain is to be regarded as effectively connected with the PRC establishment or a place of business and therefore included in its EIT filing, and would consequently be subject to PRC EIT at a rate of 25%. Where the underlying transfer relates to the immovable properties in the PRC or to equity investments in a PRC resident enterprise, which is not effectively connected to a PRC establishment or a place of business of a non-resident enterprise, a PRC EIT at 10% would apply, subject to available preferential tax treatment under applicable tax treaties or similar arrangements, and the party who is obligated to make the transfer payments has the withholding obligation. There is uncertainty as to the implementation details of Announcement 7.

REGULATORY OVERVIEW

VAT and Business Tax

Before August 2013 and pursuant to applicable PRC tax regulations, any entity or individual conducting business in the service industry is generally required to pay a business tax at the rate of 5% on the revenue generated from providing services. However, if the services provided are related to technology development and transfer, the business tax may be exempted subject to approval by the relevant tax authorities.

In November 2011, the MOF and the STA promulgated the Pilot Plan for Imposition of Value-Added Tax to Replace Business Tax (《營業稅改徵增值稅試點方案》). In May and December 2013, April 2014, March 2016 and July 2017, the MOF and the STA promulgated five circulars to further expand the scope of services that are to be subject to VAT instead of business tax. Pursuant to these tax rules, from August 1, 2013, a VAT was imposed to replace the business tax in certain service industries, including technology services and advertising services, and from May 1, 2016, VAT replaced business tax in all industries, on a nationwide basis. On November 19, 2017, the State Council further amended the Interim Regulation of the PRC on Value Added Tax (《中華人民共和國增值稅暫行條例》) to reflect the normalization of the pilot program. The VAT rates generally applicable are simplified as 17%, 11%, 6% and 0%, and the VAT rate applicable to the small-scale taxpayers is 3%. Unlike business tax, a taxpayer is allowed to offset the qualified input VAT paid on taxable purchases against the output VAT chargeable on the revenue from services provided.

On April 4, 2018, the MOF and the STA issued the Notice on Adjustment of VAT Rates (《關於調整增值稅稅率的通知》), which came into effect on May 1, 2018. According to the abovementioned notice, the taxable goods previously subject to VAT rates of 17% and 11% respectively become subject to lower VAT rates of 16% and 10%, respectively starting from May 1, 2018.

On March 20, 2019, the MOF, the STA and the General Administration of Customs issued the Announcement on Policies for Deepening the VAT Reform (《關於深化增值稅改革有關政策的公告》) (the “Announcement 39”), which came into effect on April 1, 2019, to further slash VAT rates. According to Announcement 39, (i) for general VAT payers’ sales activities or imports previously subject to VAT at an existing applicable rate of 16% or 10%, the applicable VAT rate is adjusted to 13% or 9% respectively; (ii) for the agricultural products purchased by taxpayers to which an existing 10% deduction rate is applicable, the deduction rate is adjusted to 9%; (iii) for the agricultural products purchased by taxpayers for production or commissioned processing, which are subject to VAT at 13%, the input VAT will be calculated at a 10% deduction rate; (iv) for the exportation of goods or labor services that are subject to VAT at 16%, with the applicable export refund at the same rate, the export refund rate is adjusted to 13%; and (v) for the exportation of goods or cross-border taxable activities that are subject to VAT at 10%, with the export refund at the same rate, the export refund rate is adjusted to 9%.

REGULATORY OVERVIEW

REGULATIONS ON EMPLOYMENT AND SOCIAL WELFARE

The Labor Contract Law

According to the Labor Law of the PRC (《中華人民共和國勞動法》) promulgated on July 5, 1994 and last amended on December 29, 2018, enterprises and institutions shall establish and improve their system of workplace safety and sanitation, strictly abide by state rules and standards on workplace safety, educate laborers in labor safety and sanitation in the PRC. Labor safety and sanitation facilities shall comply with state-fixed standards. Enterprises and institutions shall provide laborers with a safe workplace and sanitation conditions which are in compliance with state stipulations and the relevant articles of labor protection. The PRC Labor Contract Law (《中華人民共和國勞動合同法》), which was implemented on January 1, 2008 and amended on December 28, 2012, is primarily aimed at regulating employee/employer rights and obligations, including matters with respect to the establishment, performance and termination of labor contracts. Pursuant to the PRC Labor Contract Law, labor contracts shall be concluded in writing if labor relationships are to be or have been established between enterprises or institutions and the laborers. Enterprises and institutions are forbidden to force laborers to work beyond the time limit and employers shall pay laborers for overtime work in accordance with the laws and regulations. In addition, labor wages shall not be lower than local standards on minimum wages and shall be paid to laborers in a timely manner.

Social Insurance and Housing Fund

As required under the Regulation of Insurance for Labor Injury (《工傷保險條例》) implemented on 1 January 2004 and amended on December 20, 2010, the Provisional Measures for Maternity Insurance of Employees of Corporations (《企業職工生育保險試行辦法》) implemented on January 1, 1995, the Decisions on the Establishment of a Unified Program for Basic Old-Aged Pension Insurance for Employees of Corporations of the State Council (《國務院關於建立統一的企業職工基本養老保險制度的決定》) issued on July 16, 1997, the Decisions on the Establishment of the Medical Insurance Program for Urban Workers of the State Council (《國務院關於建立城鎮職工基本醫療保險制度的決定》) promulgated on December 14, 1998, the Unemployment Insurance Measures (《失業保險條例》) promulgated on January 22, 1999 and the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) implemented on July 1, 2011 and amended on December 29, 2018, enterprises are obliged to provide their employees in the PRC with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, labor injury insurance and medical insurance. These payments are made to local administrative authorities and any employer that fails to contribute may be fined and ordered to make up within a prescribed time limit.

In accordance with the Regulations on the Management of Housing Funds (《住房公積金管理條例》) which was promulgated by the State Council on 3 April 1999 and last amended on March 24, 2019, enterprises must register at the competent managing center for housing funds and upon the examination by such managing center of housing funds, these enterprises shall complete procedures for opening an account at the relevant bank for the deposit of employees' housing funds. Enterprises are also required to pay and deposit housing funds on behalf of their employees in full and in a timely manner.

REGULATORY OVERVIEW

REGULATIONS ON CONSUMERS PROTECTION

Under the Law of the PRC on Protection of Consumer Rights and Interests (《中華人民共和國消費者權益保護法》) (the “Consumer Law”) issued on 31 October 1993 and recently amended on 25 October 2013, “consumer” is defined as any person who purchases or uses commodities or receives services for the purpose of consumption, and all manufacturers, distributors and service providers are required to guarantee that their provided commodities or services meet the requirements on personal and property safety. According to the Consumer Law, consumers whose lawful rights and interests are infringed upon the purchase or use of commodities may claim compensation from sellers, which shall, after paying compensation, have the right to be reimbursed by manufacturers or other sellers that are liable for supplying the commodities to them.

REGULATIONS ON OUTBOUND DIRECT INVESTMENT

According to the Measures for the Administration of Overseas Investment (《境外投資管理辦法》) promulgated by the MOFCOM on September 6, 2014 which became effective on October 6, 2014, overseas investment means establishing non-financial enterprises or obtaining ownership, control, operation management rights and other interests of existing non-financial enterprises in foreign countries through incorporation, merger and acquisition and other means by enterprises that are legally incorporated in the PRC. MOFCOM and the provincial commercial administration authorities are responsible for the management and supervision of overseas investments. MOFCOM and the provincial commercial administration authorities will implement filing administration and approval respectively according to the different types of overseas investments.

According to the Administrative Measures for Overseas Investment by Enterprises (《企業境外投資管理辦法》) promulgated by the NDRC on December 26, 2017, which became effective on March 1, 2018, overseas investment means any investment activity in which a domestic enterprise of the PRC obtains overseas ownership, control, operation and management rights and other relevant interests directly or through its controlled overseas enterprise by way of contributing asset, interest or providing financing and guarantee. To conduct overseas investment, certain procedures (such as approval and record-filing of overseas investment project) shall be complied with according to the relevant circumstances of the overseas investment project.

On July 13, 2009, the SAFE issued Provisions on the Foreign Exchange Administration of the Overseas Direct Investment of Domestic Institutions (《國家外匯管理局關於發佈<境內機構境外直接投資外匯管理規定>的通知》). Pursuant to this, domestic institutions may make overseas direct investment with their own foreign exchange funds, domestic foreign exchange loans meeting the relevant requirements, foreign exchange purchased with RMB funds, tangible assets, intangible assets and other sources of foreign exchange assets approved by the foreign exchange authorities. Domestic institutions may retain the profits made from overseas direct investment outside China for their overseas direct investment. In addition, a domestic institution shall, after obtaining the approval of its overseas direct investment from the competent administrative department of overseas direct investment, handle the foreign

REGULATORY OVERVIEW

exchange registration formalities for its overseas direct investment at the local foreign exchange authority. The Notice of the State Administration of Foreign Exchange on Further Improving and Adjusting Foreign Exchange Administration Policies for Direct Investment (《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》) was issued by SAFE on November 19, 2012 and amended on May 4, 2015, October 10, 2018 and December 30, 2019 respectively, under which PRC enterprises must register for overseas direct investment with local banks. The shareholders or beneficial owners who are PRC entities are required to be in compliance with the related overseas investment regulations. If they fail to complete the filings or registrations required by overseas direct investment regulations, the relevant authority may order them to suspend or cease the implementation of such investment and make corrections within a specified time, as well as issuing a warning to such investor and the relevant responsible persons; where a crime is constituted, criminal liability shall be investigated in accordance with the law.

REGULATIONS ON M&A AND OVERSEAS LISTINGS

On August 8, 2006, six PRC regulatory agencies (namely the MOFCOM, SASAC, the SAT, the SAMR, the CSRC and the SAFE), issued the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (the “M&A Rules”) (《關於外國投資者併購境內企業的規定》), which took effect on September 8, 2006 and was amended on June 22, 2009. Foreign investors shall comply with the M&A Rules: when they purchase equity interests of a domestic company or subscribe to the increased capital of a domestic company, and thus changing the nature of the domestic company into a foreign-invested enterprise; or when the foreign investors establish a foreign-invested enterprise in the PRC, purchase the assets of a domestic company and operate the assets; or when the foreign investors purchase the asset of a domestic company, establish a foreign-invested enterprise by injecting such assets and operate the assets. The M&A Rules purport, among other things, to require offshore special purpose vehicles formed for overseas listing purposes through acquisitions of PRC domestic companies and controlled by PRC companies or individuals, to obtain the approval of CSRC prior to publicly listing their securities on an overseas stock exchange.

On February 17, 2023, the CSRC issued the Trial Measures and Supporting Guidelines, which came into effect on March 31, 2023. The Trial Measures and Supporting Guidelines shall apply to the following overseas issuance: (i) direct overseas offerings and listings of PRC domestic companies, and (ii) indirect overseas offering and listing of a foreign company with major business operations and/or assets located in the PRC. The Trial Measures and Supporting Guidelines provide that if the issuer both meets the following criteria, the overseas offering and listing shall be determined as an indirect overseas offering and listing by a PRC domestic company: (i) any of the total assets, net assets, revenues or profits of the domestic operating entities of the issuer in the most recent accounting year accounts for more than 50% of the corresponding figure in the issuer’s audited consolidated financial statements for the same period; and (ii) its major operational activities are carried out in the PRC or its main places of business are located in the PRC, or the senior managers in charge of operation and management of the issuer are mostly Chinese citizens or are domiciled in the PRC.

REGULATORY OVERVIEW

According to the Trial Measures and Supporting Guidelines, an issuer shall submit required filing documents to the CSRC within three business days after the overseas listing application has been submitted to the relevant overseas regulator or listing venue. In addition, following the listing on an overseas market, the issuer shall submit a report to the CSRC within three business days after the occurrence and public disclosure of the following events involving the issuer: (i) change of control; (ii) investigations or sanctions imposed by overseas regulators; (iii) change of listing status or transfer of listing segment; and (iv) voluntary or involuntary delisting. Besides, if any material change in the principal business and operation of the issuer after its overseas offering and listing takes place and results in the issuer no longer within the scope of record-filing under the Trial Measures and Supporting Guidelines, the issuer shall submit a special report and a legal opinion issued by a PRC law firm to the CSRC within three business days after the occurrence of such change in order to provide an explanation of the relevant situation.

The Trial Measures and Supporting Guidelines also stipulate the circumstances where the overseas offering and listing is explicitly prohibited, including: (i) offerings and listings are explicitly prohibited by specific laws and regulations; (ii) offerings and listings constitute threat to or endanger national security; (iii) the PRC domestic company, its controlling shareholder(s), or its actual controller, have committed relevant crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) the listing is under investigations for suspicion of criminal offenses or is involved in major violations of laws and regulations and no conclusion of the investigation has yet been made; or (v) there are material ownership disputes over equity interests held by the controlling shareholder(s) (or by other shareholder who is controlled by the controlling shareholder(s) or the actual controller).

Based on the foregoing, our PRC Legal Advisors are of the view that we need to complete the filing procedures with the CSRC in connection with the Listing pursuant to the Overseas Listing Trial Measures. As of the Latest Practicable Date, we had completed such filing procedures.

On February 24, 2023, the CSRC published the revised Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the “Archives Rules”), which becomes effective from March 31, 2023. The Archives Rules require that, in relation to the overseas listing activities of domestic enterprises, such domestic enterprises, as well as securities companies and securities service institutions providing relevant securities services, are required to strictly comply with the relevant requirements on confidentiality and archives management, establish a sound confidentiality and archives system, and take necessary measures to implement their confidentiality and archives management responsibilities. Under the Archives Rules, the “domestic enterprises” refer to the domestic joint stock limited companies listing overseas directly and the domestic operation entities of a non-PRC company listing overseas. According to the Archives Rules, during the course of an overseas offering and listing, if a domestic enterprise needs to publicly disclose or provide to securities companies, accounting firms or other securities service

REGULATORY OVERVIEW

providers and overseas regulators, any materials that contain relevant state secrets, government work secrets or that have a sensitive impact (i.e. be detrimental to national security or the public interest if divulged), the domestic enterprise should complete the relevant approval/filing and other regulatory procedures. However, there remain uncertainties regarding the further interpretation and implementation of the Archives Rules.

REGULATIONS ON STRICTLY COMBATING ILLEGAL SECURITIES ACTIVITIES

On July 6, 2021, the General Office of the CPC Central Committee and the General Office of the State Council jointly promulgated the Opinions on Strictly Combating Illegal Securities Activities in Accordance with the Law (《關於依法從嚴打擊證券違法活動的意見》), which called for the enhanced administration and supervision of overseas-listed China-based companies, proposed to revise the relevant regulation governing the overseas issuance and listing of shares by such companies and clarified the responsibilities of competent domestic industry regulators and government authorities.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

OVERVIEW

We provide pledged vehicle monitoring services and automobile dealership operation management services in China. Changjiu Industrial, a company set up by our Ultimate Controlling Shareholders, started to provide pledged vehicle monitoring services in 2006. With the expansion of the business of pledged vehicle monitoring services, in 2016, Changjiu Jinfu was established by Changjiu Industrial and Ms. Li and the business of pledged vehicle monitoring services of Changjiu Industrial was transferred into Changjiu Jinfu gradually. Changjiu Jinfu became an indirect wholly-owned subsidiary of our Company upon completion of the Reorganization. As our Ultimate Controlling Shareholders have experience in the pledged vehicle monitoring and operation management service industry, Ms. Li is serving as our executive Director and chairwoman of our Board and Mr. Bo is serving as our executive Director and chief executive officer, respectively. See “Directors and Senior Management” for more details.

According to CIC, we were the largest pledged vehicle monitoring service provider in China’s automobile sales and distribution industry both in terms of revenue in 2022, with a market share of 47.9%, and in terms of the number of automobile dealership users as of December 31, 2022. As of June 30, 2023, we provided pledged vehicle monitoring services to (i) approximately 200 branches of 18 commercial banks, including all of China’s “Big Six” national state-owned commercial banks and 12 joint-stock commercial banks; (ii) 27 automobile finance companies; and (iii) 11,152 automobile dealerships.

KEY MILESTONES

Our key business milestones are summarized below:

<u>Year</u>	<u>Event</u>
2016	Changjiu Jinfu was established and started using PDAs and RFID labels.
2017	We completed the development of the second generation of our VFS.
2018	We developed and launched the first generation of GPS OBD devices.
	We obtained the patent certification for the first generation of Bluetooth OBD devices we developed and used before, which were Bluetooth compatible and capable of short-range wireless transmission.
	We launched the mobile application of Vehicle Connect, which allows financial institutions and automobile dealerships to access the information collected by our VFS system on their mobile phones and tablets.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

<u>Year</u>	<u>Event</u>
2020	<p>Changjiu Jinfu was accredited 2020 Excellent Business Service Award for the contribution in onsite supervision service by BMW Group Financial Services Greater China Region.</p> <p>Changjiu Jinfu was accredited China Logistics and Supply Chain Finance Excellent Case by Logistics and Supply Chain Finance Branch (物流與供應鏈金融分會) of CFLP in 2020.</p>
2021	<p>Changjiu Jinfu was accredited 2021 Excellent Supplier Award by Genius Auto Finance Co., Ltd.</p> <p>Changjiu Jinfu was recognized as a standing member (常務理事單位) from January 2021 to January 2025 by Logistics and Supply Chain Finance Branch of CFLP.</p>
2022	<p>We began to provide automobile dealership operation management services.</p> <p>The number of automobile dealerships that were using our pledged vehicle monitoring services increased to over 10,000 as of December 31, 2022.</p> <p>We obtained the patent certification for the second generation of Bluetooth OBD devices we developed before, which contained the VIN automatic reading system.</p>

OUR MAJOR SUBSIDIARIES

We carry out our business through our operating subsidiaries in the PRC. During the Track Record Period and up to the Latest Practicable Date, we conducted our business activities primarily through the following major operating subsidiaries:

<u>Name of Major Operating Subsidiaries</u>	<u>Principal Business Activities</u>	<u>Date and Place of Establishment</u>
Changjiu Jinfu	Pledged vehicle monitoring services	September 9, 2016, PRC
Shanghai Bozhong	Automobile dealerships operation management services	September 6, 2021, PRC

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Changjiu Jinfu

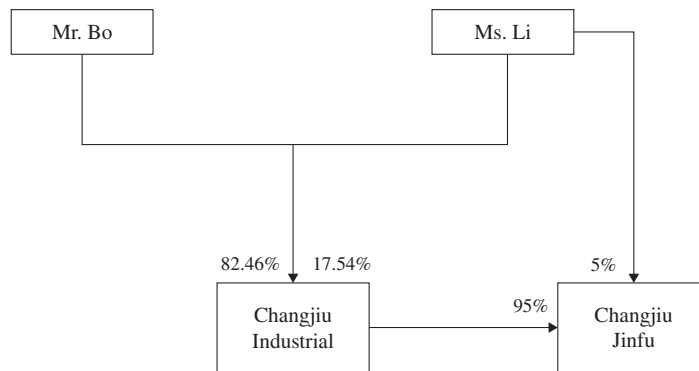
Changjiu Jinfu was established in the PRC as a limited liability company on September 9, 2016 with an initial registered capital of RMB100,000,000. Prior to the Reorganization, Changjiu Jinfu was owned as to 95% by Changjiu Industrial and 5% by Ms. Li.

Shanghai Bozhong

Shanghai Bozhong was established in the PRC as a limited liability company on September 6, 2021 with an initial registered capital of RMB3,000,000. Upon its establishment, Shanghai Bozhong has been a wholly-owned subsidiary of Changjiu HK.

REORGANIZATION

Immediately prior to the Reorganization, the pledged vehicle monitoring services were operated by Changjiu Industrial and Changjiu Jinfu. Set out below is the corporate structure of Changjiu Industrial and Changjiu Jinfu immediately prior to the Reorganization:



In order to optimize our corporate structure to further develop our business and to more readily access the international capital markets, we underwent a corporate and business reorganization to consolidate the pledged vehicle monitoring services of Changjiu Industrial into our Group in preparation for the Global Offering and the Listing. The following sets out the key steps of the Reorganization.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Offshore Reorganization

Incorporation of shareholders' SPVs

Each of our Ultimate Controlling Shareholders incorporated wholly-owned investment holding companies in the BVI, details of which are set out below:

<u>Company name</u>	<u>Date of incorporation</u>	<u>Shareholder(s)</u>	<u>Equity interest</u>
Brightio Limited	April 8, 2021	Ms. Li	100%
Advancd Limited	April 8, 2021	Mr. Bo	100%
CreateCube Limited	April 8, 2021	Mr. Bo	100%
Brighht Limited	April 21, 2021	Brightio Limited	100%
Advancey Limited	April 20, 2021	Advancd Limited	100%
Creationn Limited	April 20, 2021	CreateCube Limited	100%

Incorporation of our Company

On June 16, 2021, our Company was incorporated as an exempted company with limited liability in the Cayman Islands with an authorized share capital of US\$50,000 divided into 50,000 shares with a par value of US\$1.00 each. Immediately thereafter, (i) one share was allotted and issued at par value to the initial subscriber, and was subsequently transferred to Advancey Limited; and (ii) 54 shares, 40 shares and 5 shares were allotted and issued at par value to Advancey Limited, Brighht Limited and Creationn Limited, respectively. Upon completion, our Company was held by Advancey Limited, Brighht Limited and Creationn Limited as to 55%, 40% and 5%, respectively.

Incorporation of Changjiu HK

On July 15, 2021, Changjiu HK was incorporated in Hong Kong with a total issued share capital of US\$1.00. On the same day, one ordinary share was allotted and issued to our Company at a consideration of US\$1.00, and Changjiu HK became a wholly-owned subsidiary of our Company.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Share subdivision and increase of authorized share capital of our Company

On February 15, 2023, our Company's issued and unissued 50,000 shares of a par value of US\$1.00 each, were subdivided into 75,000,000,000 shares with a par value of US\$0.00000066666 each which is rounded up to US\$0.00000066667 each. As a result, (i) the authorized share capital of our Company increased from US\$50,000 to US\$50,000.25 divided into 75,000,000,000 shares of US\$0.00000066667 par value each, and (ii) the issued share capital of our Company became 150,000,000 Shares of US\$0.00000066667 par value each. Upon completion, the then shareholding structure of our Company is set out as below:

<u>Name of Shareholder</u>	<u>Number of Shares</u>	<u>Percentage of shareholding</u>
Advancey Limited	82,500,000	55%
Brighht Limited	60,000,000	40%
Creationn Limited	7,500,000	5%
Total	150,000,000	100%

Onshore Reorganization

Conversion of Changjiu Jinfu into foreign-invested enterprise

Pursuant to a capital increase agreement dated May 18, 2022, Mr. Song, a Hong Kong investor and Independent Third Party, subscribed for 1% equity interest in Changjiu Jinfu at a consideration of RMB1,010,100. Such consideration was determined with reference to the appraisal value of the entire equity interest in Changjiu Jinfu as of April 30, 2022 based on a valuation report issued by an Independent Third Party valuer (the "Valuation Report"), and had been fully settled as of the Latest Practicable Date. Upon completion of such capital increase, Changjiu Jinfu became a foreign-invested enterprise, and was held by Changjiu Industrial, Ms. Li and Mr. Song as to 94.05%, 4.95% and 1%, respectively.

Establishment of Shanghai Bozhong

On September 6, 2021, Shanghai Bozhong was established in the PRC as a wholly foreign-owned enterprise with limited liability with a registered capital of RMB3 million. Since its establishment and up to the Latest Practicable Date, Shanghai Bozhong had been wholly owned by Changjiu HK.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Business transfer of pledged vehicle monitoring services

Changjiu Industrial had provided pledged vehicle monitoring services to financial institutions and automobile dealerships since 2006. In 2016, Changjiu Jinfu was established by Changjiu Industrial and Ms. Li. After that, the pledged vehicle monitoring service business of Changjiu Industrial was gradually restructured into Changjiu Jinfu, and Changjiu Jinfu entered into new pledged vehicle monitoring service agreements with the relevant financial institutions and automobile dealerships upon the expiration of their original agreements with Changjiu Industrial.

As of November 30, 2021, the entire operation team and all related personnel in connection with the pledged vehicle monitoring service business had been transferred from Changjiu Industrial to Changjiu Jinfu. On the same date, Changjiu Industrial and Changjiu Jinfu entered into a business transfer agreement, pursuant to which Changjiu Industrial agreed to assign to Changjiu Jinfu all its rights and obligations under its then existing pledged vehicle monitoring service agreements at a total consideration of RMB45,510,000 with reference to the contract value of such agreements as of November 30, 2021. Such consideration had been fully settled as of the Latest Practicable Date.

As of the Latest Practicable Date, the rights and obligations of Changjiu Industrial under 524 pledged vehicle monitoring service agreements with certain financial institutions and automobile dealerships had not been transferred from Changjiu Industrial to Changjiu Jinfu, primarily because, to our Directors' best knowledge and belief, it is extremely time-consuming and cumbersome for such users to approve such transfer or a change of signing parties to existing contracts pursuant to their strict internal control policies and procedures. By December 31, 2024, either the rights and obligations of Changjiu Industrial under such unassigned agreements will all be transferred to us, or such unassigned agreements will expire. Although Changjiu Industrial continued to assume its rights and obligations under these agreements, it no longer provides any pledged vehicle monitoring service to the relevant users and has exclusively entrusted us to provide all such services under these agreements pursuant to the Entrustment Agreement entered into between Changjiu Industrial and Changjiu Jinfu on April 26, 2023. See "Business—Our Strategic Business Relationship with Changjiu Group," "Relationship with Our Controlling Shareholders—Delineation of Business" and "Connected Transactions—Non-exempt Continuing Connected Transactions—(4) Entrustment Agreement" for further details. Save for the aforesaid, Changjiu Industrial no longer engages in the provision of pledged vehicle monitoring services.

Acquisition of Changjiu Jinfu by Shanghai Bozhong

Pursuant to an equity transfer agreement dated May 30, 2022, Shanghai Bozhong acquired the entire equity interest in Changjiu Jinfu from its then shareholders at a total consideration of RMB101,010,100. Such consideration was determined with reference to the appraisal value of the entire equity interest in Changjiu Jinfu as of April 30, 2022 based on the Valuation Report, and had been fully settled as of the Latest Practicable Date. Upon completion of such equity transfer, Changjiu Jinfu became a wholly-owned subsidiary of Shanghai Bozhong.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Compliance with PRC Laws and Regulations

Our PRC Legal Advisors have confirmed that (i) the establishment of our subsidiaries in the PRC and their subsequent shareholding changes have complied with the relevant laws and regulations in all material respects; and (ii) the Reorganization has complied with relevant applicable PRC laws and regulations in all material respects.

CONCERT PARTY CONFIRMATION

Pursuant to a concert party confirmation dated March 1, 2023 entered into between our Ultimate Controlling Shareholders, they have acknowledged and agreed that, (i) since they became interested, either directly or indirectly, in each of Changjiu Industrial and any member of our Group, they had been parties acting in concert by aligning their votes at the shareholders' meetings of these companies, and (ii) for so long as they remain interested, either directly or indirectly, in Changjiu Industrial or any member of our Group, they would continue to be parties acting in concert by aligning their votes at the shareholders' meetings of these companies.

PRE-IPO SHARE INCENTIVE PLANS

On March 7, 2023, our Company adopted the Pre-IPO Restricted Share Plan. On the same day, we allotted and issued 1,620,000 Shares, representing approximately 0.80% of the total issued share capital of our Company immediately after the Global Offering (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Pre-IPO Share Options), to the Restricted Share SPV at a total consideration of RMB4,325,400.

The limited partners of the Restricted Share SPV are the participants of our Pre-IPO Restricted Share Plan holding their respective Restricted Shares granted by the Company through the Restricted Share SPV. Such granted Restricted Shares are not subject to vesting conditions but lock-up restrictions. Once granted with the Restricted Shares, the limited partners of the Restricted Share SPV are exclusively entitled to participate in the distribution of profit and to receive the economic interests of the Restricted Shares held by the Restricted Share SPV in proportion to their subscribed capital contributions in the Restricted Share SPV pursuant to the limited partnership agreement of the Restricted Share SPV. The general partner of the Restricted Share SPV is Li Qian (李倩), an employee of our Group and the niece of Ms. Li, one of our Controlling Shareholders. Li Qian has been designated with the voting rights attaching to the Restricted Shares held by the Restricted Share SPV, but is not entitled to participate in the distribution of profit of the Restricted Share SPV.

As of the Latest Practicable Date, a total of 1,620,000 Restricted Shares, representing all the Restricted Shares issuable under the Pre-IPO Restricted Share Plan, had been conditionally granted to five officers of our Group through the Restricted Share SPV. As all Restricted Shares under the Pre-IPO Restricted Share Plan have already been issued to the Restricted Share SPV, the Restricted Shares will not have any dilution effect on the shareholding of the Company upon Listing. From accounting aspects, the Restricted Shares are recognized as treasury shares in the statements of financial position considering the specific service conditions and the respective repurchase obligations. For details, see Note 23 to the Accountants' Report in Appendix I to this prospectus. Assuming full unlock of the Restricted Shares at the same time,

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

the dilution impact on the earnings per share of the Company would be 0.80%. No further Restricted Shares may be granted under the Pre-IPO Restricted Share Plan after the Listing. See “Appendix IV—Statutory and General Information—D. Pre-IPO Share Incentive Plans—1. Pre-IPO Restricted Share Plan” for further details. As all five limited partners are officers and employees of our Group, and Ms. Jia Hui, our executive Director and a core connected person of our Company, contributed more than one third of the capital of the Restricted Share SPV, the Restricted Share SPV is a close associate of Ms. Jia Hui. In addition, a portion of the total consideration of the Shares subscribed by the Restricted Share SPV was financed by Ms. Jia Hui. Therefore, the Restricted Share SPV will be a core connected person of our Company, and the Shares held by the Restricted Share SPV will not be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules upon the Listing.

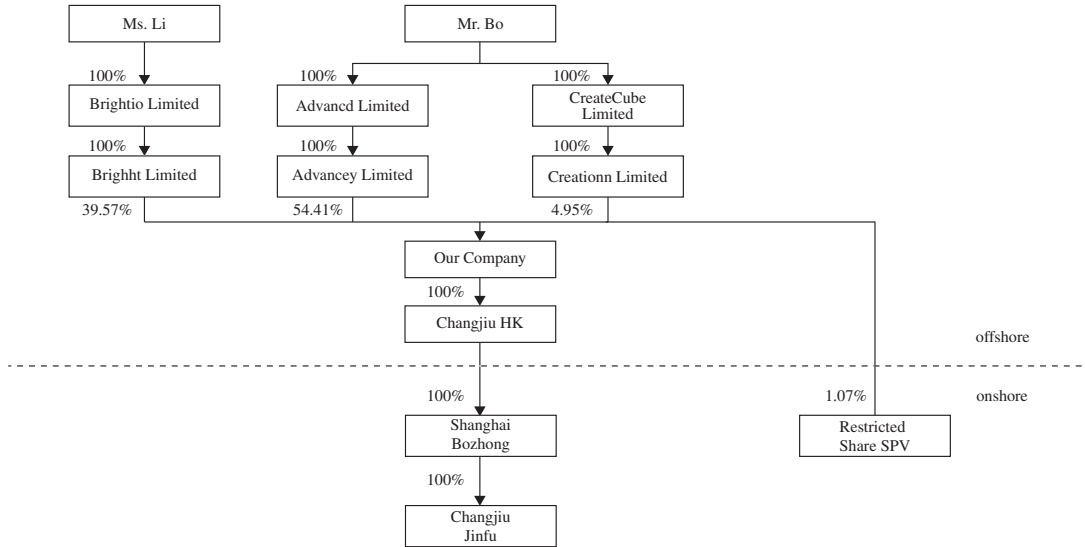
On March 7, 2023, our Company also adopted the Pre-IPO Share Option Plan. As of the Latest Practicable Date, a total of 10,199,730 Pre-IPO Share Options, representing approximately 5.05% of the total issued share capital of our Company immediately after the Global Offering (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Pre-IPO Share Options), had been conditionally granted to 48 grantees, including a Director, senior management members and employees of our Group. Pursuant to the terms of the Pre-IPO Share Option Plan, the grantees shall not exercise the outstanding options granted to them prior to the Listing. No further options may be granted under the Pre-IPO Share Option Plan after the Listing. As of the Latest Practicable Date, save as the Pre-IPO Share Options to subscribe for 1,041,855 Shares granted to four grantees had been forfeited following their resignation, the remaining Pre-IPO Share Options to subscribe for 9,157,875 Shares were not exercised and remained outstanding. Assuming full vesting and exercise of the outstanding Pre-IPO Share Options, the shareholding percentage of our Shareholders immediately following the Listing would be diluted by approximately 4.33% as calculated based on 211,317,875 Shares then in issue and the dilution effect on our earnings per Share would be 4.33%. See “Appendix IV—Statutory and General Information—D. Pre-IPO Share Incentive Plans—2. Pre-IPO Share Option Plan” for further details.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

CORPORATE STRUCTURE

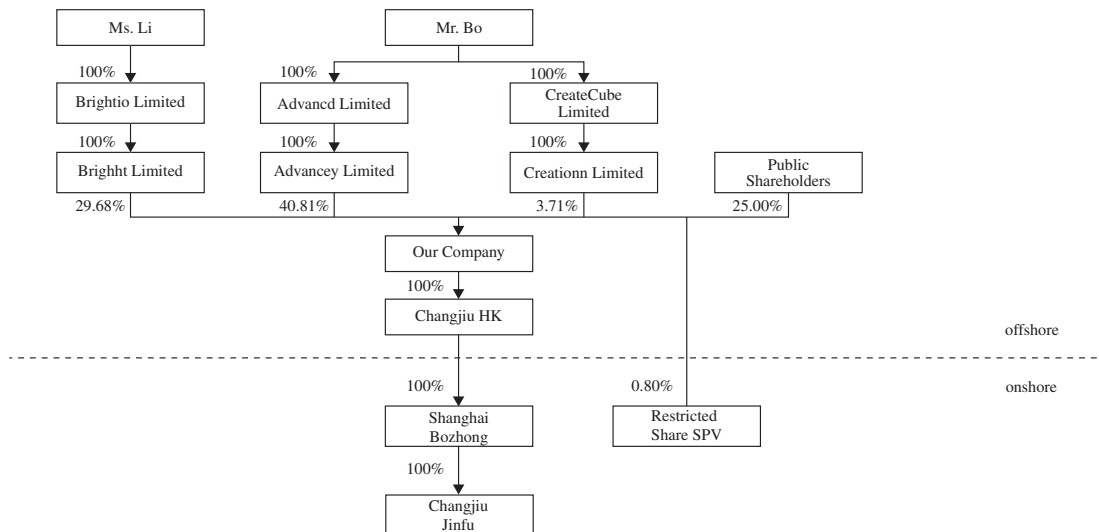
Corporate Structure before the Global Offering

The following chart sets forth the corporate structure of our Group after the Reorganization and immediately before the Global Offering:



Corporate Structure immediately following the Global Offering

The following chart set forth the corporate structure of our Group immediately following the Global Offering (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Pre-IPO Share Options):



PRC REGULATORY REQUIREMENTS

SAFE Circular 37

Pursuant to the Circular of the SAFE on Foreign Exchange Administration of Overseas Investment, Financing and Round-trip Investments Conducted by Domestic Residents through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the “SAFE Circular 37”) effective on July 4, 2014, a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests to an overseas special purpose vehicle that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing. Pursuant to the Notice on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》), the power to accept such registration was delegated from local SAFE branch to local banks where the assets or interests in the domestic entity are located.

As advised by our PRC Legal Advisors, as of June 4, 2021, Mr. Bo and Ms. Li have completed the required registration under the SAFE Circular 37 in relation to their equity interest in our Company.

Overseas Direct Investment Registrations

On 13 July 2009, the SAFE issued Provisions on the Foreign Exchange Administration of the Overseas Direct Investment of Domestic Institutions (《境內機構境外直接投資外匯管理規定》) (the “ODI Provisions”). Pursuant to this, domestic institutions may make overseas direct investment with their own foreign exchange funds, domestic foreign exchange loans meeting the relevant requirements, foreign exchange purchased with RMB funds, tangible assets, intangible assets and other sources of foreign exchange assets approved by the foreign exchange authorities. Domestic institutions may retain the profits made from overseas direct investment outside China for their overseas direct investment. In addition, a domestic institution shall, after obtaining the approval of its overseas direct investment from the competent administrative department of overseas direct investment, handle the foreign exchange registration formalities for its overseas direct investment at the local foreign exchange authority. Pursuant to the Notice of the State Administration of Foreign Exchange on Further Improving and Adjusting Foreign Exchange Administration Policies for Direct Investment (《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》) and Guidelines for Foreign Exchange Business under Capital Accounts (《資本項目外匯業務指引》) issued by SAFE, the power to accept such registration was delegated from local SAFE branch to local banks.

As advised by our PRC Legal Advisors, as of April 28, 2023, the PRC shareholder of our Company, namely the Restricted Share SPV, has completed the overseas direct investment registration as required under the ODI Provisions.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

M&A Rules

On August 8, 2006, six PRC regulatory agencies, including the MOFCOM, the State Assets Supervision and Administration Commission, the STA, the SAIC, the CSRC and the SAFE, jointly issued the Provisions on the Merger and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the “M&A Rules”), which became effective on September 8, 2006, and was amended on June 22, 2009.

The M&A Rules requires an overseas special purpose vehicle formed for listing purposes through acquisitions of PRC domestic companies and controlled by PRC persons or entities to obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle’s securities on an overseas stock exchange. The interpretation and application of the regulations remain unclear, and this offering may ultimately require approval of the CSRC.

Our PRC Legal Advisors have advised us that, based on their understanding of the PRC laws and regulations currently in effect, we will not be required to submit an application to the CSRC for the approval under the M&A Rules of this offering because the WFOE was not established through a merger or requisition of the equity or assets of a “PRC domestic company” as such term is defined under the M&A Rules. However, our PRC Legal Advisors further advised that there is uncertainty as to how the M&A Rules will be interpreted or implemented, and new rules or regulations promulgated in the future may impose additional requirement on us.

OVERVIEW**Who We Are**

We provide pledged vehicle monitoring services and automobile dealership operation management services in China. According to CIC, we were the largest pledged vehicle monitoring service provider in China's automobile sales and distribution industry both in terms of revenue in 2022, with a market share of 47.9%, and in terms of the number of automobile dealership users as of December 31, 2022. We achieved such dominant position in the pledged vehicle monitoring service market and outcompeted our peers primarily through (i) our 17 years of operation history; (ii) our nationwide presence with operation in over 500 cities across 31 provinces in China; and (iii) our VFS system that collects, processes and analyzes data from pledged vehicles and our continuous improvement of the VFS system to meet evolving market demands.

We offer pledged vehicle monitoring services primarily to (i) financial institutions that provide secured financing to automobile dealerships for their purchase of vehicles; and (ii) automobile dealerships with pledged vehicles. As of June 30, 2023, we provided pledged vehicle monitoring services to (i) approximately 200 branches of 18 commercial banks, including all of China's "Big Six" national state-owned commercial banks and 12 joint-stock commercial banks; (ii) 27 automobile finance companies; and (iii) 11,152 automobile dealerships.

Through our provision of pledged vehicle monitoring services over the years, we have accumulated insights regarding China's automobile sales and distribution industry. As a natural extension, we endeavored to expand our business in China's automobile sales and distribution industry and began offering operation management services to automobile dealerships that seek more optimal business and financial performance in April 2022. In order to optimize our services before expanding our offering to the wider market and in light of our strategic business relationship with Changjiu Group, we have initially focused on providing operation management services to automobile dealerships owned by Changjiu Group. Through this arrangement with Changjiu Group, we are able to get feedbacks and enhance our service quality. Given that we commenced this business line relatively recently and additional time is required for us to promote our operation management services to broader industry participants, automobile dealerships owned by Changjiu Group have accounted for substantially all of our customers for this business line. As of June 30, 2023, we managed a total of 75 automobile dealerships, among which 74 were owned by Changjiu Group and one was owned by an Independent Third Party.

Our Technologies

Our service capabilities are supported by our digital information infrastructure. We use cloud-based technologies to support our digital information infrastructure, on top of which we built systems for data management, data analysis and business operations based on our industry expertise and customer insights. We have also applied our VFS system and Vehicle Connect mobile application, RFID labels, PDAs, OBD devices and lockboxes as well as data analytics to optimize our pledged vehicle monitoring services. To better support our provision of automobile dealership operation management services, we have adopted an automobile dealership operation management system, namely Smart Star (“智科星”), that is tailored for managing the daily operations of automobile dealerships.

Our Value Propositions

We believe our success is based on the value that we provide to our users:

- **Financial institutions.** We provide efficient pledged vehicle monitoring services to financial institutions and enable them to better safeguard the vehicles pledged to them.
- **Automobile dealerships.** By facilitating more effective and cost-efficient monitoring of pledged vehicles and reducing counterparty risks for financial institutions, our pledged vehicle monitoring services may enhance chances for automobile dealerships to obtain loans from financial institutions. Through our automobile dealership operation management services, we recommend and select experienced staff to automobile dealerships and provide know-how and technology that aim to enhance their business and financial performance.

Our Performance

We achieved stable growth during the Track Record Period. In 2020, 2021 and 2022, our revenue amounted to RMB430.6 million, RMB477.7 million and RMB547.9 million, respectively, representing a CAGR of 12.8%. Our revenue also increased from RMB258.7 million in the six months ended June 30, 2022 to RMB309.4 million in the six months ended June 30, 2023. The number of automobile dealerships that were using our pledged vehicle monitoring services increased from 8,316 as of December 31, 2020 to 9,205 as of December 31, 2021, then to 10,684 as of December 31, 2022, and further to 11,152 as of June 30, 2023.

COMPETITIVE STRENGTHS

Largest automobile pledged vehicle monitoring service provider in China

According to CIC, we were the largest pledged vehicle monitoring service provider in China's automobile sales and distribution industry in terms of revenue in 2022, with a market share of 47.9%, and in terms of the number of automobile dealership users as of December 31, 2022. We believe such achievement is principally due to our continuous focus on our dedication to the development of technology, which is crucial to our pledged vehicle monitoring services. For more information on key milestones of our development of technology, see "History, Reorganization and Corporate Structure—Key Milestones." Through our commitment to the advancement of technology, together with our accumulated industry insights on the automobile sales and distribution industry in China, our customers have confidence in our services, which enables us to become the largest player in the pledged vehicle monitoring service market in China. In addition, we provide digitalized, internet-based and automated pledged vehicle monitoring services in China's automobile sales and distribution industry, according to CIC.

We believe we have the following comparative advantages that have contributed to our success in the area of pledged vehicle monitoring services:

- **Industry experience.** According to CIC, we were one of the first movers to provide pledged vehicle monitoring services in China's automobile sales and distribution industry. Over the years since our beginning, we have accumulated industry insights. We have comprehensive and detailed guidelines and know-how on pledged vehicle monitoring based on our industry insights.
- **R&D capabilities.** We have been constantly optimizing our services with technologies to cater to user needs and enhance operational efficiency.
 - o At the early stage of our pledged vehicle monitoring services, when we were part of Changjiu Industrial, we introduced our pledged vehicle monitoring services. Although we used manual inspection to deliver most of the solutions at the time, it was the beginning of our commitment of using digital services to transform pledged vehicle monitoring in China's automobile sales and distribution industry.
 - o We were among the first in China in offering pledged vehicle monitoring services, according to CIC. Technology now delivers most of the services and our inspectors only play a supporting role. These technologies are still widely applied to our pledged vehicle monitoring services today. The three key components are:
 - Our VFS system stores and analyzes pledged vehicles' data that we collect from automobile dealerships via our radio-frequency identification ("RFID") labels, PDAs and on-board diagnostics ("OBD")

devices. The financial institutions to which we provide pledged vehicle monitoring services have access to such data via our VFS system or Vehicle Connect; automobile dealerships could also access such data via Vehicle Connect. The digitalized and internet-based VFS system could produce automated early warnings and facilitate decision-making on potential risks for financial institutions with an accurate transmission and approval process.

- Our hardware primarily consisted of radio-frequency identification RFID labels and OBD devices, could locate and monitor the pledged vehicles more accurately and avoid manual errors.
- We use the data collected to better analyze and report the potential risk events of automobile dealerships.

We will continue to upgrade our services to cover more service scenarios in our pledged vehicle monitoring services based on evolving market demand and enrich our pledged vehicle monitoring services with more advanced technologies and monitoring models.

- **Experience in lowering incidence rate of risk events.** Our competence in pledged vehicle monitoring is manifested by a relatively lower incidence rate of risk events. Risk events refer to unforeseeable and abrupt events, including but limited to unauthorized transfer of pledged vehicles, default in loan payment, repeated pledges and other events that would endanger the interest of financial institutions. In 2020, 2021, 2022 and the six months ended June 30, 2023, we identified and reported to financial institutions 35, 28, 27 and 14 risk events that occurred in automobile dealerships, respectively. As a result, the incidence rate of risk events in the automobile dealerships supported by our pledged vehicle monitoring services declined to 0.44%, 0.32%, 0.27% and 0.13% in the same periods, respectively. The incidence rate of risk events is calculated as the sum of automobile dealerships that experience actual at-risk transactions divided by the total number of automobile dealerships during a specified period of time.

Early mover in automobile dealership operation management services

Automobile dealerships in China continued to evolve in recent years. According to CIC, the current market size of automobile dealership operation management services in China is relatively small as the market is still in its infancy with limited service providers; and traditional dealerships, which do not adopt refined management, embrace digital systems and establish comprehensive talent training programs, are likely to have inefficient business operations and lower profitability. Automobile dealerships face increasingly intense competition and have strong demand for refined management and higher profitability, resulting in an unmet need for professional operation management services. It is expected that the potential business opportunities on this aspect become more prominent in the short coming future.

BUSINESS

We are well positioned to meet such demand. We have 17 years of experience in China's automobile sales and distribution industry. With industry expertise and customer insights accumulated over the years since our beginning, we are able to keep abreast of the latest trends of the industry and have a better understanding of the various limitations and needs of participants in the industry. Our industry experience, technology capabilities and user base, coupled with a dedicated management team, have laid a solid foundation for us to expand our business into digital automobile dealership operation management services.

In April 2022, we became an early mover in China's automobile sales and distribution industry to offer operation management services to automobile dealership owners. Our automobile dealership operation management services analyze the operation results and offer advices to automobile dealerships, in order to improve their operational efficiency and reduce management costs through technology. We provide automobile dealerships with systematic, standardized and workflow-driven management services that help them with customer-facing activities, including marketing, sales, after-sales repair and customer relationships, and back-office operations, including human resource, financial, tax and inventory management. Our digital information infrastructure that is embedded in our management services can generate visualized operation results and offer automobile dealerships comprehensive services based on automated results analysis.

For the year ended December 31, 2022, automobile dealerships using our automobile dealership operation management services had an average gross profit margin of 7.2%, which was higher than the average performance of automobile dealerships with similar scale, brand position and geographical layout, according to CIC. As of June 30, 2023, we managed a total of 75 automobile dealerships, among which one was owned by an Independent Third Party. As of the Latest Practicable Date, we had entered into non-legally binding letters of intent with 144 automobile dealerships, all of which are owned by Independent Third Parties.

Quality user base

As of June 30, 2023, we provided pledged vehicle monitoring services to (i) approximately 200 branches of 18 commercial banks, including all of China's "Big Six" national state-owned commercial banks and 12 joint-stock commercial banks; (ii) 27 automobile finance companies; and (iii) 11,152 automobile dealerships. As of the same date, 92 automobile dealership group companies among the top 100 automobile dealership group companies in China were using our pledged vehicle monitoring services. In addition, as of June 30, 2023, we provided access to our mobile application Vehicle Connect, on a complimentary basis, to approximately 50,000 general automobile trading stores in China to keep track of the pledged vehicles and thus expand our service coverage to the downstream of the industry.

We have a nationwide service network to support our high-quality and responsive user services. Leveraging our service network, we are able to engage with our users closely, stay close to the business changes and operation results of our users and continue to optimize our services to enhance user satisfaction.

Leveraging our user base together with our market reputation, we are building an ecosystem around our digital information infrastructure that connects participants in the automobile sales and distribution industry, including automobile dealerships, general automobile trading stores, financial institutions and automobile manufacturers, and continuously generate value with participants in the industry. Through our efficient pledged vehicle monitoring services, we enable financial institutions to better safeguard and monitor vehicles pledged to them. Our pledged vehicle monitoring services also may enhance chances for automobile dealerships to obtain loans from financial institutions. Through our automobile dealership operation management services, we recommend and select experienced staff to automobile dealerships and provide know-how and technology that aim to enhance their business and financial performance. As our ecosystem attracts more participants and continues to expand, it generates self-reinforcing network effects, which leads to greater user engagement on our digital information infrastructure and increasing demand for our services.

Technologies and R&D capabilities

Our digital information infrastructure offers systematic and digital support for our business operation. Our digital information infrastructure is critical to providing our pledged vehicle monitoring services, ensuring operational efficiency and helping users manage risks and reduce costs. Our pledged vehicle monitoring system is composed of (i) the VFS system and Vehicle Connect, which is a mobile application that provides access to the information collected by the VFS system; (ii) RFID labels; (iii) PDAs; (iv) OBD devices; and (v) the traditional and electronic lockboxes. We continuously monitor and analyze pledged vehicles' data on our digital information infrastructure for the purpose of enriching and optimizing our services. The wide spectrum of data accumulated through our information infrastructure together with our data analysis capabilities provide strong support for our business expansion and prospects.

The scalable nature of our information infrastructure enables us to provide tailor-made automobile dealership operation management services to our customers by deploying different combinations of predesigned business intelligence analysis modules that meet customers' requirements. As of June 30, 2023, our digital information infrastructure could offer various types of business intelligence analysis module combinations and support more than 80 application modules to further support our automobile dealership operation management services. Based on our digital information infrastructure, we have adopted an automobile dealership operation management system, namely Smart Star (“智科星”), that is tailored for managing the daily operations of automobile dealerships.

BUSINESS

We strengthen our core technology R&D capabilities by making persistent R&D efforts and enhance underlying infrastructure and technology for our digital information infrastructure. We procure cloud services from robust industry service providers and use their technologies to support our digital information infrastructure. On top of the cloud infrastructure, we have built three digital “supporting systems,” including (i) a data supporting system, which specializes in data collection and data mining; (ii) a technology supporting system, which specializes in managing and invoking underlying technologies; and (iii) a business supporting system, which helps mobilize the resources in the data supporting system and technology supporting system in order to quickly respond to users’ needs and tailor our services to their actual requirements. Furthermore, we deploy a “DevOps” development model, an automated and efficient development, testing and maintenance tool, into our supporting systems to increase our R&D efficiency by reducing the reliance on manpower.

Our R&D capabilities are supported by our continuous initiatives in our R&D activities. As of the Latest Practicable Date, we had 21 registered copyrights and 11 registered patents in China.

Experienced management team

Our founder, Mr. Bo has over 30 years of experience in the automotive and logistics industry and has profound and unique insights on reshaping the management of automobile dealerships in China. Mr. Bo has additional practical experience in international trade, automobile investment and automobile sales. He was appointed as the vice president of China Federation of Logistics & Purchasing (中國物流與採購聯合會) in the PRC and the president of China Automotive Logistics Association of CFLP (中國物流與採購聯合會汽車物流分會) in September 2011 and November 2010, respectively. Mr. Bo is responsible for the Group’s overall operational management.

We have a stable and experienced senior management team. Our senior management team has an average of over 15 years of professional experience cross industries including but not limited to automobile sales and distribution industry and information technology industry. Their wealth of industry knowledge and professional experience in their respective fields are essential to our long-term success. Their experience in corporate management and corporate strategic planning have proven to be valuable by allowing us to seize market opportunities and optimize strategic planning in response to the changing market.

We have a sizable team of experienced mid-level management personnel with a good sense of teamwork spirits. Most of them have rich practical experience in the industry and are able to maintain good customer relationships and retain new ones. Our experienced and motivated mid-level management personnel is important for our business expansion as well as strategy implementation.

OUR STRATEGIES

Enrich service offering and improve technology capabilities

We believe product innovation and technology capabilities are key to our success. We intend to continuously explore the limitations and needs of industry participants and continually enrich and upgrade our service offering to cater to their evolving needs and preferences.

We also plan to continue to invest in technology, particularly in underlying technologies and infrastructure related to our user-end systems. We will continue to develop and refine our integrated digital information infrastructure to make it more accessible and scalable with more service features and data analytics functions to meet user demand and enhance user experience. Furthermore, we will continue to enhance our data processing capabilities and enrich our integrated digital information infrastructure to cover a variety of service scenarios and optimize our digital information infrastructure through designing lightweight algorithms in the underlying cloud infrastructure and developing scalable modules in the data, technology and business supporting systems. We expect the continuous improvement of technology capabilities will enable us to quickly respond to customer needs, increase operational efficiency in a variety of service scenarios, and adapt to the evolving market.

We intend to use approximately 35.0% of the net proceeds to improve our pledged vehicle monitoring services by upgrading devices and enriching the features of our software products, and approximately 30.0% of the net proceeds to develop an integrated supporting system for the automobile sales and distribution industry. For further details, please see “Future Plans and Use of Proceeds.”

Grow and diversify user base and expand ecosystem

We are building a vibrant ecosystem around our digital information infrastructure that connects participants in the automobile sales and distribution industry, including automobile dealerships, general automobile trading stores, financial institutions and automobile manufacturers, and continuously generate value with participants in the industry. We plan to expand the ecosystem to involve more participants to grow and diversify our user base and provide long-term value to our customers.

We plan to further expand our automobile dealership operation management capacity by increasing our service capabilities and improving service quality. Through automobile dealership operation management services, we will continue to formulate strategies for medium- and small-sized automobile dealership companies and use information technologies to improve their performance. We plan to enhance our brand awareness by advertising successful cases, which in turn will expose us to more business opportunities from industry-leading automobile leadership companies.

BUSINESS

We also expect that our proposed launch of the automobile supply chain service application will bring NEV manufacturers and more used car dealers to our ecosystem, thereby further enlarge and diversify our user base. Furthermore, we plan to allow selected third-party service providers to have access to our digital information infrastructure with an aim to make our system an integrated ecosystem that connects masses of participants in the automobile sales and distribution industry. Automobile dealerships can directly use third-party services such as insurance services, financing services, supplies of spare parts, logistics services and marketing services on the system we offer.

We intend to enhance our close relationship with existing customers and business partners and obtain new customers by interactions among participants in the ecosystem, ultimately benefiting from a self-reinforcing effect in our ecosystem.

We intend to use approximately 15.0% of the net proceeds to expand our automobile dealership operation management capacity and approximately 10.0% of the net proceeds to expand our sales and marketing capacities. For further details, please see “Future Plans and Use of Proceeds.”

Capitalize on growth trends in NEV market in China’s lower-tier cities

China is the world’s largest passenger automobile market in terms of total car parc, with great untapped potential especially in lower-tier cities. The consumption potential of China’s passenger automobile market, especially the potential of lower-tier cities, is expected to be unleashed due to the increase in residents’ income and purchasing power, and favorable policies regarding the sale of automobiles in rural areas. In particular, the growth rate of the sales volume of NEVs in China’s lower-tier cities is expected to surpass that of gasoline-powered automobiles in the next five years, according to CIC.

Against the backdrop of increasing demand, the sales model of NEVs market in China has been undergoing dramatic changes. The increasing market demand for NEVs in China has led to a corresponding rise in the demand for NEVs’ sales network, delivery capacity and after-sales services. Typically, most of the NEV manufacturers do not have sufficient sales channels in lower-tier cities.

To capture these industry trends, we have formulated our “bring automobiles to rural areas (汽車下鄉)” strategy and plan to enable NEV manufacturers to expand their business reach with our supply chain service capability in lower-tier cities. In particular, we will connect NEV manufacturers with automobile dealerships through our existing nationwide service network. We plan to provide automobile supply chain services to NEV manufacturers to further enhance user engagement, which primarily include license plate registration services and predelivery preparation services. Further, we intend to provide supply chain services to the up- and downstream business partners of NEV manufacturers, such as the suppliers of lithium, electrolytes, separators and other raw material, manufacturers of battery, motor and other vehicle parts, and service providers specializing in NEV charging equipment, battery recycling, vehicle financing, vehicle rental, used car trading as well as repair and maintenance services, which are complementary to our existing services.

BUSINESS

Most of the NEV manufacturers do not have sufficient sales channels in China's lower-tier cities and NEV manufacturers and automobile dealerships also face numerous challenges with regard to the sale, repair and maintenance of NEVs in large volumes, leading to an increasing market demand for related services in lower-tier cities, according to CIC. We are developing an automobile supply chain service mobile application where we could facilitate sales, delivery and other supply chain services of NEVs. Our automobile supply chain service mobile application commenced trial operation in April 2023. Via this mobile application, NEV manufacturers can authorize us to select and cooperate with downstream automobile dealerships and service providers for sales and services in areas that the NEV manufacturers do not have direct business coverage. We plan to monetize such mobile application in the future by potentially charging commissions from NEV manufacturers for facilitating sales, delivery and other supply chain services of NEVs. The services we plan to provide via our mobile application are "asset-light" and will not subject us to inventory risk. This business initiative is based on our current assessment of market prospects and is at an incubation stage. As the development of NEVs has brought incremental market opportunities for market participants, we believe that the landscape for such services, especially in China's lower-tier cities, will become increasingly competitive in the future. Through our mobile application and services, we aim to support sales growth of NEVs and improve the quality of services provided by NEV manufacturers.

We expect that our expansion in the NEV market will provide us with more "touch points" with our existing and potential user base, thereby leading to a potential increase in our market share for pledged vehicle monitoring services and automobile dealership operation management services.

Refine human resource management and enlarge talent pool

Our talented and experienced employees are essential to our business development and expansion. To support our long-term business development, we plan to implement a series of human resource policies to strengthen our human resource system so as to attract and retain talents, enhance their competencies and keep them competitive.

We intend to further improve our internal growth systems. We customize the training programs for employees based on their career paths and help them grow. Our promotion channels also offer employees fair chances to compete and further facilitate their career progression.

We plan to optimize our remuneration incentive systems to further incentivize our employees' performance. The incentive systems are set up to provide competitive welfare packages to our employees and offer timely promotions and bonuses in recognition of our employee's hard work and outstanding performance. Our incentive systems are designed in line with our business strategies, which is expected to align the interests of our employees with our business prospects.

BUSINESS

OUR BUSINESS LINES

We operate two business lines: (i) pledged vehicle monitoring services; and (ii) automobile dealership operation management services.

During the Track Record Period, we primarily generated revenue from pledged vehicle monitoring services, which accounted for 100.0%, 100.0%, 92.2% and 90.2% of our revenue in 2020, 2021, 2022 and the six months ended June 30, 2023, respectively. In April 2022, we started to provide operation management services to automobile dealerships. In 2022 and the six months ended June 30, 2023, 7.8% and 9.8% of our revenue was generated from automobile dealership operation management services, respectively.

We typically enter into tripartite agreements with financial institutions and automobile dealerships for our pledged vehicle monitoring services. Although our pledged vehicle monitoring services are designed to help financial institutions manage secured financing provided to automobile dealerships, we consider the paying party under the tripartite agreements as our customer, which may be either financial institutions or automobile dealerships, depending on the negotiation among the contracting parties, and we consider both financial institutions and automobile dealerships as our users. See “—Pledged Vehicle Monitoring Services—Key Terms of Pledged Vehicle Monitoring Service Agreements” for more details.

As of December 31, 2020, 2021 and 2022 and June 30, 2023, we had entered into 10,963, 12,271, 14,577 and 15,537 agreements, respectively, with our users for our pledged vehicle monitoring services and automobile dealership operation management services. The following table sets forth a breakdown of the number of our service agreements and our total revenue by business line and by user ownership as of the dates and for the periods indicated.

BUSINESS

	As of/For the year ended December 31,				As of/For the six months ended June 30,															
	2020		2021		2022		2023													
	Number of agreements	Revenue % (RMB'000)	Number of agreements	Revenue % (RMB'000)	Number of agreements	Revenue % (RMB'000)	Number of agreements	Revenue % (RMB'000)												
								<i>(unaudited)</i>												
Pledged Vehicle																				
Monitoring Services																				
- Related-party users	10	0.1	1,729	0.4	9	0.1	5,793	1.2	12	0.1	1,284	0.2	7	0.1	1,024	0.4	8	0.1	157	0.1
- Independent-Third-Party users	10,953	99.9	428,858	99.6	12,262	99.9	471,904	98.8	14,491	99.4	503,765	92.0	12,739	99.4	244,736	94.6	15,451	99.4	278,910	90.1
Subtotal	10,963	100.0	430,587	100.0	12,271	100.0	477,697	100.0	14,503	99.5	505,049	92.2	12,746	99.5	245,760	95.0	15,459	99.5	279,067	90.2
Automobile Dealership Operation																				
Management Services																				
- Related-party users	-	-	-	-	-	-	-	-	73	0.5	42,785	7.8	73	0.5	12,892	5.0	73 ⁽¹⁾	0.5	30,281	9.8
- Independent-Third-Party user	-	-	-	-	-	-	-	-	1	0.0	33	0.0	-	-	-	-	1	0.0	83	0.0
Subtotal	-	-	-	-	-	-	-	-	74	0.5	42,818	7.8	73	0.5	12,892	5.0	74	0.5	30,364	9.8
Total	10,963	100.0	430,587	100.0	12,271	100.0	477,697	100.0	14,577	100.0	547,867	100.0	12,819	100.0	258,652	100.0	15,533	100.0	309,431	100.0

Note:

(1) One of the automobile dealership operation management service agreements that we entered into with related-party users was for our management of two dealerships.

BUSINESS

The following table sets forth a breakdown of our total revenue by business line and by type of paying customer for the periods indicated.

	For the Year ended December 31,						For the six months ended June 30,			
	2020		2021		2022		2022		2023	
	Revenue		Revenue		Revenue		Revenue		Revenue	
	(RMB'000)	% (RMB'000)	(RMB'000)	% (RMB'000)	(RMB'000)	% (RMB'000)	(RMB'000)	% (RMB'000)	(RMB'000)	% (RMB'000)
	<i>(unaudited)</i>									
Pledged Vehicle										
Monitoring Services										
- Related parties	1,729	0.4	9,342 ⁽¹⁾	2.0	39,033 ⁽¹⁾	7.1	21,601 ⁽¹⁾	8.3	19,240 ⁽¹⁾	6.2
- Independent Third Parties	428,858	99.6	468,355 ⁽²⁾	98.0	466,016 ⁽²⁾	85.1	224,159 ⁽²⁾	86.7	259,827 ⁽²⁾	84.0
<i>Subtotal</i>	<u>430,587</u>	<u>100.0</u>	<u>477,697</u>	<u>100.0</u>	<u>505,049</u>	<u>92.2</u>	<u>245,760</u>	<u>95.0</u>	<u>279,067</u>	<u>90.2</u>
Automobile										
Dealership										
Operation										
Management										
Services										
- Related parties	-	-	-	-	42,785	7.8	12,892	5.0	30,281	9.8
- Independent Third Party	-	-	-	-	33	0.0	-	-	83	0.0
<i>Subtotal</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,818</u>	<u>7.8</u>	<u>12,892</u>	<u>5.0</u>	<u>30,364</u>	<u>9.8</u>
Total	<u>430,587</u>	<u>100.0</u>	<u>477,697</u>	<u>100.0</u>	<u>547,867</u>	<u>100.0</u>	<u>258,652</u>	<u>100.0</u>	<u>309,431</u>	<u>100.0</u>

Notes:

- (1) Including revenue derived from (i) one, two, two and two Unassigned Agreements from Changjiu Group as of December 31, 2021 and 2022 and June 30, 2022 and 2023, respectively; and (ii) 1,059, 794, 1,137 and 649 Unassigned Agreements from Independent Third Parties as of December 31, 2021 and 2022 and June 30, 2022 and 2023, respectively. The revenue generated from automobile dealerships under Unassigned Agreements and Entrustment Agreement was RMB3.6 million, RMB37.8 million, RMB20.6 million and RMB19.1 million in 2021 and 2022 and in the six months ended June 30, 2022 and 2023, respectively, accounting for 0.8%, 6.9%, 8.0% and 6.2% of our total revenue during the same periods, respectively.
- (2) Excluding revenue derived from 1,059, 794, 1,137 and 649 Unassigned Agreements from Independent Third Parties as of December 31, 2021 and 2022 and June 30, 2022 and 2023, respectively, which amounted to RMB3.5 million, RMB37.7 million, RMB20.6 million and RMB19.1 million in 2021 and 2022 and in the six months ended June 30, 2022 and 2023, respectively.

PLEGGED VEHICLE MONITORING SERVICES**Overview**

According to CIC, automobile dealerships in China typically adopt an asset-heavy business model under which they need to order and pay for vehicles in advance to maintain a certain inventory level. To improve their working capital turnover, it is market practice for automobile dealerships to purchase vehicles with secured financing from financial institutions, which primarily include commercial banks and automobile finance companies. The secured financing is typically secured by the vehicles that automobile dealerships are purchasing. However, according to CIC, financial institutions historically faced multiple challenges in managing the pledged vehicles under their secured financing arrangements with automobile dealerships, including (i) a financial institution might provide secured financing to multiple automobile dealerships that are not only geographically apart from the financial institution but also scattered across the country, making it time-consuming for financial institutions to monitor and conduct inventory taking of the pledged vehicles for each automobile dealership in a timely manner, and as a result, (a) the pledged vehicles may be stolen, damaged or sold without the financial institutions' authorization; and (b) the vehicle conformity certificates of the pledged vehicles may be mortgaged without the financial institutions' knowledge; (ii) the vast number of pledged vehicles, which are time-consuming, costly and inefficient to count manually; and (iii) the scarce technological capacity to continuously launch new features based on changing market demands. This gives rise to a need by the financial institutions to keep track of the pledged vehicles accurately and efficiently from a pledged vehicle monitoring perspective. Our pledged vehicle monitoring services facilitate the effective and cost-efficient monitoring of pledged vehicles, enabling financial institutions to manage automobile dealerships' secured financing more seamlessly.

The table below sets forth (i) the services we provide; and (ii) the information systems and technologies we use to provide our services throughout the whole process during which financial institutions provide secured financing to automobile dealerships.

Services that we provide	<ul style="list-style-type: none">• Pledged vehicle monitoring and lockbox services (periodic/real-time)• Collective management of vehicle conformity certificate• Counting service
Information systems and technologies that we use	<ul style="list-style-type: none">• VFS system & Vehicle Connect• RFID labels• PDAs• OBD devices• Lockboxes (traditional/electronic)

BUSINESS

For a description of the nature and the function of each of the information systems and technologies that we use to provide our services in each stage, please see “—Pledged Vehicle Monitoring Services—Pledged Vehicle Monitoring System.”

In addition to possessing in-depth industry knowledge, we have two primary competitive advantages in comparison with our peers: (i) our pledged vehicle monitoring system enables us to monitor pledged vehicles and use the data collected to analyze and report potential risk events of automobile dealerships through our VFS system based on pledged vehicles’ data collected from automobile dealerships via our RFID labels, PDAs and OBD devices; and (ii) Vehicle Connect, a mobile application that we launched and integrated into our pledged vehicle monitoring system, allows both financial institutions and automobile dealerships to access the location and activities information of pledged vehicles as well as obtain market information of the automobile industry, which help reduce communication costs and human errors. As advised by CIC, as of the Latest Practicable Date, certain of our peers, including two of the top five pledged vehicle monitoring service providers in the industry, did not have a comprehensive digital system to facilitate their services, and relied heavily on manual monitoring and counting of pledged vehicles. Considering the comprehensive information system that we use to facilitate real-time pledged vehicle monitoring for our customers, and our expertise and in-depth knowledge of the automobile sales and distribution industry as well as the practicable difficulties faced by financial institutions in pledged vehicle monitoring, we believe we have distinguished ourselves from our competitors.

Users of our pledged vehicle monitoring services consist of financial institutions, which primarily include commercial banks and automobile finance companies, and automobile dealerships with pledged vehicles. As of June 30, 2023, we provided pledged vehicle monitoring services to (i) approximately 200 branches of 18 commercial banks, including all of China’s “Big Six” national state-owned commercial banks and 12 joint-stock commercial banks; (ii) 27 automobile finance companies; and (iii) 11,152 automobile dealerships. Typically, we enter into tripartite pledged vehicle monitoring service agreements with both financial institutions and automobile dealerships. A single automobile dealership may enter into tripartite pledged vehicle monitoring service agreements with us and multiple financial institutions for different secured financing. The decisions to engage us to provide pledged vehicle monitoring services under tripartite agreements are results of the negotiations among the contracting parties and the mutual consents between financial institutions and automobile dealerships. Typically neither the financial institutions nor the automobile dealerships are in a dominant position or bear the ultimate responsibility to make such decisions.

Although our pledged vehicle monitoring services are designed to help financial institutions manage secured financing provided to automobile dealerships and our service fees are typically paid by financial institutions, we consider the paying party under the tripartite agreements as our customer, which may be either financial institutions or automobile dealerships, depending on the negotiation between them, and we consider both financial institutions and automobile dealerships as our users. To the best of our knowledge, the negotiations regarding the paying party of our pledged vehicle monitoring services may take into consideration (i) financial institutions’ past experience with automobile dealerships, or automobile dealerships’ track record; and (ii) the amount of secured financing. If an automobile dealership is a regular borrower with a decent track record as manifested by timely interest payment and principal repayment, or if the secured financing that an automobile dealership borrows is sufficiently large, the financial institution may be the paying party of our services after negotiations with the dealership. Such practice is in line with the industry norm as advised by CIC. As of June 30, 2023, we provided pledged vehicle monitoring services to over 10,000 automobile dealerships in over 500 cities across 31 provinces in China.

BUSINESS

Key Operating Metrics

The table below sets forth the movement of the number of our pledged vehicle monitoring service agreements during the Track Record Period.

	For the years ended December 31,			For the six months ended June 30,	
	2020	2021	2022	2022	2023
At the beginning of the period	9,631	10,963	12,271	12,271	14,503
New engagement	4,752	5,319	6,411	2,708	3,615
Termination	(3,420)	(4,011)	(4,179)	(2,233)	(2,659)
At the end of the period	<u>10,963</u>	<u>12,271</u>	<u>14,503</u>	<u>12,746</u>	<u>15,459</u>

We recorded termination of 3,420, 4,011, 4,179, 2,233 and 2,659 pledged vehicle monitoring service agreements, respectively, in 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, primarily because after automobile dealerships have sold all the pledged vehicles or repaid the secured financing, the relevant financial institutions would typically send us a notice to terminate the pledged vehicle monitoring service agreements with us as required by the relevant contractual terms. According to CIC, in the automobile sales and distribution industry in China, after an automobile dealership sells all the pledged vehicles or repaid its secured financing, it is common for the financial institution to send a termination notice to the relevant pledged vehicle monitoring service provider instead of continuing to use its monitoring services to cover the dealership's new pledged vehicles, or wait till the pledged vehicle monitoring service agreement expires.

The following table sets forth the expiration schedule of our existing pledged vehicle monitoring service agreements as of the Latest Practicable Date.

	As of the Latest Practicable Date
Service agreements without fixed terms	13,000
Service agreements with fixed terms expiring in:	
– Year ending December 31, 2023	332
– Year ending December 31, 2024	2,794
– Year ending December 31, 2025	690
– Year ending December 31, 2026 and beyond	253
Total	<u>17,069</u>

BUSINESS

The number of pledged vehicle monitoring service agreements that we entered into continued to grow after the Track Record Period, increasing from 15,459 as of June 30, 2023 to 17,069 as of the Latest Practicable Date. Although 3,126 among these 17,069 agreements would expire by the end of 2024, we will negotiate with the financial institutions and automobile dealerships for renewal at least a month before the expiration dates of the relevant agreements, and our Directors do not expect that these expiring agreements would adversely affect our business, financial condition and operating results.

The following table sets forth (i) the average and the range of monthly service fees that we charged for our pledged vehicle monitoring services; and (ii) the average and the range of duration of our pledged vehicle monitoring service agreements in 2020, 2021, 2022 and the six months ended June 30, 2023.

	For the years ended December 31,			For the six months ended June 30,
	2020	2021	2022	2023
Average service fee (RMB/month/service agreement) ⁽¹⁾	3,564	3,527	3,252	3,206
Range of service fee (RMB/month/service agreement) ⁽²⁾	1,459- 14,500	1,800- 11,600	1,800- 8,100	1,600- 10,800
Average agreement duration (days) ⁽³⁾⁽⁴⁾	636	716	722	713
Range of agreement duration (days) ⁽³⁾⁽⁵⁾	1-4,400	1-5,145	1-5,214	1-5,562

Notes:

- (1) Average service fee per month is calculated by dividing our revenue from pledged vehicle monitoring services in a period by (i) the number of pledged vehicle monitoring service agreements that we had entered into as of the end of that period, and by (ii) the number of months in the relevant period.
- (2) The service fees that we charged varied by service agreements during the Track Record Period, primarily because our customers could choose any one or any combination of the pledged vehicle monitoring services that we provide, and the corresponding service fees varied depending on multiple factors, such as the type and number of services chosen and the location of automobile dealerships. See “—Pricing—Pricing Models—Pledged Vehicle Monitoring Services” for more information.
- (3) Agreement duration refers to the actual length of time that we provided our pledged vehicle monitoring services, including those that we were entrusted to provide under the Unassigned Agreements, to an automobile dealership that obtained secured financing from a particular financial institution without interruption.
- (4) Average agreement duration is calculated by dividing the sum of agreement duration for agreements that were terminated in a period by the number of agreements that were terminated in that period.

BUSINESS

- (5) During the Track Record Period, some of our pledged vehicle monitoring service agreements had a one-day duration, primarily because, to the best of our knowledge based on our experience, in some instances automobile dealerships of certain car brands might sell the pledged vehicles that they purchased with secured financing from financial institutions to customers within one to two days; once the customers placed their orders, the automobile dealerships would repay the secured financing and deliver the pledged vehicles to the customers, after which our monitoring services were not needed at the moment, and the financial institutions would terminate our services to avoid incurring additional costs.

The average monthly service fee per service agreement that we charged for our pledged vehicle monitoring services remained relatively stable between 2020 and 2021, and subsequently decreased by 7.8% from RMB3,527 in 2021 to RMB3,252 in 2022, and further decreased slightly to RMB3,206 in the six months ended June 30, 2023, primarily because as we expanded our business operation, the number of service agreements under which our onsite staff provided services increased, which lowered the subcontracting costs per service agreement and led to lower average monthly service fee per service agreement. See “—Pricing—Pricing Models—Pledged Vehicle Monitoring Services” for more information. Nevertheless, since the number of our pledged vehicle monitoring service agreements increased by 18.2% from 12,271 as of December 31, 2021 to 14,503 as of December 31, 2022, and increased by 18.2% from 12,746 as of June 30, 2022 to 15,459 as of June 30, 2023, our revenue continued to grow throughout this period. During the Track Record Period, the average duration of the pledged vehicle monitoring service agreements that we entered into remained relatively stable.

As of December 31, 2020, 2021 and 2022 and June 30, 2022 and 2023, we monitored approximately 636,100, 525,500, 710,400, 580,400 and 786,700 pledged vehicles, respectively. 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. As the market recovered and the sales volume of new vehicles increased in 2022, the number of pledged vehicles we monitored increased to 710,400 as of December 31, 2022.

In 2020, 2021, 2022 and the six months ended June 30, 2023, the average number of pledged vehicles underlying each of our pledged vehicle monitoring service agreement was 58, 43, 49 and 51, respectively, which fell within the range of the number of pledged vehicles underlying each pledged vehicle monitoring service agreement among the market participants in the industry that was between 40 and 70 during the Track Record Period, as advised by CIC.

BUSINESS

The following table sets forth the number of users of our pledged vehicle monitoring services as of the dates indicated.

	As of December 31,			As of June 30,	
	2020	2021	2022	2022	2023
Financial institutions	211	206	219	206	223
– Commercial bank branches	183	179	195	180	196
– Automobile finance companies	28	27	24	26	27
Automobile dealerships	8,316	9,205	10,684	9,700	11,152

During the Track Record Period, we generally won pledged vehicle monitoring service engagements through our market reputation, backed by our application of technology to monitor pledged vehicles. In addition, we proactively explore new business opportunities by reaching out to local branches of financial institutions and automobile dealerships.

Our pledged vehicle monitoring service agreements have either a fixed term of one year or an unfixed term until our services are no longer needed by financial institutions. Financial institutions and automobile dealerships may renew their pledged vehicle monitoring service agreements with us prior to their expiration.

The following table sets forth the user-based net expansion rate of our pledged vehicle monitoring services by type of users which primarily consist of financial institutions, including commercial bank branches and automobile finance companies, and automobile dealerships, for the periods indicated. To calculate the user-based net expansion rate for a given period, we divide the difference between the number of our users as of the end and as of the beginning of that period by the corresponding number as of the beginning of the given period.

	For the year ended December 31,			For the six months ended June 30,	
	2020	2021	2022	2022	2023
	(%)				
Financial institutions	(3.7)	(2.4)	6.3	0.0	1.8
– Commercial bank branches	(4.7)	(2.2)	8.9	0.6	0.5
– Automobile finance companies	3.7	(3.6)	(11.1)	(3.7)	12.5
Automobile dealerships	10.5	10.7	16.1	5.4	4.4
Overall	6.8	10.4	15.9	5.3	4.3

BUSINESS

Our user-based net expansion rate of commercial bank branches increased from a net contraction rate of 2.2% in 2021 to a net expansion rate of 8.9% in 2022, and our user-based net expansion rate of automobile dealerships increased from 10.7% in 2021 to 16.1% in 2022, primarily due to the rapid growth of the NEV market in 2022. As the NEV market expanded, automobile dealerships' demand for secured financing to purchase NEVs increased, and commercial bank branches' demand for our pledged vehicle monitoring services to monitor pledged NEVs increased in tandem. Our user-based net expansion rate of automobile finance companies increased from a net contraction of 3.7% in the six months ended June 30, 2022 to a net expansion rate of 12.5% in the six months ended June 30, 2023, primarily because our automobile finance company users slightly decreased from 27 as of December 31, 2021 to 26 as of June 30, 2022, and subsequently increased back to 27 as of June 30, 2023, which was a normal fluctuation during the course of our business.

The following table sets forth the retention rate of our pledged vehicle monitoring services by type of users for the years indicated. To calculate the retention rate for a given year, we divide the number of users as of the end of that year who were also our users as of the end of the previous year by the number of users as of the end of the previous year.

	For the years ended December 31,		
	2020	2021	2022
	<i>(%)</i>		
Financial institutions	66.8	83.9	92.4
Automobile dealerships	81.7	82.4	84.9

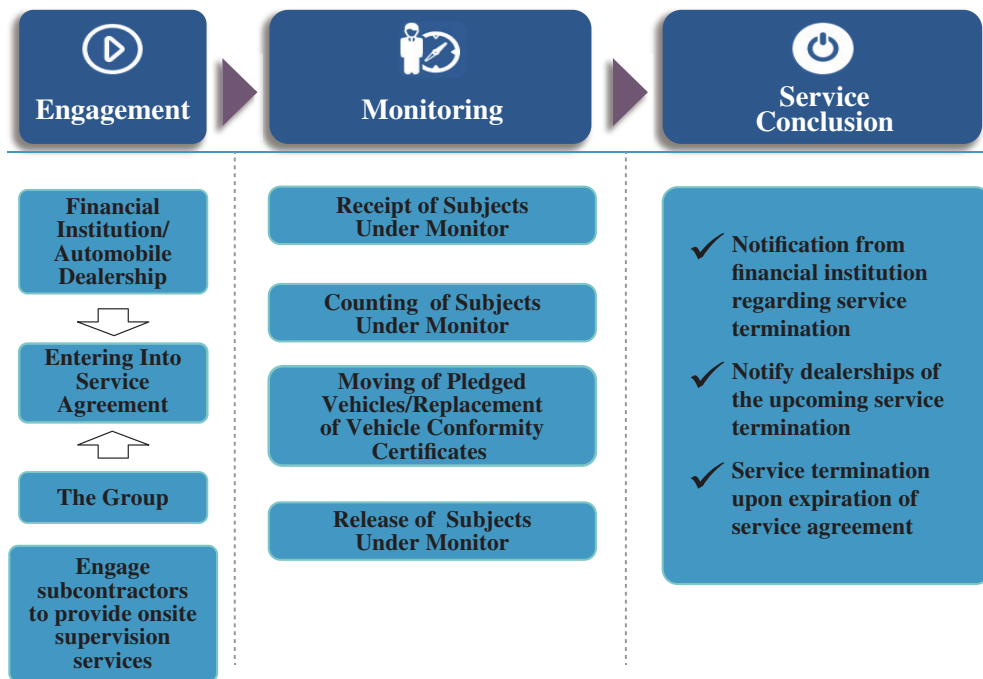
During the Track Record Period, our retention rate of financial institutions steadily increased from 66.8% in 2020 to 83.9% in 2021, then to 92.4% in 2022, primarily because we (i) continuously upgraded our VFS system and Vehicle Connect to facilitate our pledged vehicle monitoring services for financial institutions; and (ii) improved our services and products based on financial institutions' demands and feedbacks. During the Track Record Period, our retention rate of automobile dealerships remained relatively stable.

In each of the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, the average revenue contribution by our top ten customers in that period was RMB12.3 million, RMB13.5 million, RMB17.6 million and RMB10.4 million, respectively.

Pledged Vehicle Monitoring System

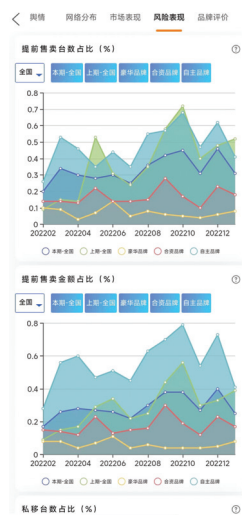
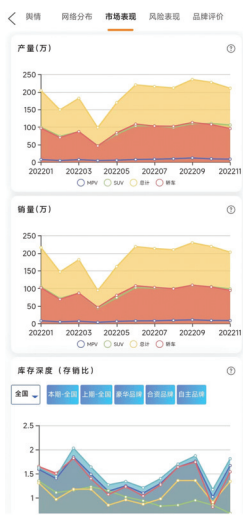
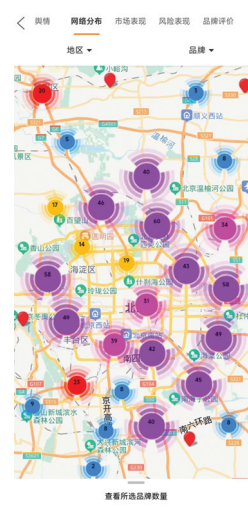
We utilize a pledged vehicle monitoring system that leverages to enhance our capabilities to improve customer experience, reduce reliance on manual labor, and lower operating costs. Our pledged vehicle monitoring system is composed of (i) the VFS system and Vehicle Connect, which is a mobile application that provides access to the information collected by the VFS system; (ii) RFID labels; (iii) PDAs; (iv) OBD devices; and (v) traditional and electronic lockboxes. We own the copyrights of our VFS system and Vehicle Connect. We also own the patents of the PDAs, the OBD devices and the lockboxes, and engage independent third parties to manufacture them.

The following diagram illustrates our pledged vehicle monitoring system and how it integrates and creates synergy with our services, allowing us to monitor pledged vehicles and assess automobile dealerships across China from our headquarters.



VFS System and Vehicle Connect

Our VFS system is a multifunctional IT solution with online operation, automatic alert and pledged vehicle monitoring modules and a pool of over 20,000 preset commands, which allows financial institutions to readily choose the settings that best suit their risk management needs without having to create the commands from scratch. Our VFS system was developed based on our industry insights and interactions with both financial institutions and automobile dealerships. Vehicle Connect is a mobile application that allows (i) financial institutions and automobile dealerships to access our VFS system on their mobile terminal; and (ii) financial institutions to choose and apply the aforementioned settings. The screenshots below show the main user interface of Vehicle Connect.



BUSINESS

Through our VFS system and Vehicle Connect, financial institutions can (i) access the location and activities information of pledged vehicles collected by our PDAs and OBD devices; (ii) process certain requests and documentations, such as granting automobile dealerships permissions to access car keys that are held in our custody for customers' test drives, from automobile dealerships online; (iii) customize rules and permissions governing automobile dealerships' rights over the pledged vehicles; and (iv) tailor risk alert triggers based on their own risk management needs.

The second generation of our VFS system and Vehicle Connect was launched in 2018. We have been continuously upgrading them through iteration developments to incorporate modules that help facilitate automobile dealerships' secured financings from financial institutions and reflect our industry insights. During the Track Record Period and up to the Latest Practicable Date, only we and the users of our pledged vehicle monitoring services had access to our VFS system and/or Vehicle Connect; we had not licensed our VFS system or Vehicle Connect to any other players in the automobile sales and distribution industry.

RFID Labels

Our RFID labels, which are typically affixed on vehicles' windshields, are economical means to automate the periodic monitoring of pledged vehicles, which gives financial institutions and automobile dealerships a snapshot of the static information of the pledged vehicles, such as the total count as well as their respective makes and models. Each of our RFID labels has (i) a microchip that contains certain information of the vehicle on which the RFID label is affixed, such as the vehicle identification number ("VIN"); and (ii) an antenna that transmits signals at certain frequencies, allowing information stored on the microchip to be read by our patented PDAs held by staff designated by our subcontractors at an automobile dealership, which allows the dealership to readily record and synchronize information of its pledged vehicles to our VFS system. Our RFID labels also have an anti-removal feature. When the pledged vehicles are under our monitoring, any unauthorized attempt to remove our RFID label without following a specific procedure will result in its breaking into pieces with the microchip and RFID antenna still adhered to the windshield, allowing us to continue our periodic monitoring of the pledged vehicle by reading the signals transmitted by its RFID antenna with our PDAs; if the microchip and RFID antenna are removed by force, no signal could be transmitted or picked up by our PDAs during periodic monitoring, and our VFS system will detect such missing signal and send a risk alert to the relevant financial institution. After the pledged vehicles are sold and no longer under our monitoring, the RFID labels could be properly removed by the dealership.

PDA's

Our PDA's are handheld radio frequency transmitting and receiving devices that can read information from and write information on our RFID labels. When automobile dealerships' employees or staff designated by our subcontractors who provided onsite supervision services hold the PDA's and approach the pledged vehicles, the PDA's will take inventory by simultaneous reading the signals transmitted from the RFID labels and identifying pledged vehicles within a short distance. Afterwards, when automobile dealerships' employees or staff designated by our subcontractors who provided onsite supervision services bring the PDA's into a Wi-Fi environment or connect the PDA's to their mobile devices via Bluetooth, our PDA's are capable of synchronizing the information they have read from the RFID labels to our VFS system via either Wi-Fi or the mobile devices' cellular network.

OBD Devices

Our OBD devices, which are typically plugged in ports beneath vehicles' dashboards, enable the effective monitoring of pledged vehicles in real time. We offer our customers two types of OBD devices: (i) our Global Positioning System ("GPS") OBD devices are equipped with GPS and are capable of Global System for Mobile ("GSM") transmission, which record and transmit information most accurately; and (ii) our Bluetooth OBD devices are Bluetooth compatible and are capable of short-range wireless transmission. When a pledged vehicle is under our monitoring, once our OBD device is plugged in, it automatically records details about the pledged vehicle at all times, whether the engine is on or off, and transmits such information to our VFS system. The information we record primarily include lengths of time a vehicle is moving or stationary during a journey, speeds at which it is driven, the distance it travels between stops, the time, date and route of a journey and its VIN. If the OBD device is removed without our authorization, our VFS system will detect a gap in the information recording, and will send a risk alert to the relevant financial institution. After the pledged vehicles are sold and no longer under our monitoring, automobile dealerships will remove the OBD devices plugged in the pledged vehicles.

Lockboxes

Historically we provided our lockbox services through traditional lockboxes, which constituted the majority of the lockboxes that we placed on automobile dealerships' sites or in the locations mutually agreed upon by the financial institutions and automobile dealerships. To enhance the security of the vehicle conformity certificates and car keys that we hold in custody, facilitate automation as well as increase the efficiency of our lockbox services, and enhance customer experience, we completed the development of the fifth generation of electronic lockboxes in 2022, and plan to launch it in 2024. We also plan to continuously upgrade and promote the use of our electronic lockboxes among our customers. See "Future Plans and Use of Proceeds—Use of Proceeds." During the Track Record Period, substantially all of our lockbox services were provided via traditional lockboxes.

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Our electronic lockboxes are Wi-Fi- and Bluetooth-compatible safes that help store and secure vehicle conformity certificates and car keys that we hold in custody. Our electronic lockboxes can be connected to our VFS system, through which we are able to remotely assign and reset PIN codes that are used to unlock them, providing an extra layer of security to the vehicle conformity certificates and car keys held therein. Our electronic lockboxes are typically placed on automobile dealerships' sites or in the locations mutually agreed upon by the financial institutions and automobile dealerships. Each access to our electronic lockboxes is traceable, and it can be readily verified whether a PIN code has been used to open a electronic lockbox.

Scope of Services

We provide our users with any one or any combination of the following services: (i) pledged vehicle monitoring and lockbox services; (ii) collective management of vehicle conformity certificates; (iii) counting of pledged vehicles, vehicle conformity certificates and car keys; and (iv) other ancillary services, such as providing financial institutions additional risk alerts to report regional and market emergencies and other events that might prevent the automobile dealerships or us from fulfilling our respective contractual obligations under the tripartite service agreements, which is not a standard service under a typical tripartite service agreement. Financial institutions and automobile dealerships can choose the service(s) that best suit their needs. Our service fees are typically paid by financial institutions. Nevertheless, either financial institutions or automobile dealerships may pay for our services under the tripartite service agreements, depending on the negotiation between them. To the best of our knowledge, the negotiations regarding the paying party of our pledged vehicle monitoring services may take into consideration (i) financial institutions' past experience with automobile dealerships, or automobile dealerships' track record; and (ii) the amount of secured financing. If an automobile dealership is a regular borrower with a decent track record as manifested by timely interest payment and principal repayment, or if the secured financing that an automobile dealership borrows is sufficiently large, the financial institution may be the paying party of our services after negotiations with the dealership. Such practice is in line with the industry norm as advised by CIC. For description of the pricing of our services, please see “—Pricing—Pricing Models—Pledged Vehicle Monitoring Services.”

For our pledged vehicle monitoring and lockbox services: We provide two types of monitoring services: periodic and real-time. In 2020, 2021, 2022 and the six months ended June 30, 2023, in terms of the revenue we generated from pledged vehicle monitoring services, 95.4%, 96.8%, 97.2% and 94.3% of our pledged vehicle monitoring services, respectively, were performed under the periodic method, and 4.6%, 3.2%, 2.8% and 5.7% of our pledged vehicle monitoring services, respectively, were performed under the real-time method.

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Periodic. We help facilitate the periodic monitoring of pledged vehicles through our RFID labels, PDAs and VFS system at contractually agreed intervals. Our PDAs allow automobile dealerships' employees or the onsite staff designated by our subcontractors to (i) count pledged vehicles within a certain parameter by simultaneously scanning and recording the signals transmitted by the RFID label affixed on each inventory vehicle; and (ii) synchronize the information recorded, such as the total number and the VINs of pledged vehicles, to our VFS system. Since our periodic pledged vehicle monitoring services give financial institutions and automobile dealerships a mere snapshot of the static information of the pledged vehicles, such as the total number of vehicles as well as their respective brands and models, at the time of inventory counting, it is a relatively economical option in comparison to our real-time pledged vehicle monitoring services. We typically recommend periodic pledged vehicle monitoring services to financial institutions to whom cost efficiency is a priority.

Real-time. We help monitor the locations and various activities of automobile dealerships' pledged vehicles through our OBD devices, VFS system and the onsite staff designated by our subcontractors who provide onsite supervision services. Pledged vehicles' operation information is recorded in realtime by our OBD devices and synchronized to our VFS system. Our OBD devices produce, and our VFS system allows a financial institution to access, a continuous record of vehicle operation, allowing instant and automatic detection when any pledged vehicle is stolen or driven out of the automobile dealership's lot without permission from the financial institution in its capacity as creditor. Since our real-time pledged vehicle monitoring services offer financial institutions and automobile dealerships the most up-to-date information while enabling them to interact with data through data analytics, such as extracting or generating the sales trends of pledged vehicles as well as visualizing automobile dealerships' inventory level by region, brand and model through data analytics, it is a more effective option and a more dynamic decision-making resource in comparison to our periodic pledged vehicle monitoring services. We typically recommend real-time pledged vehicle monitoring services to financial institutions with lower risk acceptance.

Please see "—Employees" for more details regarding the respective duties of our employees under the our pledged vehicle monitoring service department and the onsite staff designated by our subcontractors.

We also provide lockbox service, under which we hold the vehicle conformity certificates and car keys of pledged vehicles designated by the financial institution in its capacity as creditor. We use both traditional lockboxes, which use lockbox keys without Wi-Fi or Bluetooth connectivity for remote PIN code reset or assignment, and electronic lockboxes, which can connect to our VFS system and require a PIN code assigned by us to access. Unless authorized by the financial institution, which typically happens when a customer of the automobile dealership needs to test drive or has bought a pledged vehicle, no one shall be able to open, move, take control or damage the lockboxes. Typically we place our lockboxes on automobile dealerships' sites or in the locations mutually agreed upon by the financial institutions and automobile dealerships.

BUSINESS

For our collective management services of vehicle conformity certificates: Our staff collectively keep the vehicle conformity certificates of an automobile dealership's pledged vehicles in custody in the cities where it locates. A vehicle conformity certificate is a document issued by the manufacturer of a vehicle that contains information about the vehicle and certifies that it has been manufactured in conformity with the relevant safety and environmental regulations. A vehicle conformity certificate is required for the transfer of title and registration of a vehicle. We typically receive, verify, scan and release the vehicle conformity certificates per financial institutions' instructions and upon their authorization, which helps not only cross-check the number of pledged vehicles but also prevent automobile dealerships' unauthorized sales of pledged vehicles.

For our counting service: On financial institutions' demand, we deploy staff designated by our subcontractors who provide onsite supervision services to count the automobile dealerships' pledged vehicles as well as their vehicle conformity certificates and car keys to ensure they match the information recorded on our VFS system via our RFID labels, PDAs and OBD devices. In 2020, 2021, 2022 and the six months ended June 30, 2023, our counting services were performed by the onsite staff designated by our subcontractors either manually or with the assistance of our RFID labels and PDAs (the "Onsite Counting Services") at 10,602, 12,022, 14,134 and 15,066 automobile dealerships, respectively, and our counting services were performed by OBD devices (the "Remote Counting Services") at 361, 249, 369 and 393 automobile dealerships, respectively. In 2020, 2021, 2022 and the six months ended June 30, 2023, the ratio of Onsite Counting Services versus Remote Counting Services in terms of the number of automobile dealerships where we performed counting services was 96.7% to 3.3%, 98.0% to 2.0%, 97.5% to 2.5% and 97.5% to 2.5%, respectively. Our Directors also confirmed that during the Track Record Period and up to the Latest Practicable Date, in terms of the number of automobile dealerships where we performed counting services, only 2.0% or less of our Onsite Counting Services were performed manually.

Typically, before we commence our monitoring services, we will (i) create an account for the financial institution and the automobile dealership on our VFS system; and (ii) dispatch onsite staff with the necessary equipment and hardware, including our lockboxes, to the designated dealership. Upon the arrival of the pledged vehicles at the dealership's store or showroom, the onsite staff designated by our subcontractors will (i) affix RFID labels or install OBD devices on the pledged vehicles according to the relevant tripartite pledged vehicle monitoring service agreement; and (ii) collect and keep the vehicle conformity certificates as well as the car keys of the pledged vehicles in our lockbox. Afterwards, the onsite staff designated by our subcontractors will use our PDAs to count the pledged vehicles periodically, or our OBD devices will continuously record vehicle information. Such counting records and vehicle information will be synchronized to our VFS system, which will produce reports and sent risk alerts to the financial institution. We could also collectively manage the vehicle conformity certificates of a dealership's pledged vehicles by taking the certificates in custody in the cities where it locates. If a financial institution would like to ensure the accuracy of the information recorded on the VFS system or verify the actual condition of the pledged vehicles at a dealership, we will dispatch designated staff to perform counting of the pledged vehicles, vehicle conformity certificates and car keys as required.

BUSINESS

Key Terms of Pledged Vehicle Monitoring Service Agreements

We typically enter into tripartite agreements with (i) financial institutions that provide secured financing; and (ii) automobile dealerships that pledge their vehicles. The tripartite agreements typically include the following key terms:

- *Scope of services.* The agreements set out the objects to be monitored, which typically include motor vehicles, vehicle conformity certificates and car keys, the types or combination of services to be provided and specific service requirements.
- *Performance standards.* The agreements set forth specific standards and frequency for our main services. Typically we are obliged to keep the objects we monitor from unauthorized access, damage and loss.
- *Pledged vehicle monitoring service fees.* The agreements set forth the amount as well as the payment method of the fees that we charge for our services.

For our pledged vehicle monitoring services and lockbox services: Payments for our services in the next quarter are typically made in advance within at least five working days from the start of the current quarter. We also charge a late fee for overdue pledged vehicle monitoring services and lockbox service fees, which is typically 0.1% to 0.5% of the overdue amount.

For our collective vehicle conformity certificate management services: Payments for our services in the next quarter are typically made in advance within five working days from the start of the current quarter. We also charge a late fee for overdue collective vehicle conformity certificate management service fees, which is typically 0.5% of the overdue amount.

For our counting service: We offer flexible service and payment options to our customers, who can choose to pay us per number of counting service we provide.

If automobile dealerships are paying for our services, we typically collect prepayments for our pledged vehicle monitoring services, lockbox services and collective vehicle conformity certificate management services. If financial institutions are paying for our services, we might grant them a credit term of 15 to 60 days upon separate commercial negotiations on a case-by-case basis before we enter into service agreements.

See “—Pricing—Pricing Models—Pledged Vehicle Monitoring Services” for more details.

BUSINESS

- *Financial institutions' rights and obligations.* Financial institutions are entitled to supervise our services according to the standards included in the agreement. If onsite supervision services are needed, financial institutions are responsible for coordinating with automobile dealerships on the provision of office supplies and equipment. After financial institutions provide secured financing to automobile dealerships, financial institutions are typically responsible for sending us a list of pledged vehicles.
- *Automobile dealerships' rights and obligations.* Each tripartite agreement corresponds to one automobile dealership and designates one location where the pledged vehicles should be stored, which is typically the dealership's store or showroom. Automobile dealerships are primarily responsible for (i) providing a safe place for the storage of pledged vehicles; (ii) purchasing both property insurance and theft insurance for their pledged vehicles; (iii) ensuring that they purchased the pledged vehicles from legitimate sources and have ownership and disposal rights over such vehicles; and (iv) cooperating with us when we provide our services.
- *Our rights and obligations.* We are entitled to receive pledged vehicle monitoring service fees according to the relevant provisions in the agreement. We are responsible for (i) providing the services and equipment, where applicable, necessary for the provision of such services, including RFID labels, OBD devices and lockboxes, included in the agreement; (ii) cooperating with the supervision by our customers; (iii) notifying the financial institutions in a timely manner upon our discovery of any (a) damage or loss of the pledged vehicles, car keys or vehicle conformity certificates; or (b) accident that happened to the pledged vehicles; and (iv) offering relevant records and materials as necessary. A tripartite pledged vehicle monitoring service agreement typically does not stipulate that we shall bear joint and several liability with the automobile dealership in the event of its default in repayment of secured financing. However, if we fail to duly fulfill our obligations, such as timely reporting risk events to the relevant financial institutions, and such failure results in the damage or loss of the pledged vehicles, vehicle conformity certificates or car keys, we would be liable to compensate the relevant financial institution for its losses resulted from such damage or loss. During the Track Record Period and up to the Latest Practicable Date, we were involved in certain disputes alleging that we failed to fulfill our contractual obligations under tripartite service agreements, but we were not held liable in any dispute or incident and we did not pay financial institutions any such compensation. To prevent risk events, we have formulated the Management Measures of Risk Events (《長久金孚風險事件管理辦法》), which covers the procedures for the feedback, verification, early warning and on-site handling of risk events. Upon the discovery or identification of a risk event, our onsite staff typically reports such incident to his supervisor and concurrently notifies our employees in the pledged vehicle monitoring department of the incident's details; our employees will then begin to collect information from relevant parties and verify the incident, and send out a risk alert to the financial institution as soon as practicable via our VFS system.

BUSINESS

- *Term and termination of service.* The agreement term either has a fixed term of one year or an unfixd term until our services are no longer needed by financial institutions. We typically begin our monitoring services upon our receipt of a five-to ten-day commencement notice, and stop our services upon our receipt of a five-to ten-day termination notice, from financial institutions. Typically, financial institutions send us (i) the commencement notice immediately before or after they provide secured financing to automobile dealerships or the pledged vehicles arrive at the automobile dealerships; and (ii) the termination notice after automobile dealerships sell all the pledged vehicles or repaid the secured financing. Within the period prior to the termination of an agreement, we are typically responsible for continuing to provide our services while transitioning duties to our successor or the automobile dealership. Any of financial institutions, automobile dealerships and us have the right to terminate the tripartite agreements prior to the expiration of the agreement term for causes listed in the agreement. Such causes primarily include our failure to offer satisfactory services pursuant to the service standards included in the agreement and our customers' failure to pay for our services.
- *Data confidentiality.* Except for the information that we are authorized to collect, including but not limited to pledged vehicles' brands, models, VINs, status and movement, we do not collect any other information through our RFID labels and OBD devices.
- *Dispute resolution.* Parties are typically required to resolve any contractual dispute through negotiations first, failing which the dispute is to be resolved through court proceedings or other legal proceedings.

Data Security and Privacy

We primarily collect and process four types of business data, namely (i) data related to pledged vehicles, which mainly consists of the number, price, VIN, brand, model and manufacturing year of pledged vehicles; (ii) dealership-related data, which mainly consists of the names, location, contact information and brands of automobile dealerships; (iii) dealership operational data, which mainly consists of the sales prices of the pledged vehicles; and (iv) service-fee-related data, which mainly consists of the types of services, payment methods, billing cycles, amount receivable, actual amount collected, and receipt number of the services provided. During the Track Record Period and up to the Latest Practicable Date, we had not entered into any agreement to share these business data we collect with any party other than those which are parties to the relevant pledged vehicle monitoring service agreements.

BUSINESS

In addition to the above business data, we 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. The personal data we collect from employees of commercial banks, automobile finance companies and automobile dealerships when they register in our systems to use our services primarily include their names, phone numbers, job titles and work emails.

We have adopted various internal control measures and policies to ensure data security and privacy protection in relation to our internal operational data, as well as external data, such as customer data obtained through our information systems. Access to our information systems requires (i) the requisite level of permission; and (ii) identity authentication, including password. Certain sensitive data are encrypted and can only be accessed or desensitized for display with the authorization of a business segment manager of the relevant business unit. We have explained the terms and conditions to our users and have also gained their prior consent to the privacy policies of our systems before collecting their data. We implement strict access control to our physical server rooms and various online applications and systems, and only grant access to employees with legitimate business needs at the appropriate with designated password requirement. All unnecessary access to our database is prohibited. Customer-related data and company confidential information are not allowed to be distributed to external parties or uploaded to the Internet. Customer-related data also cannot be discarded at will unless approved by appropriate authority and in accordance with our internal data management policies. We also continuously monitor the operation status of our various information systems, analyze alarm records on a regular basis, and take necessary countermeasures as needed. We have created an information security management center to centrally monitor information leakage, malicious malware, patch upgrades and security audits. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any information leakage or loss of user data, nor had we been subject to any fines, administrative penalties, or other sanctions by any relevant regulatory authorities in the PRC in relation to violation of cybersecurity, data security and personal data protection laws and regulations. Based on the foregoing, our PRC Legal Advisors are of the view that we are in compliance with the applicable PRC laws and regulations on cybersecurity, data security and personal data protection in all material respects.

AUTOMOBILE DEALERSHIP OPERATION MANAGEMENT SERVICES**Overview**

According to CIC, medium- and small-sized automobile dealerships in China generally lack managerial expertise, technological capabilities and sophisticated human resources system. Such dealerships face problems such as sloppy management and unprofessionalism. In light of the increasingly competitive nature of the automobile sales and distribution industry, medium- and small-sized automobile dealerships may find it difficult to rely solely on their own capabilities to achieve efficient operations, leading to an increasing need for specialized and professional management services. See “Industry Overview—Overview of China’s Automobile Dealership Operation Management Services Market.” To cater to such need, we began offering management services to medium- and small-sized automobile dealerships that seek more optimal business and financial performance in April 2022.

Our automobile dealership operation management services consist of automobile dealerships operational support, data system and managerial services. We initially launched our automobile dealership operation management services in some of Changjiu Group’s automobile dealerships, primarily because (i) we intended to optimize our services before expanding our offering to the wider market in light of our business relationship with Changjiu Group; and (ii) in the post-COVID-19 era, Changjiu Group sought to be the first mover in strategically improving the overall management and operational efficiency of over 70 automobile dealerships that it owned through digitalization. See “—Our Strategic Business Relationship with Changjiu Group” for more information. We believe our experience in providing pledged vehicle monitoring services to financial institutions and automobile dealerships, our national service network and our insights in the automobile sales and distribution industry yield us a comparative advantage over our competitors in the relatively early stage of the automobile dealership operation management market.

Since we commenced providing automobile dealership operation management services in April 2022, we had expanded our presence to 31 cities across 14 provinces in China. As of June 30, 2023, we had entered into 5 automobile dealership operation management service agreements with dealerships owned by Independent Third Parties. The table below sets forth information on these five dealerships owned by Independent Third Parties.

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	Dealership A ⁽²⁾	Dealership B ⁽²⁾	Dealership C ⁽³⁾	Dealership D ⁽³⁾	Dealership E
Location	Shouguang, Shandong	Shouguang, Shandong	Hengyang, Hunan	Hengyang, Hunan	Jinan, Shandong
Scale of operations (registered capital)	RMB10.0 million	RMB10.0 million	RMB7.0 million	RMB10.0 million	RMB50.0 million
Financial standing (revenue in 2022)⁽¹⁾	RMB162.7 million	RMB107.2 million	RMB143.7 million	RMB122.8 million	N/A ⁽⁴⁾
Years of establishment	2010	2017	2000	2002	2017
Business acquaintance	Through business development				
Term of service agreement	18 months	18 months	15 months	Five years	12 months
Scope of services	Professional services on business strategy and operation management; access to Smart Star; and support from the auto parts and supply procurement channels				
Whether we have recognized revenue	No	No	No	Yes	No

Notes:

- (1) Source of data: Due diligence report prepared by an Independent Third Party business information company that we engaged.
- (2) The ultimate beneficial owner of Dealership A is also one of the ultimate beneficial owners of Dealership B and an Independent Third Party.
- (3) Dealerships C and D are owned by the same ultimate beneficial owner who is an Independent Third Party.
- (4) Dealership E is a private enterprise, and its financial standing is not publicly available.

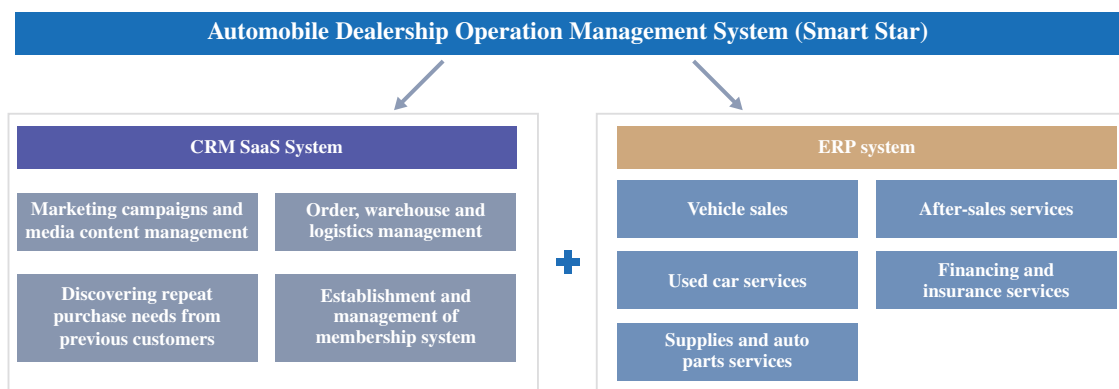
Our Directors confirmed that none of our Group, our directors, shareholders or senior management, or any of their respective associates, had any past or present relationship, transaction or arrangement with any of the aforementioned five automobile dealerships or their respective associates during the Track Record Period and up to the Latest Practicable Date.

As of the Latest Practicable Date, we had also entered into non-legally binding letters of intent for our automobile dealership operation management services with 144 automobile dealerships, all of which are owned by Independent Third Parties. After signing the letters of intent, we typically (i) engage in further communication and negotiation with the automobile dealerships; (ii) commence evaluation of the automobile dealerships; and (iii) decide whether to enter into formal agreements with the automobile dealerships based on the evaluation reports, subject to market condition, our capacity and other commercial considerations.

Operation Management System

To better support our provision of automobile dealership operation management services, we utilized an operation management system tailored for managing the daily operations of automobile dealerships, namely Smart Star (“智科星”), that consists of a customer relationship management (“CRM”) software-as-a-service (“SaaS”) system and an enterprise resource planning (“ERP”) system.

The following diagram illustrates our operation management system and how it facilitates our automobile dealership operation management services and enables us to manage automobile dealerships of different sizes and locations.



Our CRM SaaS system leverages data analytics for customer sourcing, sales management, marketing and promotions, and after-sales management. It helps automobile dealerships attract and retain customers by (i) launching marketing campaigns and managing media content; (ii) managing orders, warehouse and logistics of vehicles sales; (iii) creating user profiles and discovering repeat purchase needs from previous customers; and (iv) establishment and management of membership system.

Our ERP system is equipped with business planning and tax management modules. It supports automobile dealerships’ (i) vehicle sales services through integrated management of prospective and potential customers, business process and orders for new vehicles; (ii) after-sales services through management of appointment, service provision and payment; (iii) financing and insurance services through management of customers’ automobile loans, automobile insurances and warranties; (iv) supplies and auto parts services through collective procurement of spare auto parts and inventory management; and (v) used car services through integrated management of purchase, storage, refurbishment, evaluation, pricing, consignment or replacement of used cars.

Scope of Services

Operation Management Services

Before providing operation management services, we typically develop an understanding of prospective customers' needs through onsite visits, interviews and preliminary data analysis. If we uncover any issues that might be risky or detrimental to the operation of an automobile dealership, we might decide not to provide our operation management services to such automobile dealership. Once we on-board an automobile dealership, we provide services that assist automobile dealerships' marketing, sales of vehicles and automobile insurance, maintenance and regulatory inspection, such as compliance with relevant fire safety and environmental laws and regulations; grant automobile dealerships access to our operation management system, namely Smart Star (“智科星”), allowing them to categorize, process and visualize their operational data, such as inventory level, sales and number of customers; and provide automobile dealerships technology and human resource support, and help optimize and standardize their financial and accounting systems.

As the number of automobile dealerships under our management increases, we would be able to collect and analyze more samples, and our capability and efficiency of tailoring services to automobile dealerships in different regions under different market conditions grow in tandem.

Key Terms of Operation Management Service Agreements

Our operation management service agreements with automobile dealerships typically include the following key terms:

- *Dealerships serviced.* The agreements specify the entities to which we will be providing automobile dealership operation management services.
- *Scope of services.* The agreements set out the scope of our services, which typically includes our provision of (i) both onsite and remote professional services on business strategy, operation management and professional training of management teams; (ii) access to our digital system; and (iii) support from the auto parts and supply procurement channels, which we could recommend and refer to automobile dealership customers based on our operation team's previous supplier resources which we understand from historical business development, as well as our business connections with financial institutions. The professional services on business strategy and support from auto parts and supply procurement channels that we provide are primarily based on (i) years of experience that our employees cultivated from the automobile sales and distribution industry; and (ii) our experience from our provision of pledged vehicle monitoring services as well as interactions with automobile dealerships.
- *Term of service.* The agreement term is typically three years from the date of signing. The agreements may be renewed upon both parties' mutual consent in writing at least a month before the expiration dates of the agreements. Otherwise, the agreements will be automatically terminated after their expiration dates.

BUSINESS

- *Payment methods and pricing.* We typically charge an annual management fee according to a schedule. Automobile dealerships are typically responsible for paying us a fixed management fee according to the following schedule: (i) 0.1% of their expected annual revenue payable within 15 days following the signing date of the automobile dealership operation management service agreements; and (ii) 0.4% of their actual quarterly revenue payable within seven days following the end of each of the subsequent quarters. See “—Pricing—Pricing Models—Automobile Dealership Operation Management Services.” We also charge a late fee for overdue operation management service fees, which is typically 0.05% of the overdue amount, compounded daily.
- *Performance standards.* The agreements set forth specific standards and expectations for our main services. We are typically responsible for assisting automobile dealerships to (i) formulate annual business objectives, work plans and marketing strategies; (ii) determine operating budgets; (iii) streamline the operation process and improve the financial internal control systems of automobile dealerships; and (iv) provide trainings to their employees.
- *Automobile dealerships’ rights and obligations.* The automobile dealerships retain the right to make material decisions with respect to their business operations, and are entitled to supervise our services according to the standards included in the agreement. The automobile dealerships are typically responsible for cooperating with our work, coordinating with the local government and regulatory agencies, and providing water, electricity, gas, telecommunication and other utilities. The automobile dealerships also bear all operating costs and expenses, including but not limited to purchase, marketing and sales expenses of vehicles, purchase and installation expenses of equipment and facility, interior decoration expenses and wages.
- *Our rights and obligations.* We are entitled to receive operation management service fees according to the relevant provisions in the agreement. We are responsible for providing the services included in the agreement, cooperating with the supervision by automobile dealerships and offering relevant records and materials as necessary.
- *Intellectual property.* Automobile dealerships shall not use our trademarks, logos, trade names, trade secrets or other intellectual property without our authorization. Except as stipulated in the agreement or otherwise agreed in writing by us, automobile dealerships do not have any right in any of our intellectual property. In addition, automobile dealership shall not copy or imitate the products or services provided by us.
- *Dispute resolution.* Parties are typically required to resolve any contractual dispute through negotiation first, failing which the dispute is to be resolved through court proceedings or other legal proceedings.

PRICING

Pricing Models

Pledged Vehicle Monitoring Services

For our pledged vehicle monitoring services, we primarily use a cost-plus pricing model. Costs of our pledged vehicle monitoring services may vary depending on the average local salary and the manpower required. Markup may vary depending on (i) the city tier of the automobile dealerships and their pledged vehicles; and (ii) the scope of our services. We charge our related parties and Independent Third Parties for our pledged vehicle monitoring services according to the same fee schedule.

The monthly fees that we charge for our pledged vehicle monitoring services and lockbox services primarily depend on (i) city tiers, which takes into consideration the difference in labor costs in different cities; (ii) management model, which takes into consideration the time that the staff designated by our subcontractors is needed onsite and the difference in assignment of obligations; and (iii) service model, which takes into consideration the number of automobile dealerships to which a staff provides services and the corresponding subcontracting costs per dealership. Typically, all else being equal, the higher the city tier, the higher the subcontracting costs, which leads to higher monthly service fee per dealership; and the more dealerships a staff provides services to, the lower the subcontracting costs per dealership, which leads to lower monthly service fee per dealership. During the Track Record Period, the average service fee for our pledged vehicle monitoring services and lockbox services was approximately RMB3,400 per month/per service agreement, which aligns with the industry average according to CIC.

The monthly fees that we charge for our collective vehicle conformity certificate management services primarily depend on (i) the number of automobile dealerships for which we collectively manage their vehicle conformity certificates; and (ii) the number of vehicle conformity certificates that we take custody of. Also, due to the physical limit of the storage space in our lockboxes, we might need to arrange for additional lockboxes to accommodate for the vehicle conformity certificates which exceed the storage capacity of our existing lockboxes. During the Track Record Period, the service fee for our collective vehicle conformity certificate management services was (i) RMB400.0 per month per pledged vehicle monitoring service agreement when we collectively managed vehicle conformity certificates under ten service agreements or more; and (ii) RMB800.0 per month per pledged vehicle monitoring service agreement when we collectively managed vehicle conformity certificates under less than ten service agreements, which falls within the industry range according to CIC. We charged RMB400.0 per month per service agreement when we managed vehicle conformity certificates under ten service agreements or more, and RMB800.0 per month per service agreement when we managed vehicle conformity certificates under less than ten service agreements, primarily base on the commercial rationale and industry experience that when providing vehicle conformity management services under ten or more service agreements, we could realize greater economies of scale, more fully utilize our onsite staff and further reduce the unit cost for managing vehicle conformity certificates for each dealership.

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During the Track Record Period, the service fee for our counting services ranged from RMB100.0 to RMB1,000.0 per counting service, depending on various factors, such as (i) the respective locations of our onsite counting staff and the automobile dealerships; (ii) the objects to be counted, which include pledged vehicles, vehicle conformity certificates and car keys; and (iii) whether reports and photographs are needed, which falls within the industry range according to CIC.

The service fees for, and the revenue from, our pledged vehicle monitoring services relate to the number of automobile dealerships to which we provide services instead of the number of pledged vehicles underlying the service agreements, primarily because we use our VFS system and hardware, including the RFID labels, PDAs and OBD devices, to monitor and collect data on a large number of pledged vehicles simultaneously, and our Directors are of the view that we only incur marginal cost for monitoring additional pledged vehicles.

Automobile Dealership Operation Management Services

During the Track Record Period, we charged automobile dealerships owned by Changjiu Group, which constituted the majority of customers of our automobile dealership operation management services, an annual management fee according to the following schedule: (i) 0.1% of the automobile dealership's expected annual revenue payable within 15 days following the signing date of the automobile dealership operation management service agreement; and (ii) 0.4% of the actual quarterly revenue payable within seven days following the end of each of the subsequent quarters.

However, due to the relatively early stage of automobile dealership operation management services, service providers, including us, are still exploring other pricing models and fee structures, such as variable management fee or incentive fee, that could better facilitate automobile dealership operation management services. For instance, in 2022 and the six months ended June 30, 2023, we adopted a combination of service fees in the five operation management service agreements that we entered into with the automobile dealerships owned by Independent Third Parties. As such, our pricing model and service fee are subject to negotiation with automobile dealerships on a case-by-case basis and may vary depending on our service scope and costs. Despite the different fee structures, the overall pricing and major terms of the five operation management service agreements were comparable with those of the operation management service agreements that we entered into with automobile dealerships owned by Changjiu Group.

Based on the automobile dealership operation management service agreements that we had entered into as of June 30, 2023, the management fees that we charge principally range from 0.3% to 0.5% of a dealership's annual revenue, subject to adjustment with respect to a predetermined profit target. According to CIC, our pricing falls within the industry range, which was between 0.2% and 0.5% of an automobile dealership's annual revenue. See "Industry Overview—Sources of Information."

We issue demand notes to our customers prior to payment due dates, and typically receive payments for our services after the issuance of the demand note. We primarily accept payments for service fees through online payment platforms and bank transfers.

OUR STRATEGIC BUSINESS RELATIONSHIP WITH CHANGJIU GROUP**Overview**

We have a longstanding strategic relationship with Changjiu Group, which can be traced back to 2006 when we were part of Changjiu Industrial. In 2020, 2021, 2022 and the six months ended June 30, 2023, our revenue generated from Changjiu Group amounted to RMB0.7 million, RMB8.7 million, RMB81.1 million and RMB49.5 million, respectively, accounting for 0.2%, 1.8%, 14.8% and 16.0% of our total revenue, respectively. For our pledged vehicle monitoring services, the revenue that we derived from automobile dealerships of Changjiu Group regardless of the paying parties amounted to RMB0.4 million, RMB0.5 million, RMB0.4 million and RMB0.2 million, respectively, accounting for 0.1%, 0.1%, 0.1% and 0.1% of our total revenue, respectively, in 2020, 2021, 2022 and the six months ended June 30, 2023. In April 2022, leveraging our experience in providing pledged vehicle monitoring services to financial institutions and automobile dealerships, national service network and insights in the automobile sales and distribution industry, we began offering automobile dealership operation management services to diversify our services and revenue sources. In order to optimize our services before expanding our offering to the wider market and in light of our strategic business relationship with Changjiu Group, we initially launched our automobile dealership operation management services through Changjiu Group's automobile dealerships. As of June 30, 2023, we were contracted to manage 74 of Changjiu Group's automobile dealerships, and derived substantially all of revenue from automobile dealership operation management services from them.

Business Transfer of Pledged Vehicle Monitoring Services from Changjiu Industrial

Prior to our establishment in September 2016, Changjiu Industrial had provided pledged vehicle monitoring services to financial institutions and automobile dealerships since 2006. 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. As of November 30, 2021, the entire operation team and all related personnel of the pledged vehicle monitoring services had been transferred into our Group from Changjiu Industrial. For more information, see "History, Reorganization and Corporate Structure—Reorganization—Onshore Reorganization—Business transfer of pledged vehicle monitoring services."

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 with reference to their contract value as of November 30, 2021. Such consideration had been fully settled as of the Latest Practicable Date. Apart from the service agreements that were transferred to us from Changjiu Industrial, we procured 3,198, 4,433, 5,943 and 3,443 new pledged vehicle monitoring service agreements in 2020, 2021, 2022 and the six months ended June 30, 2023, respectively, from both new customers that had not used, and returning customers that had previously used, the pledged vehicle monitoring services provided by either Changjiu Group or us.

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In December 2021, the year ended December 31, 2022 and the six months ended June 30, 2023, the number of new contracts that we entered into with customers who were not customers of Changjiu Industrial was 519, 5,653 and 3,382, respectively, accounting for 93.3%, 88.2% and 98.2% of the total new contracts that we procured, respectively, with contract value⁽¹⁾ of RMB21.2 million, RMB230.6 million and RMB138.0 million, respectively.

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. The Unassigned Agreements involved 23 financial institution customers and 524 automobile dealership customers, and had an aggregate contract value⁽¹⁾ of RMB21.4 million as of the Latest Practicable Date. 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.

The entrustment agreement also lays out that (i) Changjiu Industrial will transfer all the pledged vehicle monitoring service fees that it collects under the Unassigned Agreements to us on a monthly basis; (ii) Changjiu Industrial undertakes that it will not enter into new pledged vehicle monitoring service agreements with other financial institutions or automobile dealerships after the effective date of the entrustment agreement; (iii) if any term of the entrustment agreement violates or conflicts with the Listing Rules, we will first try to correct the violation or resolve the conflict through negotiation with Changjiu Industrial and amendment of the entrustment agreement; if negotiation and amendment of the entrustment agreement fail to correct the violation or resolve the conflict, we have the right to cease upholding our contractual obligations under the relevant terms of the entrustment agreement; and (iv) if the Stock Exchange rejects, revokes or changes the waiver granted to the continuing connected transactions under the entrustment agreement, whether or not for reasons arising from the Listing Rules, both parties undertake that we will modify and re-execute the entrustment agreement to ensure both parties’ interests remain unaffected. See “Connected Transactions—Non-exempt Continuing Connected Transactions—(4) Entrustment Agreement” for details. As of the Latest Practicable Date, there were 524 Unassigned Agreements, involving 23 financial institution customers and 524 automobile dealership customers.

Note:

- (1) Contract value is estimated and calculated by multiplying (i) the average service fee of our pledged vehicle monitoring services of approximately RMB3,400 per month per automobile dealership during the Track Record Period by (ii) the number of new contracts independently procured by us, or the number of Unassigned Agreements, as the case may be, during the relevant period and by (iii) 12 months.

The average service fee of our pledged vehicle monitoring services is calculated by dividing (i) the average revenue that we generated from pledged vehicle monitoring services and lockbox services per month during the Track Record Period by (ii) the average number of automobile dealerships at the beginning and the end of each period during the Track Record Period.

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Considering that (i) Changjiu Industrial also entrusts Changjiu Jinfu to process data relating to the pledged vehicles and its customers, such as their contact information, to facilitate our provision of the entrusted pledged vehicle monitoring services; and (ii) such data collected and stored by Changjiu Jinfu have been used exclusively for our provision of the entrusted pledged vehicle monitoring services under the Unassigned Agreements, our PRC Legal Advisors are of the view that Changjiu Jinfu is an entrusted data processor when processing data for the purpose of providing the entrusted services under the Unassigned Agreements, and the Personal Information Protection Law of the PRC does not require Changjiu Industrial to obtain the customers' prior consent to Changjiu Jinfu's entrusted data processing activities for the purpose of providing pledged vehicle monitoring services.

To provide the entrusted pledged vehicle monitoring services, we have adopted and implemented necessary internal policies and technical measures to protect the security of the data collected and stored by Changjiu Jinfu. Changjiu Jinfu has also completed a cybersecurity multi-level protection scheme for the VFS system in accordance with the applicable cybersecurity and data security laws to strengthen its data security capabilities. During the Track Record Period and up to the Latest Practicable Date, we have not received any notice, inquiry or warning from relevant government authorities for violation of data security requirements. Based on the foregoing, our PRC Legal Advisors are of the view that our entrusted data processing activities under the Unassigned Agreements are in compliance with applicable data security law and regulations in all material aspects.

Mutually Beneficial and Complementary Relationship with Changjiu Group

Our Directors are of the view that the business relationship between us and Changjiu Group is mutually beneficial and complementary, and presents a sustainable business model, primarily because (i) before the Reorganization, we were part of Changjiu Industrial and provided pledged vehicle monitoring services to financial institutions and automobile dealerships in such capacity for ten years; (ii) we were the largest pledged vehicle monitoring service provider in China's automobile sales and distribution industry based on revenue in 2022 and the number of automobile dealership users as of December 31, 2022, and have accumulated vast experience dealing with automobile dealerships as well as profound industry insight; and (iii) our long-standing relationship and track record have led to our familiarity with the standards and requirements of Changjiu Group, enabling us to reduce communication costs, build mutual trust and constantly provide high quality services that meet Changjiu Group's demand and requirements for automobile dealership operation management services, which in turn allows us to reinforce our market position and enhance our competitiveness in the emerging automobile dealership operation management industry.

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As it is commercially beneficial for both Changjiu Group and our Group to maintain a stable business relationship, our Directors consider that our business relationship with Changjiu Group is unlikely to be terminated or materially or adversely changed. Going forward, in light of such mutually beneficial and complementary business relationship, and considering our longstanding cooperation with Changjiu Group, few service providers that are capable of offering automobile dealership operation management services and the amount of time and efforts required to identify and engage a new service provider with comparable experience and ability to provide services to comparable standard and scope, we believe our automobile dealership operation management services distinguish us from our competitors and we will continue to secure future engagements from Changjiu Group, and it would be difficult for Changjiu Group to select and engage a new operation management service provider to replace us.

Our Cooperation with Independent Third Parties

During the Track Record period, we had been proactively sourcing projects and generated the majority of our revenue from Independent Third Parties. In 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, revenue contribution from Independent Third Parties was RMB428.9 million, RMB468.4 million, RMB466.0 million, RMB224.2 million and RMB259.8 million, respectively, which accounted for 99.6%, 98.0%, 85.1%, 86.7% and 84.0% of our total revenue, respectively. In particular, in our pledged vehicle monitoring services segment, a vast majority of our pledged vehicle monitoring service agreements we procured during each year of the Track Record Period were with Independent Third Parties.

By contrast, we started the automobile dealership management services business segment in April 2022, and procured only one, or 1.4%, of our automobile dealership operation management service agreements from an Independent Third Party that year. To further diversify the customer base of our automobile dealership operation management services, we set up a business development team in 2022 to (i) formulate a standardized business outreach process; (ii) design business development tools, such as assessment models and due diligence questionnaires; and (iii) prepare relevant legal documents. As of the Latest Practicable Date, our business development team under the automobile dealership operation management segment consisted of eight members.

Due to the relatively early stage of our automobile dealership operation management services, it took time to complete preliminary business negotiations and due diligence. As of June 30, 2023, we had commenced our services under one of the five operation management service agreements that we had entered into with automobile dealerships owned by Independent Third Parties. In 2022 and the six months ended June 30, 2023, we recorded gross loss from the operation management services that we provided to such automobile dealership owned by an Independent Third Party, primarily due to certain upfront costs that we incurred before our service provision in preparation for the expansion of this business segment, such as staff costs for preliminary dealership evaluation and due diligence. For more information, please see “Financial Information—Description of Certain Consolidated Statements of Profit or Loss Items—Gross Profit and Gross Profit Margin.” Nevertheless, our experience dealing

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with automobile dealerships from our provision of pledged vehicle monitoring services and our understanding of the automobile sales and distribution industry in China yield us a comparative advantage over our competitors, such as startup software companies and internet platform companies which may lack the in-depth understanding of the automobile sales and distribution industry. As of September 30, 2023, we had entered into five automobile dealership operation management service agreements and 144 non-legally binding letters of intent for our automobile dealership operation management services with automobile dealerships owned by Independent Third Parties.

Given that we have been optimizing our automobile dealership operation management services since we launched it in April 2022, we intend to conduct marketing activities prudently to maximize cost-efficiency. As such, we plan to gradually diversify the customer base of our automobile dealership operation management services without engaging excessive manpower through (i) targeted business development via our dedicated personnel; and (ii) broader marketing efforts to enhance our customer reach. Our business development department primarily targets automobile dealerships that seek to improve their business operations and financial performance. It has formulated ten standard service procedures for business development, including discovery of potential customers, customer visits and negotiation of letters of intent, data collection and profit forecasting, evaluations of potential customers, negotiation and signing of official service agreements, as well as due diligence and budgeting, to ensure effective customer acquisition, and is establishing an annual business development plan to compete with other market participants, including the number of new potential automobile dealerships that we target to visit and convert to our customers in each month. We will also enhance customer reach and incentivize business inquiries through broader marketing efforts. We plan to enrich the description of our services on various online channels to lay out our (i) industry experience; (ii) service offering; (iii) the technologies, such as our information system and hardwares, that support our services; (iv) the value we could create for our customers; and (v) our competitive advantages as compared to other market participants.

Considering (i) that the members in our business development department have an average of over ten years of industry experience and in depth understanding of the managerial services that we are capable of providing; and (ii) the comprehensiveness of our services and track record of our performance, our Directors are of the view that setting up a business development department and enriching descriptions of our services online are effective means for diversifying our customer base at this stage. Our Directors will also keep monitoring the effectiveness of our marketing approach and adjust it as needed in response to market development and customer feedback. Through the aforesaid marketing plan, we anticipate that more automobile dealerships will procure our services, and we will continually strive to materialize the letters of intent that we entered with automobile dealerships.

BUSINESS

SALES AND MARKETING

The sales and marketing team at our headquarter is responsible for (i) developing our overall marketing strategies and objectives; (ii) conducting market research and organizing our sales and marketing events; (iii) maintaining customer relationships with financial institutions and third-party automobile dealerships; and (iv) communicating with other companies in the automobile sales and distribution industry and taking initiative to participate in industry events to learn from the advanced marketing strategy in the industry.

We implement our sales and marketing strategies primarily through the staff designated by our subcontractors that provide onsite supervision services, who also assist us with local ground marketing. These staff are expected to explore and seize business opportunities within their respective localities for business development and market research purposes by way of (i) establishing contact with automobile dealerships that may need our services; (ii) promoting our services; (iii) communicating with our regional headquarters regarding any potential business opportunity; and (iv) assisting the signing of service agreements.

We actively strive to form new and maintain existing business relationships with potential customers. From time to time we also organized events, such as press conferences, to promote or showcase our products and service offerings.

CUSTOMERS

We have a large and growing customer base primarily consisting of financial institutions, which mainly include commercial banks and automobile finance companies, and automobile dealerships. For our pledged vehicle monitoring services, we typically enter into tripartite agreements with financial institutions and automobile dealerships. Although our pledged vehicle monitoring services are designed to help financial institutions manage secured financing provided to automobile dealerships, we consider the paying party under such tripartite agreements as our customer, which may be either financial institutions or automobile dealerships, depending on the negotiation among the contracting parties, and we consider both financial institutions and automobile dealerships as our users. See “—Pledged Vehicle Monitoring Services—Key Terms of Pledged Vehicle Monitoring Service Agreements” for more details.

Our customers also include Changjiu Industrial. 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

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Reorganization—Business transfer of pledged vehicle monitoring services.” As of the Latest Practicable Date, Changjiu Industrial had entrusted us to provide pledged vehicle monitoring services under its then existing pledged vehicle monitoring service agreements that had not been transferred to us. See “Connected Transactions—Non-exempt Continuing Connected Transactions—(4) Entrustment Agreement.”

Except as disclosed in “History, Reorganization and Corporate Structure” and “Connected Transactions,” Changjiu Group did not refer any other customer to us.

The following table sets forth the types of our major customers for each of our two business lines.

<u>Business line</u>	<u>Major customers</u>
Pledged vehicle monitoring services	Financial institutions, which mainly include commercial banks and automobile finance companies, automobile dealerships and Changjiu Industrial
Automobile dealership operation management services	Automobile dealerships

During the Track Record Period, our major customers did not include general automobile trading stores.

During the Track Record Period, revenue from sales to our five largest customers in that year/period amounted to RMB143.6 million in 2020, RMB167.9 million in 2021, RMB279.3 million in 2022 and RMB173.9 million in the six months ended June 30, 2023, which accounted for 33.3%, 35.1%, 51.0% and 56.2% of our total revenue, respectively. During the Track Record Period, revenue derived from sales to our single largest customer in that year/period amounted to RMB38.8 million in 2020, RMB62.2 million in 2021, RMB89.8 million in 2022 and RMB56.5 million in the six months ended June 30, 2023, which accounted for 9.0%, 13.0%, 16.4% and 18.3% of our total revenue, respectively. In 2022 and the six months ended June 30, 2023, revenue derived from Changjiu Industrial, our related party and second largest customer for those periods, amounted to RMB81.1 million and RMB49.5 million, respectively, accounting for 14.8% and 16.0% of our total revenue, respectively. We accept payments through bank transfers.

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Since we are the largest service provider in the pledged vehicle monitoring service market in China, we typically established relationship and subsequently became acquainted with our five largest customers who valued our national service coverage and industry experience in each of the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023. The following tables set out certain details of our five largest customers during the Track Record Period.

Six months ended June 30, 2023

Ranking	Customer ⁽¹⁾	Customer type	Major services provided by us	Year of commencement of business relationship	Transaction amount	Percentage of our total revenue	Relationship with us
					<i>RMB'000</i>	<i>%</i>	
1	Customer A ⁽³⁾	Commercial bank	Pledged vehicle monitoring services	2012	56,483	18.3	Independent Third Party
2	Changjiu Industrial ⁽¹¹⁾	Automobile sales and distribution service provider	Pledged vehicle monitoring services and automobile dealership operation management services	2016	49,522	16.0	Related Party
3	Customer B ⁽⁵⁾	Commercial bank	Pledged vehicle monitoring services	2006	34,228	11.1	Independent Third Party
4	Customer C ⁽⁶⁾	Commercial bank	Pledged vehicle monitoring services	2015	18,696	6.0	Independent Third Party
5	Customer G ⁽¹⁰⁾	Commercial bank	Pledged vehicle monitoring services	2018	14,977	4.8	Independent Third Party
					173,906	56.2	

BUSINESS

2022

Ranking	Customer ⁽¹⁾	Customer type	Major services provided by us	Year of commencement of business relationship ⁽²⁾	Transaction amount	Percentage of our total revenue	Relationship with us
					<i>RMB'000</i>	<i>%</i>	
1	Customer A ⁽³⁾	Commercial bank	Pledged vehicle monitoring services	2012	89,801	16.4	Independent Third Party
2	Changjiu Industrial ⁽¹¹⁾	Automobile sales and distribution service provider	Pledged vehicle monitoring services and automobile dealership operation management services	2016	81,147 ⁽⁴⁾	14.8	Related party
3	Customer B ⁽⁵⁾	Commercial bank	Pledged vehicle monitoring services	2006	61,483	11.2	Independent Third Party
4	Customer C ⁽⁶⁾	Commercial bank	Pledged vehicle monitoring services	2015	26,852	4.9	Independent Third Party
5	Customer D ⁽⁷⁾	Automobile dealership and automobile finance company	Pledged vehicle monitoring services	2014	20,057	3.7	Independent Third Party
					<u>279,340</u>	<u>51.0</u>	

BUSINESS

2021

Ranking	Customer ⁽¹⁾	Customer type	Major services provided by us	Year of commencement of business relationship ⁽²⁾	Transaction amount	Percentage of our total revenue	Relationship with us
					<i>RMB'000</i>	<i>%</i>	
1	Customer A ⁽³⁾	Commercial bank	Pledged vehicle monitoring services	2012	62,195	13.0	Independent Third Party
2	Customer B ⁽⁵⁾	Commercial bank	Pledged vehicle monitoring services	2006	39,467	8.3	Independent Third Party
3	Customer D ⁽⁷⁾	Automobile dealership and automobile finance company	Pledged vehicle monitoring services	2014	27,851	5.8	Independent Third Party
4	Customer E ⁽⁸⁾	Automobile dealership, automobile finance company and automobile manufacturer	Pledged vehicle monitoring services	2016	27,300	5.7	Independent Third Party
5	Customer C ⁽⁶⁾	Commercial bank	Pledged vehicle monitoring services	2015	11,125	2.3	Independent Third Party
					<u>167,938</u>	<u>35.1</u>	

BUSINESS

2020

Ranking	Customer ⁽¹⁾	Customer type	Major services provided by us	Year of commencement of business relationship ⁽²⁾	Transaction amount	Percentage of our total revenue	Relationship with us
					<i>RMB'000</i>	<i>%</i>	
1	Customer D ⁽⁷⁾	Automobile dealership and automobile finance company	Pledged vehicle monitoring services	2014	38,767	9.0	Independent Third Party
2	Customer B ⁽⁵⁾	Commercial bank	Pledged vehicle monitoring services	2006	37,656	8.7	Independent Third Party
3	Customer A ⁽³⁾	Commercial bank	Pledged vehicle monitoring services	2012	37,043	8.6	Independent Third Party
4	Customer E ⁽⁸⁾	Automobile dealership, automobile finance company and automobile manufacturer	Pledged vehicle monitoring services	2016	22,616	5.3	Independent Third Party
5	Customer F ⁽⁹⁾	Automobile dealership	Pledged vehicle monitoring services	2014	7,486	1.7	Independent Third Party
					<u>143,568</u>	<u>33.3</u>	

Notes:

- (1) The transaction amounts of each of our top five customers and its branches or subsidiaries are combined on a group basis.
- (2) Certain customers commenced their business relationship with us prior to 2016 when we were part of Changjiu Industrial.
- (3) Customer A is a commercial bank established in 1987 with a strong position in the banking industry in mainland China and business operations in major cities across the world, such as Hong Kong, New York, Los Angeles, Singapore and London. Customer A's services primarily include retail banking, corporate banking, private banking, wealth management, savings and personal loans. As of the Latest Practicable Date, Customer A's size of operation measured by market capitalization was approximately RMB226.6 billion.
- (4) The transaction amount was composed of (i) fees for our pledged vehicle monitoring services under the entrustment arrangements between Changjiu Industrial and us; and (ii) fees for our automobile dealership operation management services.

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- (5) Customer B is a Chinese joint-stock commercial bank headquartered in Shenzhen and established in 1987 with primary operations in mainland China and a representative branch in Hong Kong. Customer B's services primarily include retail banking and corporate banking. As of the Latest Practicable Date, Customer B's size of operation measured by market capitalization was approximately RMB175.2 billion.
- (6) Customer C is a Chinese commercial bank based in Fuzhou, Fujian Province established in 1988. Customer C's services primarily include retail banking, corporate banking and institutional banking. As of the Latest Practicable Date, Customer C's size of operation measured by market capitalization was approximately RMB297.7 billion.
- (7) Customer D is a Chinese state-owned automobile manufacturer established in 1955 headquartered in Shanghai and the controlling shareholder of certain automobile dealerships and automobile finance companies to which we provided pledged vehicle monitoring services. Customer D is currently the largest state-owned automobile manufacturer in China, and produces and sells both traditional vehicles and NEVs under its own brand as well as joint ventures with foreign brands. The transaction amount of such automobile dealerships and automobile finance companies under common control have been combined. As of the Latest Practicable Date, Customer D's size of operation measured by market capitalization was approximately RMB155.2 billion.
- (8) Customer E is a holding company established in 1984 and the controlling shareholder of certain automobile dealerships, automobile finance companies and automobile manufacturers to which we provided pledged vehicle monitoring services. The transaction amount of such automobile dealerships, automobile finance companies and automobile manufacturers under common control have been combined.
- (9) Customer F is an automobile dealership established in 1999 headquartered in Liaoning. Customer F primarily sells luxury vehicles, used vehicle and auto parts, and provides vehicle maintenance and financial leasing services. As of the Latest Practicable Date, Customer F's size of operation measured by market capitalization was approximately RMB13.8 billion.
- (10) Customer G is a commercial bank headquartered in Beijing and established in 1992. Customer G's services primarily include personal banking, corporate banking and institutional banking. As of the Latest Practicable Date, Customer G's size of operation measured by market capitalization was approximately RMB157.8 billion.
- (11) Representing Changjiu Industrial itself and its subsidiaries.

As of the Latest Practicable Date, none of our Directors, their close associates or any Shareholders who, to the knowledge of our Directors, owned more than 5.0% of our issued share capital had any interest in any of our five largest customers during the Track Record Period (other than Changjiu Industrial).

SUPPLIERS

During the Track Record Period, we (i) outsourced certain services, primarily including pledged vehicle monitoring services, collective vehicle conformity certificate management services and counting services, to subcontractors; and (ii) procured from third-party manufacturers of our RFID labels, patented PDAs and OBD devices for our pledged vehicle monitoring services, and patented electronic lockboxes for our lockbox services.

BUSINESS

The following table sets forth the types of our major suppliers for our two business lines.

<u>Business line</u>	<u>Major suppliers</u>
Pledged vehicle monitoring services	Subcontractors who provide onsite supervision services (including pledged vehicle monitoring services, collective vehicle conformity certificate management services and counting services) and manufacturers of RFID labels, PDAs, OBD devices and lockboxes
Automobile dealership operation management services	N/A ⁽¹⁾

Note:

(1) We generally provide automobile dealership operation management services through our own employees.

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 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.

Except as disclosed in “History, Reorganization and Corporate Structure” and “Connected Transactions,” Changjiu Group did not refer any other supplier to us.

BUSINESS

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

Six months ended June 30, 2023

Ranking	Supplier	Major services/products provided to us	Year of commencement of business relationship	Transaction amount	Percentage of our total cost of sales	Relationship with us
				<i>RMB'000</i>	<i>%</i>	
1	Supplier A	Outsourcing service	2022	154,019	87.5	Independent Third Party
2	Supplier D	Electronic tag	2020	1,051	0.6	Independent Third Party
3	Supplier H ⁽⁹⁾	Outsourcing service	2021	987	0.6	Independent Third Party
4	Supplier I ⁽¹⁰⁾⁽¹²⁾	Online ticket booking service	2023	631	0.4	Independent Third Party
5	Supplier J ⁽¹¹⁾⁽¹²⁾	Online ticket booking service	2023	490	0.3	Independent Third Party
				<u>157,178</u>	<u>89.4</u>	

2022

Ranking	Supplier	Major services/products provided to us	Year of commencement of business relationship	Transaction amount	Percentage of our total cost of sales	Relationship with us
				<i>RMB'000</i>	<i>%</i>	
1	Supplier A ⁽¹⁾	Outsourcing service	2022	119,113	36.9	Independent Third Party
2	Supplier B ⁽²⁾	Outsourcing service	2016	112,489	34.8	Independent Third Party
3	Supplier C ⁽³⁾	Outsourcing service	2017	56,046	17.4	Independent Third Party
4	Xunruida Technology (Beijing) Co., Ltd. ⁽⁴⁾	Technology service	2020	11,761	3.6	Related party
5	Supplier D ⁽⁵⁾	Electronic tag	2020	2,918	0.9	Independent Third Party
				<u>302,327</u>	<u>93.6</u>	

BUSINESS

2021

Ranking	Supplier	Major services/products provided	Year of commencement of business relationship	Transaction amount	Percentage of our total cost of sales	Relationship with us
				<i>RMB'000</i>	<i>%</i>	
1	Supplier B ⁽²⁾	Outsourcing service	2016	211,427	71.6	Independent Third Party
2	Supplier C ⁽³⁾	Outsourcing service	2017	69,241	23.4	Independent Third Party
3	Supplier D ⁽⁵⁾	Electronic tag	2020	2,783	0.9	Independent Third Party
4	Supplier E ⁽⁶⁾	Outsourcing service	2019	2,219	0.8	Independent Third Party
5	Supplier F ⁽⁷⁾	OBD device	2020	902	0.3	Independent Third Party
				<u>286,572</u>	<u>97.0</u>	

2020

Ranking	Supplier	Major services/products provided	Year of commencement of business relationship	Transaction amount	Percentage of our total cost of sales	Relationship with us
				<i>RMB'000</i>	<i>%</i>	
1	Supplier B ⁽²⁾	Outsourcing service	2016	223,310	85.4	Independent Third Party
2	Supplier C ⁽³⁾	Outsourcing service	2017	21,691	8.3	Independent Third Party
3	Supplier E ⁽⁶⁾	Outsourcing service	2019	5,339	2.0	Independent Third Party
4	Supplier D ⁽⁵⁾	Electronic tag	2020	2,549	1.0	Independent Third Party
5	Supplier G ⁽⁸⁾	Outsourcing service	2019	2,373	0.9	Independent Third Party
				<u>255,262</u>	<u>97.6</u>	

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Notes:

- (1) Supplier A is a human resource company established in 2020 and headquartered in Guangzhou. Its services primarily include catering management, project management and public relations, human resources, labor services (such as labor outsourcing) and business management consulting.
- (2) Supplier B is a management consulting company established in 2011 and headquartered in Beijing. Its services primarily include human resources and labor services (such as labor outsourcing).
- (3) Supplier C is an information technology company established in 2010 and headquartered in Beijing. Its services primarily include flexible employment, production outsourcing, management consulting and personal agency.
- (4) Xunruida Technology (Beijing) Co., Ltd. is a wholly-owned subsidiary of Changjiu Industrial, which was our second largest customer in 2022.
- (5) Supplier D is a technology company established in 2012 and headquartered in Ningbo. It is a leading provider of RFID products and solutions.
- (6) Supplier E is a human resource consulting company established in 2008 and headquartered in Beijing. Its services primarily include human resources services (such as labor outsourcing) and information consultation.
- (7) Supplier F is a R&D-oriented electronics company established in 2019 and headquartered in Shenzhen. It focuses on providing high-precision positioning products that utilize the BeiDou Navigation Satellite System and other applications.
- (8) Supplier G is a technical consulting company established in 2003 and headquartered in Beijing. Its services primarily include technical consulting, training, import and export of goods and sale of computers, softwares and electronic products.
- (9) Supplier H is a human resource company established in 2021 and headquartered in Hunan. Its primarily provides Internet services and professional human resource services to corporations.
- (10) Supplier I is a travel agency established in 2015 and headquartered in Shanghai. It primarily provides domestic, inbound and outbound touring services and airline ticketing services.
- (11) Supplier J is a travel technology company established in 2015 and headquartered in Beijing. It primarily provides one-stop enterprise business travel solutions, intelligent administrative office solutions and digital employee benefit solutions.
- (12) We launched a new expense control system in 2023 to collectively manage our employees' booking of air tickets through centralized procurement, and engaged Supplier I and Supplier J as our primary travel service providers.

During the Track Record Period, our largest suppliers were typically a primary subcontractor that we engaged to provide human resource support, which we believe expedited the communication of our business needs and facilitated our evaluation and management of subcontractors. In 2020 and 2021, Supplier B, a management consulting company based in Beijing, was our largest supplier and primary subcontractor, and we engaged it mainly for onsite human resource support relating to our pledged vehicle monitoring services. Our transaction amount with Supplier B in 2020 and 2021 was RMB223.3 million and RMB211.4 million, respectively, accounting for 85.4% and 71.6% of our total cost of sales, respectively.

BUSINESS

Nevertheless, we by no means relied on, and it is unlikely that we would be materially and adversely affected by the change of, our largest suppliers or primary subcontractors, considering that (i) we select suitable subcontractors pursuant to our internal procurement standards and procedures; typically there are multiple subcontractors that we could choose from, and we engaged different primary subcontractors during the Track Record Period; and (ii) the staff designated by our subcontractors primarily provide basic onsite tasks, which are highly and readily substitutable. For instance, absent any dispute with Supplier B, we began replacing it with Supplier A, a human resource company in Guangzhou, as our primary subcontractor in the second half of 2022, mainly because our Directors are of the view that Supplier A had (i) a wider range of value-added service offering, such as having a more digitalized system that could connect to our VFS system, allowing us to better monitor the onsite staff it designates; (ii) higher service satisfaction score; and (iii) competitive pricing as compared to Supplier B. As a result, our transaction amount with Supplier B decreased from RMB211.4 million in 2021 to RMB112.5 million in 2022, which accounted for only 34.8% of our total cost of sales, whereas our transaction amount with Supplier A increased from RMB119.1 million, which accounted for 36.9% of our total cost of sales in 2022, to RMB154.0 million, which accounted for 87.5% of our total cost of sales in the six months ended June 30, 2023.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material delay, supply shortages or disruptions in our operations relating our suppliers, or any material product claims attributable to our suppliers. As of the Latest Practicable Date, save for Xunruida Technology (Beijing) Co., Ltd., none of our Directors, their close associates or any Shareholders who, to the knowledge of our Directors, owned more than 5.0% of our issued share capital had any interest in any of our five largest suppliers during the Track Record Period. We typically enter into two-year agreements with our suppliers and renew them after negotiations. Payments to suppliers are typically settled within 30 days after our receipt of suppliers' invoices via bank transfers.

SUBCONTRACTING

In our pledged vehicle monitoring business, we engage outside subcontractors to perform certain onsite tasks, primarily including pledged vehicle monitoring services, collective vehicle conformity certificate management services and counting services. The staff designated by the subcontractors act on our instructions to perform discrete tasks according to the service standards set forth in the relevant subcontracting agreements, and report to our regional managers as needed when they identify potential risk events of automobile dealerships. We regularly monitor and evaluate the performance of our subcontractors, and are solely responsible vis-à-vis our users. We believe such subcontracting arrangements allow us to provide onsite supervision services across China with relatively high cost-efficiency, leverage the human resources of the subcontractors and enhance our profitability. In 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, subcontracting costs amounted to RMB252.8 million, RMB285.5 million, RMB290.2 million, RMB143.9 million and RMB155.4 million, respectively, which accounted for 96.6%, 96.6%, 89.9%, 94.4% and 88.3% of our total cost of sales, respectively.

As of the Latest Practicable Date, none of our Directors, their close associates or any Shareholders which, to the knowledge of our Directors, owned more than 5.0% of our share capital had any interest in any of our five largest subcontractors during the Track Record Period.

Selection and Management of Subcontractors

We typically select qualified subcontractors that meet our service standards through open tendering. Besides the service quality and standards that we explicitly set forth in our subcontracting agreements, we also regularly monitor and evaluate the performance of our subcontractors and may require the subcontractors to take necessary rectification measures when their services do not meet the agreed standards. For more information, see “—Quality Control—Quality Control over Subcontractors.”

Key Terms of Our Subcontracting Agreements

Subcontracting agreements between subcontractors and us typically include the following key terms:

- *Term.* Subcontracting agreements typically have a term of two years and may be renewed upon mutual consent.
- *Our responsibilities.* We are typically responsible for providing the personnel designated by the subcontractor with necessary materials, guidance and access permissions. We are also responsible for supervising and providing feedback on the work performed by the personnel designated by the subcontractor.
- *Obligations of the subcontractor.* The subcontractors are typically responsible for (i) counting pledged vehicles and their vehicle conformity certificates and car keys; (ii) keeping records of the pledged vehicles that we monitor as well as the vehicle conformity certificates and car keys that we manage, and ensuring such records match those on our VFS system; and (iii) releasing vehicle conformity certificates and car keys per financial institutions’ instructions in accordance with the standards prescribed in the relevant subcontracting agreements and in compliance with all applicable laws and regulations. In the event of sub-standard performance, the subcontractors are required to take necessary rectification measures, failing which we have the right to claim damages and penalties, or terminate the agreement. The subcontractors are required to manage their personnel providing the contracted services. The agreements also specify that there is no employment relationship between us and the personnel of the subcontractor.
- *Risk allocation.* The subcontractors are typically required to pay all social insurance and housing provident funds contributions for their personnel in accordance with PRC laws and regulations and bear the liabilities and responsibilities for any non-compliance.

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- *Subcontracting fee.* Subcontracting fees are typically payable by us in or by the middle of every month, including labor costs, tax expenses and other miscellaneous costs incurred by the subcontractor. The subcontractors may also charge a late fee for overdue subcontracting fees, which is typically 0.5% of the overdue amount.
- *Confidentiality.* The subcontractors are not allowed to disclose the content of the agreement to third parties or use the agreement for the promotion of their businesses.
- *Termination.* The subcontracting agreements typically terminate upon the earlier of the expiration date of the employment agreements of all subcontractors' personnels who provide the subcontracted services or the expiration date of the subcontracting agreements. We may terminate the subcontracting agreements if the subcontractors fail to perform to the agreed standards and fail to rectify upon notices. The subcontractors may terminate the agreements if the subcontracting fees payable by us remain unsettled for one month.

QUALITY CONTROL

We believe quality control is crucial to our long-term success. We have a professional quality control team which primarily focuses on maintaining service standards, standardizing service procedures and supervising service quality throughout our operational processes.

Quality Control over Our Services

To ensure that we can provide our services in an effective and consistent manner, we have various procedures and systems to monitor and maintain the quality of our services across our businesses. For instance, we codified our personnel's conducts in dealing with automobile dealerships of different scales in our "Administrative Measures for Digital Risk Control Business Agreements 《智能風控業務協議管理辦法》" and "Managerial Measures for Dealership Classification 《經銷商分級管理辦法》". We expect all employees to carefully study and understand the requirements of the manual to ensure that our daily operations not only meet the relevant requirements on the manual but exceed customer expectations. In addition, we maintain regular and close supervision of our service quality. For our pledged vehicle monitoring services, we have quality control personnel at the dealership-, regional- and headquarter-levels. Automobile dealerships are sampled and inspected by our quality control personnel periodically. We also conduct monthly evaluation of our services. For our automobile dealership operation management services, we primarily carry out periodic quality check on the services that we provide to each automobile dealerships.

Quality Control over Subcontractors

We typically include in the subcontracting agreements the quality and standards for the services to be provided by subcontractors. We regularly monitor and evaluate the performance of our subcontractors and may require the subcontractors to take necessary rectification measures when their services do not meet the agreed standards. Our employees in the pledged vehicle monitoring service department will input rules regarding the frequency and methods to monitor the pledged vehicles into our VFS system, which will then automatically generate and send tasks and instructions via our VFS system to the onsite staff designated by our subcontractors. Our VFS system will record relevant data to confirm whether the onsite staff has completed the tasks. If a task is not completed within the prescribed timeframe, our VFS system will send an alert to our employees in the pledged vehicle monitoring service department, who will then follow up on the overdue task and reach out to the regional manager for further assistance if needed.

We also conduct annual surveys among commercial banks, retail banks and dealerships regarding the quality of services provided by our subcontractors. We have the contractual right to decide whether to continue our subcontracting agreement depending on the outcomes of such surveys.

Quality Control over Third-Party Vendors

We typically conduct assessment on our vendors in respect of transaction volume, service quality and after-sales services during the agreement term. We also have the right to replace a third-party vendor in the event of substandard performance.

Enhanced Hygiene and Precautionary Measures Against the COVID-19 Pandemic

In response to the COVID-19 pandemic, we adopted enhanced hygiene and precautionary measures between January 2020 and December 2022. The additional costs for implementing these enhanced measures primarily represent increased costs for purchasing protective materials such as face masks, ethanol hand wash, disinfectants, and infrared thermometers. See “—Effect of the COVID-19 Pandemic.”

Feedback and Complaint Management

During the ordinary course of our business, we receive feedback, suggestions and complaints via our customer service hotline and email from banks and third-party automobile dealerships from time to time regarding our services. We have internal procedures to record, process and respond to the feedback, suggestions and complaints and conduct follow-up reviews of the results of our responses.

BUSINESS

We keep track of our customers' feedbacks during our daily business operations on our service quality. Customers may provide us with opinions, suggestions and complaints by calling our service hotline or communicating directly with staff designated by our subcontractors who provided onsite supervision services, and we have enacted a set of internal policies and procedures to promptly respond to and record customer feedbacks. These internal policies and procedures require our employees to (i) record all the customer feedbacks into our customer service system within one hour of receipt; (ii) obtain customers' contact information and follow up within the same day regarding their feedback; (iii) record and archive all communications with customers in writing; and (iv) propose preliminary solutions to the customer within one working day if the customer feedback is complaint. After a customer complaint is handled, our headquarters will follow up with our customers regarding our service quality. If our customers express dissatisfaction with the way their complaints are handled, our headquarters will ask our employees to revisit the case until the customers are satisfied.

We strive to earn trust, confidence and loyalty from our customers. During the Track Record Period and up to the Latest Practicable Date, we did not experience any customer complaints about our services or products that would have a material adverse impact on our operations or financial results.

RESEARCH AND DEVELOPMENT

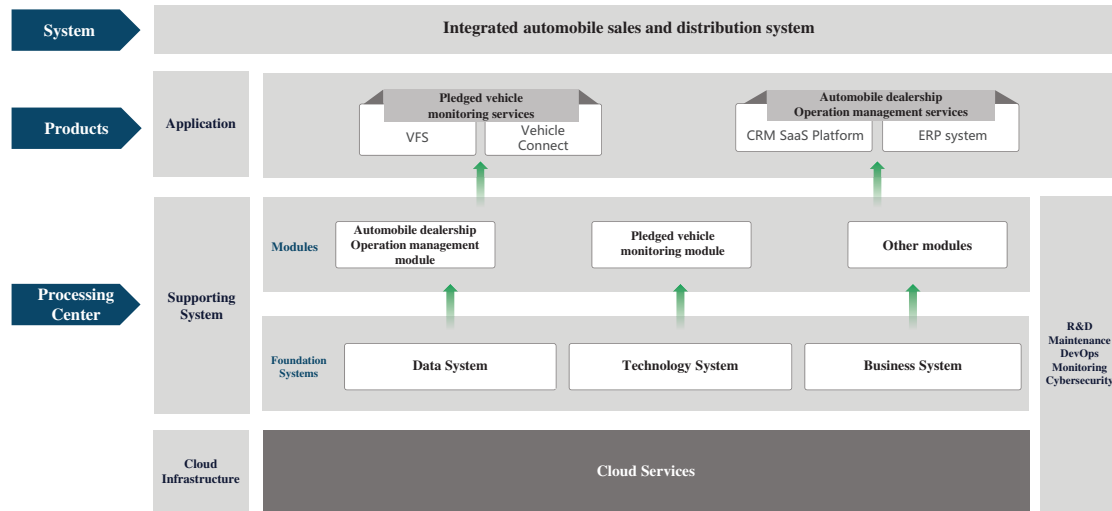
We believe our R&D capabilities is key to our accomplishment and future success. We have an information technology group to focus on the development, enhancement and maintenance of our software and hardware products and to explore new business opportunities through mobile technology. As of June 30, 2023, our information technology group had a total of 57 R&D personnel. As of the Latest Practicable Date, we had 21 registered copyrights and 11 registered patents in China.

Since our establishment, we were among the first in China in offering pledged vehicle monitoring services, and launched various software and hardware products with our in-house R&D capacity. Our VFS system is a digitalized and internet-based system that stores and analyzes pledged vehicles' data collected from automobile dealerships via our RFID labels, PDAs and OBD devices. Financial institutions to which we provide pledged vehicle monitoring services have access to such data. Our RFID labels, PDAs and OBD devices can locate and monitor the pledged vehicles more accurately and avoid manual errors. We also use the data collected to better analyze and report the potential risk events of automobile dealerships.

We constantly upgrade our services by building in various features to keep up with both technological advancement and customer demand. To facilitate our provision of automobile dealership operation management services that commenced in 2022 in an integrated framework, we also utilized our Smart Star system, which consists of a CRM SaaS system and an ERP system. In 2020, 2021, 2022 and the six months ended June 30, 2023, our R&D expenses amounted to RMB10.3 million, RMB9.4 million, RMB9.0 million and RMB6.7 million.

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The following diagram illustrates our digital information infrastructure that supports our two business lines and their respective systems:



The building blocks of the digital information infrastructure we developed are the three digital supporting systems, including (i) a data supporting system, which supports our collection and analysis of data from the pledged vehicles that we monitor and the automobile dealerships that we manage; (ii) a technology supporting system, which allows us to monitor the operation and ensure the proper functioning of our systems, such as our VFS system and Smart Star; and (iii) a business supporting system, which helps with the management of commercial and business documents, such as service agreements and receipts. We deploy a “DevOps” development model, an automated and efficient development, testing and maintenance tool, into our supporting systems to increase our R&D efficiency by reducing the reliance on manpower. Based on these three supporting systems, we created different specialized modules, such as the pledged vehicle monitoring module and the automobile dealership operation management module, to facilitate our service provision and internal management. Among these modules, the pledged vehicle monitoring module provides the underlying data processing support for our VFS and Vehicle Connect systems by sorting, processing and summarizing the data collected from the pledged vehicles that we monitor, whereas the automobile dealership operation management module provides the underlying data processing support for our CRM SaaS system and ERP systems by sorting, processing and summarizing the data collected from the automobile dealerships under our management. Our digital information infrastructure leverages cloud computing technologies and uses both public cloud, which we subscribe from third-party cloud service providers, and private cloud, the servers and storage of which are provided by us.

BUSINESS

To solidify our market position, we plan to further increase our investment in R&D, particularly in the underlying technologies and infrastructure related to our user-end system and strengthening our ability to deliver services responsive to our users' needs. To this end, we will (i) continue to attract and cultivate talents; and (ii) partner with researchers in other institutions and universities in the fields of big data and other technological frontiers, and will continue to invest in R&D to further improve our user engagement, monetization capabilities and operational efficiencies. We are also developing an automobile supply chain service mobile application to further enlarge our user base. Through our R&D capability and industry expertise, we expect our application to match the supply and demand of NEVs. For more details, see "Summary—Recent Development—Trial Operation of Automobile Supply Chain Service Mobile Application."

INTELLECTUAL PROPERTY

We primarily rely on laws and regulations on trademarks and trade secrets and our employees' and third parties' contractual commitments to confidentiality to protect our intellectual property rights. As of the Latest Practicable Date, we had 17 registered trademarks, 21 registered copyrights, 11 registered patents and two registered domain names in China. Among our 21 registered copyrights, the copyright of Smart Star operation management system was transferred to us in April 2023.

During the Track Record Period and up to the Latest Practicable Date, we were not aware of any infringement which could have a material adverse effect on our business operations by our Group against any intellectual property rights of any third party or by any third party against any intellectual property rights of our Group, or any disputes with third parties with respect to intellectual property rights.

AWARDS

The following table sets forth a selection of the notable awards and accreditations we received during the Track Record Period.

Awarding Year	Award/Recognition	Awarding Entity
2021	Deputy Directing Unit	Logistics and Supply Chain Finance Branch of the China Federation of Logistics & Purchasing
2021	Excellent Supplier of 2021	Genius Auto Finance Co., Ltd.
2020	Exemplary Case of Logistics and Supply Chain Finance in China	Logistics and Supply Chain Finance Branch of the China Federation of Logistics & Purchasing
2020	Annual Excellent Service Award	BMW Auto Finance (China) Co., Ltd.

COMPETITION

According to CIC, the pledged vehicle monitoring services market in China's automobile sales and distribution industry is highly concentrated, mainly due to the fact that leading market participants have already established barriers in terms of scale, service and technological capabilities. In 2022, top five market participants had a combined market share of approximately 90.3% in terms of revenue.

The current market size of automobile dealership operation management services in China, on the other hand, is relatively small as the market is still in its infancy with a limited number of service providers. Nevertheless, automobile dealership operation management services have vast potential since the automobile dealership industry is becoming increasingly competitive, and a large number of automobile dealerships with certain scale of operation are potential customers of automobile dealership operation management services.

For more information on the industry and the markets that we operate in, see "Industry Overview" and "Risk Factors—Risks Relating to Our Business and Industry—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."

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Governance

We are fully aware of our responsibilities to promote corporate social responsibility and integrating it into all major aspects of our business operations. We are committed to comply with environmental, social and governance ("ESG") reporting requirements and we strive to carry out our business in a manner that protects the environment and the health and safety of our employees. Our ESG policy outlined (i) the principles and framework of our ESG initiative; (ii) ESG training for and periodic assessment of our employees; (iii) internal reporting procedures; and (iv) ESG monitoring and disclosure.

Our ESG policy also sets out the organizational structure and the respective responsibilities of different parties in managing ESG matters. Our Board will be responsible for formulating our ESG strategies, framework and policies. The Board has delegated the implementation of ESG practices to three teams:

- The leadership team composed of our senior management team and led by a general manager will be primarily responsible for (i) creating and updating a framework and indicators for ESG assessment; (ii) reviewing our ESG report; and (iii) determining and supervising steps to be taken to improve our ESG practices.

- The working team composed of department heads and led by a designated senior manager will be primarily responsible for (i) conducting research on international and domestic ESG policies and standards, which serve as benchmarks and references when our leadership team update our ESG framework and indicators; (ii) preparing our annual ESG report; (iii) diagnosing our ESG practices and putting forward suggestions for improvement to the leadership group; (iv) implementing the steps that the leadership group sets to improve our ESG practices; (v) providing guidance to relevant departments regarding ESG practices; and (vi) communicating with rating agencies and assisting stakeholders in responding to ESG issues.
- The internal audit team will be primarily responsible for auditing the implementation of our ESG practices.

Measures to Identify, Assess and Manage ESG-related Risks

We have adopted various strategies and measures to identify, assess and manage ESG-related risks that are material to us, from which we can set ESG targets and strategize our action plan. We have communication channels with our internal stakeholders in order to take into consideration their opinion to understand ESG-related concerns and how our ESG and climate-related performance would impact different stakeholders. We also engaged external stakeholders, such as suppliers, after examining their qualifications to identify external stakeholders that take ESG responsibilities seriously.

We are aware of potentially severe and chronic physical risks arising from climate change, especially extreme weather, which could have potential impact on our business operations and financial positions. Extreme weather such as earthquakes, floods and storms may cause interruption to our network infrastructure and information technology systems. In addition, the transition to a low-carbon economy involving changes in climate-related regulations and policies may bring us potential transition risks. Tightening environmental regulations may require us to make significant investments so as to operate our business in a more environmentally responsible manner. Any failure to respond to the public's growing environmental concerns could result in a damaged reputation and loss of customers.

To mitigate the potential risks and impacts from climate change, we have adopted a series of measures. For instance, we have multiple emergency backup plans for our network infrastructure and information technology systems, which are potentially vulnerable to damage or interruption as a result of earthquakes, floods, fires, extreme temperatures, power loss, telecommunications failures, technical error, computer viruses, hacking or similar events. We also integrate climate change risk identification, adaptation, and mitigation into our corporate decision-making process. To support sustainable development, we have formulated measures, such as launching economical procurement policies, organizing environmental protection public welfare activities and promoting environmental protection awareness among our employees, to reduce our own resource consumption and emissions.

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We are also aware of risks arising from ineffective human resource management, which may lead to difficulty in recruiting and retaining qualified employees, resulting in high recruiting costs and low productivity.

To mitigate the potential risks from ineffective human resource management, we (i) adopt a fair and open recruiting procedure and provide employees with attractive welfare and benefits, including but not limited to public holidays, annual leave, marriage leave, maternity leave, funeral leave, social insurance and housing provident fund, so as to create a harmonious and supportive working environment and further incentivize our employees' performance; (ii) offer a competitive remuneration package, bonuses and promotion opportunities, which are determined, reviewed and adjusted with reference to employees' performance and the market situation, to offer employees fair chances to compete and further facilitate their career progression; and (iii) establish internal growth systems and provide customized training programs for employees based on their career paths and help them grow.

Metrics and Targets

We are in the business of providing pledged vehicle monitoring services and automobile dealership operation management services. While we do not produce emissions or consume resources significantly, we believe in the importance of caring for our planet and strive to strike a balance between our role as a for-profit company and our effort to protect the environment of our planet. Although relevant industry standards are not available, we have adopted various metrics to measure the impact of our business on the environment with reference to the environment protection laws and regulations in the PRC. Such metrics primarily include the amount of resource consumed. The following table sets forth our resource consumption indicators in 2021, 2022 and the six months ended June 30, 2023.

	For the years ended December 31,		For the six months ended June 30,
	2021	2022	2023
Resource consumption			
Electricity			
—Total amount (kWh)	75,567	214,426	127,422
—Intensity* (kWh/sq.m.)	67.5	57.6	34.3
Water			
—Total amount (m ³)	2,774	7,603	4,607
—Intensity* (m ³ /sq.m.)	2.5	2.0	1.2

* Calculated as the total amount of resource consumption divided by the gross floor area of our office premises

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Power Usage

We endeavor to proactively conserve energy in response to government's initiatives. For the year ended December 31, 2022, our electricity consumption level was approximately 214,426 kWh⁽¹⁾. While our power usage will not have any actual or potential impact on our business operations or financial performance, we intend to reduce the level of our power usage over the next three years. We have implemented or will implement the following measures:

- requiring employees to switch off electronic devices and lights when they are not in use;
- evaluating the lighting effect in our office area scientifically, and replacing traditional bulbs with LED lights or other energy-saving lights without affecting our business operations;
- switching off all air conditioners after normal business hours and during non-working days;
- clearing up refrigerators regularly in order to enhance air circulation and increase their efficiency;
- cleaning filters and fan coil units of the air conditioners regularly in order to increase their efficiency; and
- strengthening training relating to energy saving for all employees.

Note:

- (1) We leased property and received property management and general supporting services, including power usage and water usage, from a close associate of our Controlling Shareholders. See "Relationship with Our Controlling Shareholders—Independence from Our Controlling Shareholders—Operational Independence—Other connected transactions with Changjiu Group." The expenses incurred from our power usage and water usage were included in the rent we paid to the lessor and cannot be separately ascertained. Therefore, the consumption levels were calculated based on the proportion of the GFA of our leased property to the GFA of the entire property of the lessor.

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Water Usage

We are dedicated to promote water conservation. For the year ended December 31, 2022, our water consumption level was approximately 7,603 m³(1). While our water usage will not have any actual or potential impact on our business operations or financial performance, we intend to reduce the level of our water usage over the next three years. We have implemented or will implement the following measures:

- putting up water saving reminder labels in toilets to raise the employee’s awareness of saving water;
- requiring employees to close faucets after use; and
- inspecting water tanks and faucets periodically to prevent water leakage and promptly informing the property management company for maintenance if there is a water leakage.

Solid Waste

General office waste is the major non-hazardous waste generated by us, which primarily included office supplies, office equipment, such as calculators and TV mount, and postal boxes. In 2020, 2021, 2022 and the six months ended June 30, 2023, the value of general office waste that we generated amounted to approximately RMB1.5 million, RMB2.4 million, RMB1.9 million and RMB1.2 million, respectively. The unit volume and unit amount of such non-hazardous waste were trivial, and were collectively insignificant to our business operation. Notwithstanding the minimal non-hazardous waste generated by us, which will not have any actual or potential impact on our business operations or financial performance, we have set long-term targets to reduce waste generation by encouraging waste recycling. We strive to promote green office by adopting numerous measures on reducing waste generation as well as raising employee’s environmental awareness, including but not limited to:

- providing recycling bins at easily accessible points;
- encouraging double-side printing and reusing of wastepaper;
- promoting the idea of paperless workplace; and
- evaluating the demand for office equipment before procurement to avoid overstock.

Note:

- (1) We leased property and received property management and general supporting services, including power usage and water usage, from a close associate of our Controlling Shareholders. See “Relationship with Our Controlling Shareholders—Independence from Our Controlling Shareholders—Operational Independence—Other connected transactions with Changjiu Group.” The expenses incurred from our power usage and water usage were included in the rent we paid to the lessor and cannot be separately ascertained. Therefore, the consumption levels were calculated based on the proportion of the GFA of our leased property to the GFA of the entire property of the lessor.

BUSINESS

RFID Labels, PDAs and OBD Devices

The PDAs and OBD devices that we use to facilitate our pledged vehicle monitoring services are typically uninstalled from the pledged vehicles and reused after the pledged vehicles are sold. Our RFID labels are typically removed and disposed of in the trash bin by the automobile dealerships after the pledged vehicles are sold. The RFID labels primarily have three components: (i) the plastic tag; (ii) antennas, which are made of copper; and (iii) microchips, which are made of silicon. Although the used RFID labels are non-hazardous waste, given that they contain copper which cannot be directly disposed of in regular trash bins or recycle bins, we typically instructed and required the onsite staff from our subcontractors to dispose of used RFID labels to trash bins designated for hazardous waste.

Targets

To reduce our consumption of electricity and water, we have designed and implemented energy and water management measures, including (i) putting up environmental protection signs in prominent locations on our office premises; (ii) promoting the reduction of electricity and water consumption among our employees; and (iii) inspecting our office premises to ensure that power on our office premises is turned off after work.

With the expansion of our business, we will endeavor to curb the increase in our resource consumption and aim to keep it relatively stable. By December 31, 2024, we plan to reduce our consumption of electricity and water by 5.0% in comparison to our total consumption of electricity and water in 2023. We also plan to adopt a wide range of environment conservation measures to limit our resource consumption, such as (i) installing energy efficient facility for our daily office operation; (ii) cultivating a corporate culture of environmental protection through employee training and office policies; and (iii) setting a target for our total annual amount and intensity of resource consumption at the beginning of each financial year. The relevant resource consumption target will be reviewed on an annual basis to ensure that it remains appropriate to the needs of our Group. In setting such target, we will take into account (i) our respective historical consumption or discharge levels; (ii) our future business expansion; and (iii) the relevant metrics and/or practice of our peers in the automobile sales and distribution industry, such as (a) the total amount of greenhouse gas emissions in tons; (b) the intensity of greenhouse gas emissions in tons/sq.m.; (c) the total amount of non-hazardous waste in tons; and (d) the total amount of disposed packaging in tons in a thorough and prudent manner with a view of balancing business growth and environmental protection to achieve sustainable development.

Social Responsibility

Since our inception, we have been dedicated to serving the communities where we operate and have implemented relevant measures to fulfill our social responsibilities. We hire employees based on their merits and it is our corporate policy to offer equal opportunities to our employees regardless of gender, age, race, religion or any other social or personal characteristics. During the Track Record Period and up to the Latest Practicable Date, we had complied with PRC laws in relation to workplace safety in all material respects and had not had any incidents which have materially and adversely affected our operations. In addition, we truly appreciate the services of our employees, and care about their wellbeing. To that end, we offer employee benefits such as free meals, shuttle buses, medical examinations, birthday benefits and holiday benefits.

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We also have an effective supply chain management as we have enacted detailed internal rules governing the selection of suppliers. We select suppliers based on a variety of factors including qualifications, business reputation, quality management capabilities and price. Suppliers should comply with all relevant laws and regulations regarding anti-bribery, anti-corruption and other unethical business practices.

Furthermore, to uphold our business integrity, we have set up a whistleblowing policy. To encourage employees to report unethical behaviors, such as disseminating misleading information, leakage of customers' private information, discrimination, bribery and corruption, we will keep the identity of the whistleblower confidential. Furthermore, we include anti-corruption clauses in our agreements with external parties. In case of any unethical practices discovered, the engagement will be terminated at once. During the Track Record Period and up to the Latest Practicable Date, there was no legal action against us and our employees regarding corruption, and we were not aware of any material non-compliance with the relevant laws and regulations of bribery, extortion, fraud and money laundering. For more details, see “—Risk Management and Internal Control.”

EMPLOYEES

We believe that the expertise, experience and professional development of our employees is critical to our growth. Our human resources department manages, trains and hires employees.

We uphold our corporate culture of “customer-centric, trust-based, open and innovative, and hardworking-driven” (客戶為先, 誠信至上, 開放創新, 奮鬥為本) and value fine qualities of being diligent, innovative, reliable, cooperative, dedicated and honest, and hence create senses of identity and belonging among our employees.

The following table sets forth a breakdown of our employees by function as of June 30, 2023.

<u>Function</u>	<u>Number of employees</u>	<u>% of our total employees</u>
Pledged vehicle monitoring	256	57.7
Automobile dealership operation management	61	13.7
Research and development	57	12.8
Human resource	20	4.5
Financial management	19	4.3
Enterprise management	18	4.1
Automobile supply chain service mobile application	7	1.6
Office of the board of directors	4	0.9
Auditing center	2	0.5
Total	444	100.0

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During the Track Record Period, in addition to the employees in our pledged vehicle monitoring department, we outsourced certain tasks to subcontractors and labor dispatch companies. Since 2022, we outsourced such tasks primarily to subcontractors, and used 6,730 and 6,973 staff designated by the subcontractors, respectively, in 2022 and the six months ended June 30, 2023, primarily because (i) our pledged vehicle monitoring services covered more than 10,000 automobile dealerships in over 500 cities across 31 provinces in China; and (ii) we need onsite staff to monitor possible risk events and help provide certain supervision services at these automobile dealerships per financial institutions' request. Our employees in the pledged vehicle monitoring department and staff from our subcontractors served different roles and functions. The staff from the subcontractors were primarily responsible for performing onsite tasks, including pledged vehicle monitoring, collective vehicle conformity certificate management and counting services.

Our employees in the pledged vehicle monitoring department were primary responsible for (i) formulating and streamlining business processes and assessment mechanisms; (ii) liaising with customers, which includes communicating with financial institutions and understanding as well as catering to their needs; (iii) undertaking new projects; (iv) giving instructions to subcontractors and their staff for onsite monitoring of pledged vehicles and using the data collected to analyze and report potential risk events of automobile dealerships through our VFS system based on pledged vehicles' data collected from automobile dealerships via our RFID labels, PDAs and OBD devices; and (v) cooperating with the research and development department to improve the pledged vehicle monitoring system, including the VFS system and Vehicle Connect. Typically, each employee in the pledged vehicle monitoring department liaises with multiple financial institutions and manages multiple automobile dealerships.

Our employees in the automobile dealership operation management department were primary responsibility for (i) formulating development plans for automobile dealerships; (ii) reviewing and supervising the implementation of automobile dealerships' annual business plan; (iii) providing guidance to automobile dealerships to improve their operation and management capabilities; and (iv) assisting automobile dealerships to integrate their internal and external corporate resources. Although our customers have access to Smart Star, our employees provide customers with tailored services to help them fully utilize the functions of our services, which primarily include (i) consultation based on their interpretation of the operational data collected and processed by Smart Star; and (ii) guidance relating to systematic improvement on automobile dealerships' management capabilities and operational efficiency.

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The following table sets forth a breakdown of our employees by geographic location as of June 30, 2023.

<u>Geographic location</u>	<u>Number of employees</u>	<u>% of our total employees</u>
Beijing	347	78.2
Changchun	17	3.8
Wuhan	17	3.8
Zhengzhou	16	3.6
Xi'an	15	3.4
Chengdu	10	2.3
Others ⁽¹⁾	22	4.9
Total	444	100.0

Note:

(1) Others include 19 other cities such as Shijiazhuang, Nanjing, Lanzhou and Guangzhou.

During the Track Record Period and up to the Latest Practicable Date, our employees did not negotiate their terms of employment through any labor union or by way of collective bargaining agreements, and we did not experience any material labor disputes or shortages that may have a material adverse effect on our business, financial position and results of operations.

We endeavor to hire talents by offering competitive wages and benefits and internal upward mobility. We conduct monthly and quarterly performance appraisals and annual evaluations of our employees. Those who meet or exceed their performance expectation will be rewarded discretionary bonuses. We also provide systematic training programs to our employees to improve and enhance their technical and service skills, as well as to supplement their knowledge of industry quality standards and work place safety standards.

INSURANCE

During the Track Record Period and up to the Latest Practicable Date, we did not purchase any business insurance, which, as advised by CIC, was not an uncommon practice in the industry in China. Our lack of commercial insurance coverage may not adequately protect us against certain operating risks and other hazards, such as claims that arise from our tripartite pledged vehicle monitoring service agreements, which may result in adverse effects on our business. For more details, see “Risk Factors—Risks Relating to Our Business and Industry—Our insurance may not sufficiently cover, or may not cover at all, the losses and liabilities we may encounter.”

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CERTIFICATES, LICENSES AND PERMITS

As advised by our PRC Legal Advisors, during the Track Record Period and up to the Latest Practicable Date, we had obtained all necessary licenses and certificates, including our business license and electronic data interchange (EDI) certificate, and we did not need any other permit, from relevant authorities for our operations in the PRC. We are required to renew such licenses from time to time. We do not expect any difficulties in obtaining such renewals as long as we meet the applicable requirements and conditions set by relevant laws and regulations.

PROPERTIES

As of the Latest Practicable Date, we did not own any property, and save for three properties for company registration purposes, we leased a property in Beijing (the “Beijing Office”) with an aggregated GFA of approximately 3,720 sq.m. and a property in Shenzhen with a GFA of 25 sq.m. for use primarily as offices.

As of the Latest Practicable Date, we had not filed the lease agreement for the Beijing Office with the local housing administration authorities as required under PRC law, primarily because the landlord was unable to provide title certificate of the Beijing Office, which was beyond our control. We were advised by our PRC Legal Advisors that such non-filing of lease agreement would not affect the validity of such lease, but we might be ordered to rectify this non-compliance by competent authorities and if we do not rectify within a prescribed period, a penalty of RMB1,000 to RMB10,000 may be imposed on us as a result of such non-filing. See “Risk Factors—Risks Relating to Our Business and Industry—Our lease agreement was not registered with the relevant government authorities, which may expose us to potential fines.” As of the Latest Practicable Date, (i) our Directors confirm that we had not received any notice from any regulatory authority with respect to potential administrative penalties or enforcement actions as a result of our failure to file the lease agreement described above; and (ii) the landlord had undertaken that it would indemnify and hold us harmless against any losses arising from (a) administrative penalties imposed, or demolition of the leased property, by relevant government authorities; and (b) claims from other obligees due to the landlord’s failure to provide relevant title certificate of the leased property. As such, our Directors are of the view that such non-filing would not have a material impact on our business operations. Also, considering that it is not difficult to find properties in Beijing with similar GFA and levels of monthly rent available for leasing that could be used for our office premises, and we are able to relocate to a different site at relatively low costs if necessary, our Directors do not expect any practical difficulty in identifying alternative premises subject to the lease agreement that has not been filed.

We had no single property with a carrying amount of 15% or more of our total assets as of June 30, 2023 and, therefore, we did not need to prepare a valuation report with respect to our property interests in reliance upon the exemption provided by section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

RISK MANAGEMENT AND INTERNAL CONTROL

We have implemented various risk management policies and measures to identify, assess and manage risks arising from our operations. Details on the types of risk identified by our management, internal and external reporting mechanism, remedial measures and contingency management have been codified in our policies. For details of the major risks identified by our management, see “Risk Factors—Risks Relating to Our Business and Industry.” In addition, we face various financial risks, including credit and liquidity risks that arise during our ordinary course of business. See “Financial Information—Quantitative and Qualitative Disclosure about Financial Risk.”

To monitor the ongoing implementation of our risk management policies and corporate governance measures after the Global Offering, we have adopted or will adopt the following risk management and internal control measures:

- the establishment of an audit committee responsible for overseeing our financial records, internal control procedures and risk management systems. See “Directors and Senior Management—Board Committees—Audit committee” for the qualifications and experience of these committee members as well as a detailed description of the responsibility of our audit committee;
- the appointment of Ms. Zhang Yexi and Ms. Tang King Yin as our joint company secretaries to ensure the compliance of our operation with relevant laws and regulations. For their biographical details, see “Directors and Senior Management;”
- the appointment of Zhongtai International Capital Limited as our compliance advisor upon the Listing to advise us on compliance with the Listing Rules; and
- the engagement of external legal advisors to advise us on compliance with the Listing Rules and to ensure our compliance with relevant regulatory requirements and applicable laws, where necessary.

We embed a culture of compliance in the daily work routine of our employees through regular compliance trainings, and set various expectations on our employees’ work performance in terms of compliance.

Finally, we have adopted various internal regulations against corrupt and fraudulent activities, which include measures against bribes and kickbacks, and misuse of company assets. Major measures and procedures to implement such regulations include:

- authorizing our audit department to assume responsibility for daily execution of our anti-fraud, anti-bribery and anti-corruption measures, including supervising in prevention of corrupt and fraudulent activities, handling workplace complaints, conducting internal investigations, compiling enforcement reports and proposing disciplinary actions;

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- providing anti-fraud and anti-corruption compliance trainings and special trainings to our senior management and employees to enhance their knowledge and compliance with applicable laws and regulations; and
- establishing and enhancing relevant internal control measures to reduce the occurrence of fraud, bribery and corruption, such as adopting approval procedures for the disbursement of company funds.

Our Directors are of the view that such controls and measures would be effective to avoid the occurrence of corruption, bribery, or other improper conduct of our employees. During the Track Record Period and up to the Latest Practicable Date, we were not subject to any government investigation or litigation with respect to claims or allegations of monetary and non-monetary bribery activities.

EFFECT OF THE COVID-19 PANDEMIC

According to CIC, the passenger automobile market in China in general had been adversely affected in the short term as the COVID-19 pandemic shrank production material supplies, slowed down automobile production, curbed onsite sales, adversely affected consumers' willingness and purchase power, and resulted in the government's order to delay resumption of service and mass production and the related quarantine measures. In 2020, the total number of new passenger automobiles sold in China was 20.8 million, representing a decrease of 6.3% as compared to 2019, according to CIC. The number of pledged vehicles that we monitored also decreased in 2021 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.

Nevertheless, according to CIC, China's passenger automobile market has gradually recovered since 2021 in line with the recovery of the national economy. In particular, according to CIC, the sales volume of new passenger automobiles increased by 8.8% to 24.0 million in 2022 as compared to 2021.

Despite the outbreak of COVID-19, we achieved growth during the Track Record Period. The number of automobile dealerships to which we provided pledged vehicle monitoring services increased by 28.5% from 8,316 as of December 31, 2020 to 10,684 as of December 31, 2022, and our revenue increased from RMB430.6 million in 2020 to RMB547.9 million in 2022, representing a CAGR of 12.8% between 2020 and 2022. The outbreak of COVID-19 did not have a material adverse impact on our pledged vehicle monitoring services, primarily because (i) while the amount of secured financing that financial institutions provided to automobile dealerships remained relatively stable during the Track Record Period, according to CIC, financial institutions were increasingly vigilant and more inclined to use our monitoring services to prevent the pledged vehicles from damage or loss in light of the uncertainties with respect to the macro-economy and the slight downturn of the passenger automobile market; and (ii) the restrictive government measures, such as lockdown, quarantine and the requirement to present individual health code, reduced the flow of people and the risks of pledged vehicles being damaged, stolen or moved without financial institutions' authorization. The outbreak of COVID-19 did not have a material adverse impact on our

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automobile dealership operation management services either, primarily because we launched our services in April 2022, and at that time, (i) local governments and communities had developed systematic and targeted pandemic control measures with relatively minor interruptions of economic activities; and (ii) the operation of automobile dealerships had basically returned to normal.

To comply with government regulations and measures to combat the COVID-19 pandemic, we adopted various enhanced hygiene and precautionary measures across our office premises between January 2020 and December 2022, such as (i) checking the health status of our employees and timely reporting potential issues to the relevant authorities; (ii) encouraging our employees to abide by government and community COVID-19 prevention policies and maintain social distance; (iii) reducing business trips; and (iv) purchasing protective materials, such as face masks and COVID-19 testing kits. The costs associated with such measures were insignificant and did not have any material impact on our business, financial position or results of operations during the Track Record Period.

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

We may be involved in legal proceedings or disputes in the ordinary course of business from time to time. During the Track Record Period and up to the Latest Practicable Date, there were no litigation or arbitration proceedings or administrative proceedings pending or threatened against us or any of our Directors which would have a material adverse effect on our business, financial position or results of operation.

2022 Changchun Lawsuit

On November 11, 2022, a commercial bank initiated a civil lawsuit against an automobile dealership and Changjiu Industrial, alleging that (i) the automobile dealership failed to repay the principal and pay the interests of the secured financing provided by the commercial bank, and sold certain pledged vehicles without the commercial bank's authorization; and (ii) Changjiu Industrial failed to fulfill its contractual obligations to monitor the pledged vehicles under the tripartite pledged vehicle monitoring service agreement (the "Agreement in Dispute") among the commercial bank, the automobile dealership and Changjiu Industrial, resulting in the automobile dealership's unauthorized sale of pledged vehicles and the total value of the pledged vehicles dropping below the amount of the secured financing. Since we entered into the Entrustment Agreement with Changjiu Industrial, we undertook its rights and assumed its obligations under its existing pledged vehicle monitoring service agreements, including the Agreement in Dispute. On June 30, 2023, the People's Court of the Changchun Automobile Economic and Technological Development Zone held that Changjiu Industrial was not jointly and severally liable for the automobile dealership's failure to repay the principal and pay the interests of the secured financing, considering Changjiu Industrial had fulfilled all of its contractual obligations under, and did not breach, the Agreement in Dispute given that it had notified the commercial bank of the automobile dealership's unauthorized sales of pledged vehicles through daily alerts multiple times. As such, we would not bear any responsibility for damage payment under the Entrustment Agreement either.

2023 Changchun Lawsuit

On May 19, 2023, another commercial bank initiated a separate civil 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 the automobile dealership's unauthorized sale of pledged vehicles and the total value of the pledged vehicles dropping below the amount of the secured financing. On August 18, 2023, the Changchun Chaoyang District People's Court ruled against the commercial bank. On September 7, 2023, the commercial bank appealed to the Changchun Intermediate People's Court, which was still hearing the case and had not yet entered into a judgment as of the Latest Practicable Date. On November 28, 2023, the Changchun Intermediate People's Court held that we were not liable for the automobile dealership's unauthorized sale of pledged vehicles, considering that we had fulfilled all of our contractual obligations under, and did not breach, the tripartite pledged vehicle monitoring service agreement given that we had notified the commercial bank of the automobile dealership's unauthorized sales of pledged vehicles through daily alerts multiple times.

Historical Non-Compliance Incidents

As advised by our PRC Legal Advisors, we had not been subject to significant fines or administrative penalties involving non-compliances with any PRC laws or regulations relating to our business which would have a material adverse effect on our business during the Track Record Period and up to the Latest Practicable Date. The summary below sets out incident of historical non-compliance with applicable regulations during the Track Record Period. Our Directors believe that below non-compliance incident will not have any material operational or financial impact on us.

Labor Dispatch

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.

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We assessed that the number of dispatched workers engaged by one of our subsidiaries exceeded the Limit by 6,161, 6,302 and 28, respectively, as of December 31, 2020, 2021 and 2022, primarily due to insufficient understanding of the relevant PRC labor laws and regulation. Since the discovery of our use of dispatched workers over the Limit in February 2022, we have proactively taken rectification measures to reduce our use of dispatched workers. In particular, we have entered into agreements with certain subcontractors instead of using dispatched workers. We set forth below the major differences between labor dispatch and subcontracting arrangements:

	<u>Labor dispatch</u>	<u>Subcontracting</u>
Type of agreement	Labor dispatch service agreement	Subcontracting agreement
Task assignment	We directly assign tasks to and instruct the dispatched workers	We assign tasks and give high-level instructions to subcontractors, which then assign specific tasks and give separate instructions to their staff
Supervision	We directly supervise the dispatched labor by taking daily attendance, conducting performance assessment and binding dispatched workers by our internal rules and policies	The subcontractors supervise their staff, and we evaluate the subcontractors
Service fees	Primarily depend on the number of dispatched workers	Primarily depend on the type, scope and quality of the tasks we outsource
Wage payment	We pay service fees to the labor dispatching companies, which pay wages to the dispatched workers	We pay services fees to our subcontractors, which pay wages to their staff
Labor law obligations	We owe labor law obligations to our dispatched workers	We do not owe labor law obligations to the staff from our subcontractors
Vicarious liability	We bear vicarious liability for our dispatched workers' fault because they carry out work in our name	Depends on the duty allocation set forth in the relevant subcontracting agreements

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Our human resource department is also responsible for monitoring the number and proportion of dispatched workers that we use to ensure compliance with the relevant laws and regulations. As of June 30, 2023 and the Latest Practicable Date, we had reduced the number of dispatched workers to three, respectively, which was well below the Limit.

As advised by our PRC Legal Advisors, considering that (i) we had obtained a certificate from the relevant government authority which confirms that we had not been subject to any administrative penalty for violation of PRC labor laws and regulations; (ii) the relevant government authority confirmed that it would not impose on us any administrative penalty for our historical engagement of dispatched workers that exceeded the Limit; and (iii) we have taken rectification measures to reduce the number of dispatched workers to below the Limit, our PRC Legal Advisors are of the view that the risk that we would be subject to any administrative penalty as a result of our historical use of dispatched labor is remote. Based on the above, our Directors are of the view that the noncompliance discussed above would not have a material adverse impact on our business, financial performance or results of operations.

Social Insurance and Housing Provident Funds

During the Track Record Period, one of our PRC subsidiaries did not fully contribute to social insurance and housing provident funds for its employees, primarily due to insufficient understanding of the relevant PRC laws and regulations. We have made provisions for the relevant shortfall 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. We have started to make full contributions to social insurance and housing provident funds based on actual salaries of our employees since July 2021.

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.

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Considering that (i) we have made provisions for the shortfall in our contribution to social insurance and housing provident funds; (ii) our Directors confirmed that we will rectify our underpayment to the social insurance and housing provident funds within a prescribed period if we receive a notice from the relevant government authorities; (iii) we have obtained confirmations from the relevant local government authorities, which, as confirmed by our PRC Legal Advisors, have the authority and are competent to provide such confirmations, stating that no administrative penalties had been imposed on us with respect to social insurance and housing provident funds during the Track Record Period and up to the date of the confirmation; and (iv) we have been making full contributions to social insurance and housing provident funds based on actual salaries of our employees since July 2021, our PRC Legal Advisors are of the view that the risk that the relevant government authorities would impose on us administrative penalties for our historical underpayment to the social insurance and housing provident funds is remote if we rectify our historical underpayment within a prescribed period upon our receipt of notice from the relevant local government authorities.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately upon completion of the Global Offering (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Pre-IPO Share Options), (i) Ms. Li will be entitled to exercise the voting rights attaching to approximately 29.68% of the total issued share capital of our Company through Brightt Limited and Brightio Limited, both being investment holding companies wholly owned by Ms. Li, and (ii) Mr. Bo will be entitled to exercise the voting rights attaching to approximately 44.52% of the total issued share capital of our Company through Advance Limited, Advanct Limited, Creationn Limited and CreateCube Limited, all being investment holding companies wholly owned by Mr. Bo.

Pursuant to a concert party confirmation dated March 1, 2023 entered into between Ms. Li and Mr. Bo, they have confirmed that they are parties acting in concert in respect of their voting rights in our Company. See “History, Reorganization and Corporate Structure—Concert Party Confirmation” for details. Therefore, Ms. Li, Mr. Bo and their wholly-owned companies, being Brightt Limited, Brightio Limited, Advance Limited, Advanct Limited, Creationn Limited and CreateCube Limited, will together be entitled to exercise the voting rights attaching to approximately 74.20% of our enlarged total issued share capital upon completion of the Global Offering (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Pre-IPO Share Options), and shall be regarded as a group of Controlling Shareholders after the Listing for the purpose of the Listing Rules.

DELINEATION OF BUSINESS

Changjiu Industrial is the holding company of Changjiu Group and held by Mr. Bo and Ms. Li as to approximately 82.46% and 17.54%, respectively, as of the Latest Practicable Date. Changjiu Group is an automobile industry service provider comprising over 150 companies as of June 30, 2023. The principal business of Changjiu Group includes: (i) automobile sales and distribution (“Automobile Sales and Distribution Business”), including whole vehicle sales, used vehicle brokerage, automobile leasing and automobile insurance sales; (ii) automobile transportation (“Automobile Transportation Business”); and (iii) vehicle manufacturing (“Vehicle Manufacturing Business”), including center mounted axle trailers and commercial vehicles manufacturing. The principal business of Changjiu Group is substantially operated by the respective principal operating companies, where (i) Automobile Sales and Distribution Business is mainly operated by approximately 100 subsidiaries of Changjiu Industrial, including 74 automobile dealerships in operation as of June 30, 2023 owned by Guangxi Changjiu Automobile Investment Co., Ltd. (廣西長久汽車投資有限公司) (“Changjiu Automobile”) with a revenue of over RMB100 million for the year ended December 31, 2022 and total assets of approximately RMB5 billion as of December 31, 2022, which is in turn owned by Changjiu Industrial as to 82.63%; (ii) Automobile Transportation Business is mainly operated by over 40 subsidiaries of Beijing Changjiu Logistics Corp. (北京長久物流股份有限公司) (“Changjiu Logistics”), a company listed on the Shanghai Stock Exchange (stock code: 603569) with a revenue of RMB4.0 billion for the year ended December 31, 2022 and total assets of over RMB5.4 billion as of December 31, 2022 according to its 2022 annual report,

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

which is in turn owned by Changjiu Industrial as to 71.64%; and (iii) Vehicle Manufacturing Business is mainly operated by Changjiu Auto Mobile Manufacturing Co., Ltd. (長久汽車製造有限公司) and Jilin Changjiu Special Vehicle Co., Ltd. (吉林市長久專用車有限公司), both of which are wholly-owned subsidiaries of Changjiu Industrial with an aggregate total revenue of approximately RMB200 million for the year ended December 31, 2022 and aggregate total assets of over RMB1 billion as of December 31, 2022.

Our business was built on the success of the pledged vehicle monitoring service business previously operated by Changjiu Industrial since 2006. Changjiu Jinfu, one of our principal subsidiaries, was established in September 2016 and had gradually undertaken the pledged vehicle monitoring service business from Changjiu Industrial since then. As of the Latest Practicable Date, the rights and obligations of Changjiu Industrial under 524 pledged vehicle monitoring service agreements with certain financial institutions and automobile dealerships had not been transferred from Changjiu Industrial to Changjiu Jinfu, primarily because, to our Directors' best knowledge and belief, it is extremely time-consuming and cumbersome for such users to approve such transfer or a change of signing parties to existing contracts pursuant to their strict internal control policies and procedures. However, pursuant to the Entrustment Agreement entered into between Changjiu Industrial and Changjiu Jinfu, Changjiu Industrial has exclusively entrusted us to provide all pledged vehicle monitoring service under these agreements and Changjiu Industrial no longer provides such service to the relevant users. See "History, Reorganization and Corporate Structure—Reorganization—Onshore Reorganization—Business transfer of pledged vehicle monitoring services" and "Connected Transactions—Non-exempt Continuing Connected Transactions—(4) Entrustment Agreement" for further details.

Our Directors are of the view that there is clear delineation and no material competition between the business operated by Changjiu Group and our Group on the basis that (i) the principal business of Changjiu Group includes Automobile Sales and Distribution Business, Automobile Transportation Business and Vehicle Manufacturing Business, which is fundamentally different from the principal business of our Group; (ii) Changjiu Industrial does not provide any service to the financial institutions or automobile dealerships under its existing pledged vehicle monitoring service agreements and has exclusively entrusted us to provide all such services to the relevant users; and (iii) these agreements bear limited contract value and will expire or be transferred to Changjiu Jinfu by December 2024 at the latest, and Changjiu Industrial has confirmed and undertaken to us that it shall not enter into any new pledged vehicle monitoring service agreements.

Our Controlling Shareholders have confirmed that, as of the Latest Practicable Date, save as disclosed above in "—Delineation of Business," none of them is interested in any business, other than our business, which competes or is likely to compete, either directly or indirectly, with our business, which requires disclosure pursuant to Rule 8.10 of the Listing Rules.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently of our Controlling Shareholders and their respective close associates after the Listing.

Operational Independence

We engage in our operations independently, making and implementing operational decisions independently. We do not share operation team, facilities and equipment with our Controlling Shareholders and their respective associates. We possess all relevant licenses, approvals and permits from the relevant regulatory authorities that are necessary to carry out and operate our business and we have sufficient operational capacity in terms of capital and employees to operate independently. Our Group have established our own organizational structure with independent departments, and each department is assigned to specific areas of responsibilities. Our operating functions, such as cash and accounting management, invoices and bills, operate independently of our Controlling Shareholders and their respective close associates. We have independent access to a large and diversified base of suppliers and customers and are not dependent on our Controlling Shareholders and their respective close associates with respect to supplies for our business operations. We also maintain a set of comprehensive internal control procedures to facilitate the effective operation of our business.

During the Track Record Period, our Group conducted certain transactions with our Controlling Shareholders' close associates on a recurring basis which are expected to continue after the Listing and will constitute continuing connected transactions of our Group under the Listing Rules. Based on the reasons as set out below, our Directors are of the view that we are able to operate independently from our Controlling Shareholders and their respective close associates.

Business of pledged vehicle monitoring services

We provide pledged vehicle monitoring services to the automobile dealerships of Changjiu Group under the Pledged Vehicle Monitoring Service Framework Agreement, and we are also entrusted by Changjiu Industrial to provide pledged vehicle monitoring services to financial institutions and automobile dealerships under the Entrustment Agreement as a transitional arrangement. For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, our revenue generated from these transactions with Changjiu Group merely accounted for 0.16%, 1.80%, 7.60% and 6.89% of our total revenue generated from our business segment of pledged vehicle monitoring services and 0.16%, 1.80%, 7.00% and 6.22% of our total consolidated revenue, respectively.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

The scale of our transactions with Changjiu Group for pledged vehicle monitoring services is expected to remain limited and gradually decrease considering that (i) we have maintained stable and independent business relationship with the Independent Third Party users throughout the Track Record Period, and our transactions with Independent Third Party users are expected to grow steadily; (ii) the transaction amounts under the Pledged Vehicle Monitoring Service Framework Agreement have been and will be at a minimal level; and (iii) the relevant agreements under the entrustment arrangement pursuant to the Entrustment Agreement bear limited contract value and will expire or be transferred to Changjiu Jinfu by December 2024 at the latest, and Changjiu Industrial has confirmed and undertaken to us that it shall not enter into any new pledged vehicle monitoring service agreements. Therefore, we believe our transactions with Changjiu Group for the pledged vehicle monitoring services do not materially affect our operational independence.

Business of automobile dealership operation management services

We started to provide automobile dealership operation management services to Changjiu Group in April 2022 under the Automobile Dealership Operation Management Services Framework Agreement. For the year ended December 31, 2022 and the six months ended June 30, 2023, our revenue generated from such transactions with Changjiu Group accounted for substantially all of our total revenue generated from our business segment of automobile dealership operation management services but only accounted for 7.81% and 9.79% of our total consolidated revenue, respectively.

We believe that our relationship with Changjiu Group for the automobile dealership operation management services are mutually beneficial and complementary. On the one hand, our long-standing relationship with Changjiu Group and our established track record have enabled us to provide high quality services that meet Changjiu Group's demands, and on the other hand, our service to Changjiu Group has promoted the high-quality image and laid a solid foundation for our future market expansion. See "Business—Our Strategic Business Relationship with Changjiu Group—Mutually Beneficial and Complementary Relationship with Changjiu Group" for further details.

In light of the massive automobile dealerships resources of Changjiu Group, it is inevitable that most of our revenue under such business segment for the financial year of 2022 and for the first half of 2023 were derived from our transactions with Changjiu Group. Nonetheless, we have been proactively exploring potential business opportunities with Independent Third Parties and started to manage automobile dealership owned by Independent Third Party. As of the Latest Practicable Date, we had entered into non-binding letters of intent for our automobile dealership operation management services with 144 automobile dealerships, all of which were owned by Independent Third Parties. It is expected that we will continue to capture new contracts from Independent Third Parties and our revenue generated from operation management services provided to Independent Third Parties will continue to increase.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Based on the abovementioned, we believe our transactions with Changjiu Group for the automobile dealership operation management services do not materially affect our operational independence.

Other connected transactions with Changjiu Group

We leased properties with a total GFA of 3,720.17 sq.m. and received property management and general supporting services from a close associate of our Controlling Shareholders. As our Group has been using such properties and services historically, we believe that, compared to relocating to alternative properties, it is in the interest of our Group in terms of cost, time, efficiency and operational stability to continue such lease and service arrangement. Meanwhile, we believe that, even if the above agreements are terminated, we would be able to find suitable alternatives from Independent Third Parties lessors in the locality without undue delay, inconvenience or material costs incurred to the operation of our business. Accordingly, we believe our leasing of properties from Changjiu Group do not materially affect our operational independence.

Save for the transactions disclosed in “Connected Transactions” and Note 26 “Related Party Transactions” to the Accountants’ Report in Appendix I to this prospectus, and other than (i) our history with Changjiu Industrial as disclosed in “History, Reorganization and Corporate Structure,” and (ii) financial services obtained in the ordinary course of business of Changjiu Group from financial institutions who are our customers, to our Directors’ best knowledge and belief, Changjiu Group does not have any other past or present business relationship or association with our Group or our customers or suppliers during the Track Record Period and up to the Latest Practicable Date.

Based on the above, our Directors are of the view that we are able to operate independently from our Controlling Shareholders and their respective close associates.

Management Independence

Our business is managed and conducted by our Board and senior management. Our Board comprises three executive Directors, one non-executive Director and three independent non-executive Directors, among whom Ms. Li, the chairwoman of our Board and an executive Director, and Mr. Bo, an executive Director and the chief executive officer of our Company, are members of our Controlling Shareholders. For further details, see “Directors and Senior Management.”

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Save as disclosed below, none of our Directors or members of our senior management serves as a director or member of senior management in our Controlling Shareholders or their close associates (other than members of our Group):

Name	Position in our Company	Major positions held in our Controlling Shareholders and their close associates (other than members of our Group)	
		Name of company	Position
Ms. Li	Chairwoman of the Board and executive Director	Changjiu Logistics	Director
		Changjiu Automobile	Chairwoman of the board
		Derong International Finance Leasing Co., Ltd. (德融國際融資租賃有限公司)	Chairwoman of the board
Mr. Bo ⁽¹⁾⁽²⁾	Executive Director and chief executive officer	Changjiu Industrial	Executive director and general manager
		Changjiu Logistics	Chairman of the board
Ms. Jin Ting (靳婷)	Non-executive Director	Changjiu Logistics	Finance director (財務總監)

Notes:

- (1) Mr. Bo also serves as a director and/or the chairman of the board in four subsidiaries of Changjiu Industrial. The directorships held by Mr. Bo in these companies are non-executive in nature and he has not been and will not be involved in their day-to-day management.
- (2) Mr. Bo also serves as a director and/or the chairman of the board in three subsidiaries of Changjiu Logistics. The directorships held by Mr. Bo in these companies are non-executive in nature and he has not been and will not be involved in their day-to-day management.

Our Directors are of the view that our Board and senior management team are able to manage our business independently from our Controlling Shareholders and their close associates for the following reasons:

- (i) our Board will comprise seven Directors, four of whom (including one executive Director) will have no ongoing roles with, and are therefore independent from our Controlling Shareholders and their close associates;
- (ii) as confirmed by Ms. Li, the directorship she held at each of Changjiu Logistics, Changjiu Automobile and Derong International Finance Leasing Co., Ltd. is non-executive in nature and she has not been and will not be involved in their day-to-day management. Her primary responsibilities in these companies are providing strategic advice and making recommendations on their corporate operation. Therefore, Ms. Li will have sufficient time and resources to serve on our Board and as a senior management member, and her officeholding in the aforementioned companies will not affect her discharge of her duties and responsibilities to our Group;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (iii) Changjiu Industrial had no material business operation as of the Latest Practicable Date except for being a signing party to certain pledged vehicle monitoring service agreement which have all been entrusted to us under the Entrustment Agreement and the provision of property lease and comprehensive services to us under the Property Lease and Comprehensive Service Agreement with limited scale. See “Connected Transactions” for further details. As confirmed by Mr. Bo, he does not have any senior management role at Beijing Changjiu Logistics Corp. and his directorship is non-executive in nature. His primary responsibilities are providing strategic advice and making recommendations on its corporate operation and he will not be involved in its daily management. Therefore, Mr. Bo will have sufficient time and resources to serve on our Board and as a senior management member, and his officeholding in the aforementioned entities will not affect his discharge of his duties and responsibilities to our Group;
- (iv) despite the directorships held at the aforementioned companies, Ms. Jin Ting is our non-executive Director and therefore not involved in the daily management and operation of our Company;
- (v) save for Mr. Bo, all members of our senior management are our full-time employees and are independent from our Controlling Shareholders and their close associates;
- (vi) pursuant to the Articles of Association of our Company, in the event that a Director or his/her close associates has a material interest in any contract or arrangement to be entered into with our Group, the interested Director(s) shall, save in certain circumstances provided by the Articles of Association, abstain from voting on any Board resolutions approving such contract, arrangement or any other proposal and shall not be counted in the quorum present at the relevant Board meeting;
- (vii) we have appointed three independent non-executive Directors (accounting for more than one-third of our Board) to balance the number of potentially interested Directors with a view to promote the interests of our Company and the Shareholders as a whole. The independent non-executive Directors will be entitled to engage professional advisers at our cost for advice on matters relating to any potential conflict of interest arising out of any transaction to be entered into between our Company and another company or entity to which a Director or senior management member holds office. We believe our independent non-executive Directors have the depth and breadth of experience which will enable them to bring sound independent and impartial judgment to the decision-making process of our Board;
- (viii) each of our Directors is aware of his/her fiduciary duties as a Director, which require him/her to act for the benefit and in the interests of our Company and the Shareholders as a whole and do not allow any conflict between his/her duties as a Director and his/her personal interests; and

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (ix) we have adopted corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders and their respective close associates which would support our independent management. See “—Corporate Governance Measures” below for further information.

Based on the above, our Directors are satisfied that the Board as a whole, together with our senior management team, is able to perform their roles in our Company in managing our business independently.

Financial Independence

We have established a finance department which operates entirely independently of the Controlling Shareholders with a team of independent financial staff. In addition, our Company has established a sound and independent financial system and makes financial decisions according to our Company’s business needs, which are independent of our Controlling Shareholders.

As of June 30, 2023, our non-trade outstanding balances due from our related parties amounted to RMB5.3 million. See “Financial Information—Related Party Transactions” and Note 26 to the Accountants’ Report in Appendix I to this prospectus for details. All such balances had been fully settled as of the Latest Practicable Date.

As of the Latest Practicable Date, there were no outstanding loans, advances or non-trade balances due to or from our Controlling Shareholders or their respective close associates, nor were there any outstanding pledges or guarantees provided for our benefit by our Controlling Shareholders or their respective close associates and vice versa.

Based on the above, our Directors are satisfied that we are able to maintain financial independence from our Controlling Shareholders and their respective close associates.

DEED OF NON-COMPETITION

To safeguard the interest of our Group, our Controlling Shareholders (each a “Covenantor”, collectively the “Covenantors”) have executed the Deed of Non-competition in favor of our Company on December 11, 2023. Pursuant to the Deed of Non-competition, each of the Covenantors has unconditionally and irrevocably undertakes, jointly and severally, to our Company (for itself and as trustee for the benefit of each of the members of our Group from time to time) that, save for Changjiu Industrial being the signing party of certain pledged vehicle monitoring service agreements and the transactions contemplated under the Entrustment Agreement between Changjiu Jinfu and Changjiu Industrial, as detailed in “Connected Transactions—Non-exempt Continuing Connected Transactions—(4) Entrustment Agreement,” he/she/it will not, and will use his/her/its best endeavors to procure that his/her/its respective close associates will not, directly or indirectly, at any time during the Relevant Period (as defined below), carry on, engage in, invest in, participate in, attempt to participate in, render any services to, provide any financial support to or otherwise be involved in or interested (economically or otherwise) in, whether alone or jointly with another person and

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whether directly or indirectly or on behalf of or to assist or act in concert with any other person, any business which is the same as, similar to or in competition or will compete or may compete with the business carried on or contemplated to be carried on by any member of our Group from time to time (the “Restricted Business”).

The above restrictions do not prohibit the Covenantors and their respective close associates (other than members of our Group) from holding securities of any company which conducts or is engaged in any Restricted Business, provided that the conditions set out in paragraphs (i), (ii) and (iii) below are satisfied:

- (i) the aggregate number of shares or equity interests held by the Covenantors and their respective close associates (other than members of our Group) is less than 10% of any class of the issued shares or the entire equity interests of such company;
- (ii) the Covenantors or their respective close associates (other than members of our Group) do not own, by any means, any right to control the composition of the board of directors or managers of such Restricted Business nor any right to participate, directly or indirectly, in such Restricted Business; and
- (iii) none of the Covenantors and their respective close associates (other than members of our Group) is the controlling shareholder of such company.

In addition, where it is resolved by the Board or a Shareholders’ meeting that it is appropriate for the Covenantors and/or their respective close associates (other than members of our Group) and our Group to jointly invest in, conduct, operate or participate in any business opportunity relating to the Restricted Business (the “New Business Opportunity”), and if our Group gives written invitation, the Covenantors and/or their respective close associates (other than members of our Group) may together with our Group, jointly invest in, conduct, operate or participate in such New Business Opportunity subject to the provisions of the Listing Rules and any requirement from the Stock Exchange (including but not limited to the obtaining of approval from the independent non-executive Directors and/or independent Shareholders).

Further Undertakings from the Covenantor

Under the Deed of Non-competition, each of the Covenantors has further undertaken to us the following:

- (i) it shall provide, and shall procure its close associates (other than members of our Group) to provide, during the Relevant Period (as defined below), where necessary and at least on an annual basis, all information necessary for the review by the independent non-executive Directors, subject to any relevant laws, rules and regulations or any contractual obligations, to enable them to review the Covenantor’s and its close associates’ (other than members of our Group) compliance with the Deed of Non-competition, and to enable the independent

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non-executive Directors to enforce the Deed of Non-competition, including but not limited to any decision described in paragraph (v) below or in relation to the pre-emptive right to restrict the transfer;

- (ii) the Covenantor (and on behalf of its close associates (other than members of our Group) from time to time) shall provide to us annually with an annual declaration for inclusion in our annual report, in respect of compliance with the terms of the Deed of Non-competition;
- (iii) the Covenantor has agreed and authorized the Company to disclose decisions on matters reviewed by the independent non-executive Directors relating to the compliance and enforcement of the Deed of Non-competition, either through our annual report or by way of announcement;
- (iv) during the Relevant Period (as defined below), in the event that the Covenantor or its close associates (other than members of our Group) are given any business opportunity relating to the New Business Opportunity, the Covenantor shall, and shall procure that its close associates (other than members of our Group), inform us of such New Business Opportunity in writing with all available information as soon as practicable and shall use its best endeavor to assist us in obtaining such New Business Opportunity on the same or more favorable terms;
- (v) when there is any New Business Opportunity, all independent non-executive Directors but excluding any independent non-executive Directors with conflicted interests will form a committee (the “Independent Board Committee”) and the Independent Board Committee shall consider and approve whether to pursue or decline the New Business Opportunity. If appropriate, the Independent Board Committee may appoint independent financial advisors to advise on the terms of the transaction in the subject New Business Opportunity;
- (vi) in the event that the Independent Board Committee decides that our Group should not take up such New Business Opportunity as referred to in paragraph (iv) above within a commercially reasonable period and undertake by written notice, the Covenantor and its close associates (other than members of our Group) may take up such New Business Opportunity and the involvement in the business derived from such New Business Opportunity shall not be regarded as a breach of the Deed of Non-competition; and
- (vii) since the effective date of the Deed of Non-competition, the Covenantor agrees to indemnify us from and against any and all losses, damages, claims, liabilities, costs and expenses (including legal costs and expenses) where we may suffer or incur as a result of or in connection with any failure to comply with the terms of the Deed of Non-competition by the Covenantor or its close associates (other than members of our Group).

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Where the Covenantors and/or their respective close associates (other than members of our Group) acquire the Restricted Business pursuant to paragraph (vi) above, the Covenantors and/or their respective close associates (other than members of our Group) shall provide our Group with pre-emptive right (the “Pre-emptive Right”) to acquire any such Restricted Business under the same circumstances. Where the Independent Board Committee decides to waive our Pre-emptive Right by way of written notice, the Covenantors and/or their respective close associates (other than members of our Group) may offer to sell such Restricted Business (as defined below) to other third parties on such terms which are no more favorable than those made available to our Group.

Where the Covenantors and/or their respective close associates (other than members of our Group) acquire the Restricted Business pursuant to paragraph (vi) above, the Covenantors and/or their respective close associates (other than members of our Group) has undertaken to grant us the option (the “Options for Acquisition”) which is exercisable at any time during the term of the Relevant Period (as defined below), to purchase at one or more times any equity interest, assets or other interests which form part/or all of such Restricted Business as described above, or to operate the Restricted Business by way of, including but not limited to, management outsourcing, lease or subcontracting. However, if a third party has the pre-emptive rights in accordance with applicable laws and regulations and/or any legally binding document, the Options for Acquisition shall be subject to such third-party rights. In these circumstances, the Covenantors will use their best endeavors to procure the third party to waive such pre-emptive rights.

The Covenantors and/or their respective close associates (other than members of our Group) have further unconditionally and irrevocably undertaken that they and/or their respective close associates (other than members of our Group) will not take advantage of their connections with our Group and/or our Shareholders, or their position as a shareholder of any member of our Group, to participate or be engaged in any activities which may be detrimental to the interests of our Group and our other Shareholders.

The Covenantors have further unconditionally and irrevocably undertaken that except with the prior written consent of our Group, the Covenantors shall not, and shall procure their respective close associates (other than members of our Group) will not, directly or indirectly:

- (i) any time induce or attempt to induce any director, manager or consultant of any member of our Group to terminate his or her employment or consultancy (as applicable) with our Group, whether or not such act of that person would constitute a breach of that person’s contract of employment or consultancy (as applicable); or
- (ii) alone or jointly with any other person through or as director, manager, adviser, consultant, employee of or agent for or shareholder in any person, firm or company, in competition with any member of our Group, canvass, solicit or accept orders from or do business with any person with whom any member of our Group has done business or solicit or persuade any person who has dealt with our Group or is in the

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

process of negotiating with our Group in relation to the Restricted Business to cease to deal with our Group or reduce the amount of business which the person would normally do with our Group or seek to improve their terms of trade with any member of our Group.

Our Company will disclose the decisions on matters reviewed by the independent non-executive Directors relating to the compliance with and enforcement of the Deed of Non-competition either in the annual report of our Company or by way of announcement(s) to the public. For the purposes of the above, the “Relevant Period” means the period commencing from the date on which the Deed of Non-competition becomes effective and shall expire on the earlier of (a) the date when each of the Covenantors and, as the case may be, any of their respective close associates collectively, cease to hold, or otherwise hold, beneficially in aggregate whether directly or indirectly, 30% or more (or such other percentage of shareholding as stipulated in the Listing Rules to constitute a controlling shareholder) of the issued share capital of our Company and is not in a position to control the composition of a majority of the Board; or (b) the date on which the Shares cease to be listed on the Stock Exchange (except for temporary suspension of trading of the Shares).

CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of good corporate governance to protect the interest of our minority Shareholders. We will adopt the following corporate governance measures to manage potential conflict of interests between our Group and the Controlling Shareholders:

- (i) where a Shareholders’ meeting is held for considering proposed transaction in which any of the Controlling Shareholders has a material interest, the Controlling Shareholder(s) shall abstain from voting on the resolutions and shall not be counted in the quorum for the voting;
- (ii) where a Board meeting is held for the matters in which a Director has a material interest, such Director shall abstain from voting on the resolutions and shall not be counted in the quorum for the voting;
- (iii) an Independent Board Committee comprising all independent non-executive Directors will be given the authority to decide and be responsible for deciding, without attendance by any Directors with beneficial or conflicting interest, the New Business Opportunities referred to our Group by our Controlling Shareholders (or their respective close associates other than members of our Group) and the exercise of the Pre-emptive Right under the Deed of Non-competition. The Independent Board Committee, taken as a whole, has the relevant expertise and experience in deciding the New Business Opportunities or the exercise of the Pre-emptive Right. For more details of the biographies of our independent non-executive Directors, see “Directors and Senior Management.” In addition, the Independent Board Committee

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

may, at the costs of our Company and from time to time, engage independent financial advisers and other external professional advisers as they may consider necessary to advise them on the issues which relate to the above matters;

- (iv) any transaction between (or proposed to be made between) our Group and the connected persons shall comply with the relevant requirements of Chapter 14A of the Listing Rules, including, where applicable, the announcement, reporting, annual review, circular (including independent financial advice) and independent shareholders' approval requirements and with those conditions imposed by the Stock Exchange for the granting of waiver from strict compliance with relevant requirements under the Listing Rules;
- (v) in the event that our independent non-executive Directors are requested to review any conflict of interests between our Group and the Controlling Shareholders, the Controlling Shareholders shall provide the independent non-executive Directors with all necessary information and our Company shall disclose the decisions of the independent non-executive Directors either in its annual report or by way of announcements to the public;
- (vi) our Company has appointed Zhongtai International Capital Limited as our compliance advisor, which will provide advice and guidance to our Group in respect of compliance with the applicable laws and Listing Rules including various requirements relating to Directors' duties and corporate governance; and
- (vii) we have established the Audit Committee, the Remuneration Committee and the Nomination Committee with written terms of reference in compliance with the Listing Rules and the Code of Corporate Governance and Corporate Governance Report in Appendix 14 to the Listing Rules. The majority of the members of the aforementioned committees are independent non-executive Directors.

CONNECTED TRANSACTIONS

We have entered into certain agreements with our connected person, the details of which are set out below. Upon Listing, the transactions contemplated under such agreements will constitute our continuing connected transactions under Chapter 14A of the Listing Rules.

OUR CONNECTED PERSON

The table below sets forth the party who will become our connected person upon Listing and the nature of its relationship with our Group:

<u>Connected person</u>	<u>Connected relationship</u>
Changjiu Industrial	a company owned by Ms. Li and Mr. Bo as to approximately 17.54% and 82.46%, respectively, and hence an associate of our Controlling Shareholders

SUMMARY OF OUR CONTINUING CONNECTED TRANSACTIONS

<u>Continuing connected transactions</u>	<u>Applicable Listing Rules</u>	<u>Waiver sought</u>	<u>Proposed annual cap for the years ending December 31,</u>		
			<u>2023</u>	<u>2024</u>	<u>2025</u>
<i>(RMB in thousands)</i>					
Fully-exempt Continuing Connected Transactions					
(1) Pledged Vehicle Monitoring Service Framework Agreement	Rule 14A.76(1)(c)	N/A	614	614	614
(2) Property Lease and Comprehensive Service Agreement	Rule 14A.76(1)(c)	N/A	2,300	2,300	N/A ⁽¹⁾
Non-exempt Continuing Connected Transactions					
(3) Automobile Dealership Operation Management Service Framework Agreement	Rule 14A.35-36 Rule 14A.49 Rule 14A.105	Announcement, circular and independent Shareholders' approval	72,000	85,000	95,000
(4) Entrustment Agreement	Rule 14A.35-36 Rule 14A.49 Rule 14A.105	Announcement, circular and independent Shareholders' approval	31,000	20,000	N/A ⁽²⁾

CONNECTED TRANSACTIONS

Notes:

- (1) The initial term of the Property Lease and Comprehensive Service Agreement is one year commencing from January 1, 2023 and would automatically renew for another year unless there are other arrangements between the relevant parties. Therefore, the Property Lease and Comprehensive Service Agreement is reasonably expected to last for two years considering the option to extend the lease according to IFRS 16.
- (2) The term of the Entrustment Agreement will expire on December 31, 2024.

FULLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS

(1) Pledged Vehicle Monitoring Service Framework Agreement

On December 11, 2023, our Company and Changjiu Industrial, for themselves and on behalf of their respective subsidiaries, entered into a pledged vehicle monitoring service framework agreement (the “Pledged Vehicle Monitoring Service Framework Agreement”), pursuant to which our Group shall provide pledged vehicle monitoring services and other ancillary services to Changjiu Group in exchange for service fees payable by Changjiu Group.

Separate underlying agreements will be entered into among the parties to set out the detailed terms, including details of service scope, service fees and payment methods, based on the principles and within the parameters provided under the Pledged Vehicle Monitoring Service Framework Agreement. The definitive terms of each of such underlying agreements will be determined on a case-by-case basis and on fair and reasonable basis after arm’s length negotiation among the parties.

The initial term of the Pledged Vehicle Monitoring Service Framework Agreement will commence on the Listing Date and expire on December 31, 2025. Such term would automatically renew for a term of three years unless we serve written notice to cease cooperation.

For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, the historical amounts of service fees in respect of the Pledged Vehicle Monitoring Service Framework Agreement were approximately RMB0.7 million, RMB5.1 million, RMB0.5 million and RMB0.1 million, respectively.

The proposed annual caps for the transactions under the Pledged Vehicle Monitoring Service Framework Agreement for the three years ending December 31, 2023, 2024 and 2025 are approximately RMB0.6 million for each year.

The transactions contemplated under the Pledged Vehicle Monitoring Service Framework Agreement have been and will be entered into in the ordinary and usual course of business of our Group and on normal commercial terms or better.

CONNECTED TRANSACTIONS

As each of the applicable percentage ratios (other than the profit ratio) under the Listing Rules in respect of this transaction is expected to be, on an annual basis, less than 5% and the total annual amount receivable by our Group is expected to be less than HK\$3 million, such transaction will be fully exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(2) Property Lease and Comprehensive Service Agreement

On January 1, 2023, Shanghai Bozhong, Changjiu Jinfu and Changjiu Industrial entered into a property lease and comprehensive service agreement (the "Property Lease and Comprehensive Service Agreement"), pursuant to which Changjiu Industrial agreed to (i) lease certain properties owned by it located at Changjiu Building, No. 99, Shigezhuang Road, Chaoyang District, Beijing, the PRC to Shanghai Bozhong and Changjiu Jinfu for office use; and (ii) provide us with comprehensive services, including property management, security and cleaning, IT, shuttle bus and staff canteen services.

The principal terms of the Property Lease and Comprehensive Service Agreement include the property rents, the scope and category of comprehensive services and relevant service fees, payment schedules and payment methods.

The Property Lease and Comprehensive Service Agreement is for an initial term of one year commencing from January 1, 2023 and would automatically renew for another year unless there are other arrangements between the relevant parties.

Accounting implications of the Property Lease and Comprehensive Service Agreement

In accordance with the IFRSs applicable to our Group, the payments by our Group under the Property Lease and Comprehensive Service Agreement comprise different components, hence different accounting treatments will be applied. The rent and comprehensive service fees (excluding staff canteen service) of RMB5.95/sq.m./day paid by our Group are capital in nature and were recognized, among others, as assets of our Group at the commencement date of the lease. Our Group as the lessee applies the practical expedient to account for lease component and associated non-lease components as a single lease component. Therefore, the rent and comprehensive service fees (excluding staff canteen service) will be regarded as an acquisition of a capital asset and a one-off connected transaction of the Company for the purpose of the Listing Rules. Under IFRS 16, our Group shall recognize (i) depreciation charge over the life of the right-of-use asset, and (ii) interest expense as calculated based on lease liability balance using the effective interest rate method. Staff canteen service fees paid by our Group were recognized as expenses in profit or loss.

Pursuant to the Property Lease and Comprehensive Service Agreement, we shall pay Changjiu Industrial staff canteen service fees of RMB27.4/person/day multiplied by the actual number of diners, which are determined based on arm's length negotiations between the parties with reference to (i) historical service fees; and (ii) the number of our staff consumed in the

CONNECTED TRANSACTIONS

canteen. The transactions contemplated under the Property Lease and Comprehensive Service Agreement have been and will be entered into in the ordinary and usual course of business of our Group and on normal commercial terms or better.

For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, (i) the depreciation of right-of-use assets and interest expense on lease liabilities in relation to the lease of properties and comprehensive service fees (excluding staff canteen service) were RMB2.5 million, RMB3.2 million, RMB4.5 million and RMB3.6 million, respectively; and (ii) the aggregate service fees in respect of staff canteen service were RMB0.9 million, RMB1.4 million, RMB1.5 million and RMB1.1 million, respectively.

The proposed annual caps for the staff canteen service under the Property Lease and Comprehensive Service Agreement for the two years ending December 31, 2023 and 2024 are set out below:

	Proposed annual caps for the years ending December 31,	
	2023	2024⁽¹⁾
	<i>(RMB in thousands)</i>	
Staff canteen service fees	2,300	2,300

Note:

- (1) The initial term of the Property Lease and Comprehensive Service Agreement is one year commencing from January 1, 2023 and would automatically renew for another year unless there are other arrangements between the relevant parties. Therefore, the Property Lease and Comprehensive Service Agreement is reasonably expected to last for two years considering the option to extend the lease according to IFRS 16.

The proposed annual caps are estimated primarily based on (i) the historical transaction amounts in relation to staff canteen services; and (ii) the estimated increase in number of staffs along with our business expansion in the next two years.

Listing Rules implications

As the highest applicable percentage ratio (other than the profit ratio) under the Listing Rules in respect of the payment of staff canteen service fees under the Property Lease and Comprehensive Service Agreement is expected to be, on an annual basis, less than 5% and the total annual amount payable by our Group is expected to be less than HK\$3 million, such transaction will be fully exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

(3) Automobile Dealership Operation Management Service Framework Agreement

Principal terms

On December 11, 2023, our Company and Changjiu Industrial, for themselves and on behalf of their respective subsidiaries, entered into an automobile dealership operation management service framework agreement (the “Automobile Dealership Operation Management Service Framework Agreement”), pursuant to which our Group shall provide operation management services to automobile dealerships owned by Changjiu Group in exchange for service fees payable by Changjiu Group.

Separate underlying agreements will be entered into between the parties to set out the detailed terms, including scope and duration of services, service fees, payment schedules and payment methods, based on the principles and within the parameters provided under the Automobile Dealership Operation Management Service Framework Agreement. The definitive terms of each of such underlying agreements will be determined on a case-by-case basis and on fair and reasonable basis after arm’s length negotiation between the parties.

The initial term of the Automobile Dealership Operation Management Service Framework Agreement will commence on the Listing Date and expire on December 31, 2025, such term would automatically renew for a term of three years unless we serve written notice to cease cooperation.

Reasons for and benefits of the transactions

We make profit from providing management systems to automobile dealerships leveraging our management experience and insight in the automobile dealership industry. Changjiu Group, with its national presence of automobile dealerships, has secured a place in automobile dealership industry. As such, our services provided to Changjiu Group under the Automobile Dealership Operation Management Service Framework Agreement are in the ordinary and usual course of our business. Given that Changjiu Group has abundant automobile dealership store resources, offering our automobile dealership operation management services to Changjiu Group would consolidate our revenue sources and hedge the operational risks resulting from the evolving market. In addition, the terms we offered to Changjiu Group are no less favorable to us than those offered to our other customer which is an Independent Third Party. Therefore, our automobile dealership operation management services provided to Changjiu Group are profitable and are in the interests of our Group and the Shareholders as a whole.

CONNECTED TRANSACTIONS

Pricing policy

The management service fees payable by Changjiu Group to us are generally determined by a pre-determined percentage of the pre-tax annual operating revenue (or the revenue during the term of the management agreement if such term is less than one year) of the automobile dealership stores. The aforesaid pricing policies are no less favorable to us than those available to our other Independent Third Party customer.

Historical transaction amounts

We began offering operation management services to automobile dealerships in April 2022. For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, the aggregate fees generated from Changjiu Group for the automobile dealership operation management services were nil, nil, RMB42.8 million and RMB30.3 million, respectively.

Annual caps

The proposed annual caps for the operation management service fees payable by Changjiu Group to our Group under the Automobile Dealership Operation Management Service Framework Agreement for the three years ending December 31, 2023, 2024 and 2025 are set out below:

Proposed annual caps for the years ending December 31,		
2023	2024	2025
<i>(RMB in thousands)</i>		
72,000	85,000	95,000

The proposed annual caps above for the three years ending December 31, 2025 are determined with reference to:

- the historical transaction amounts of our automobile dealership operation management services for the year ended December 31, 2022 after our commencement of such services in April 2022;
- the expected average number of automobile dealerships owned by Changjiu Group to be managed by us of approximately 72, 92 and 102 in 2023, 2024 and 2025, respectively, with reference to the number of existing automobile dealerships managed by us, the business development plan of Changjiu Group and the potential growth trend of the automobile industry;
- our expected revenue sharing percentage of 0.5% of the automobile dealership's revenue; and

CONNECTED TRANSACTIONS

- our estimation on the growth in operating results and profitability of the automobile dealerships after the recovery from the COVID-19 pandemic. The existing automobile dealerships of Changjiu Group are generally expected to experience a revenue growth of 3% to 15% from 2023 to 2025 after the recovery from the COVID-19 pandemic with reference to the industry trend of China's passenger car market. The new automobile dealerships which are expected to begin operations in 2024 and 2025 are estimated to have a revenue growth of 80% to 150% in the second year since their commencement of operations, with reference to the vehicles selling price and Changjiu Group's past experience and cooperation mode with automobile manufacturers. According to CIC, it is not uncommon for automobile dealerships to achieve the above performance growth by strengthening cooperation relationships with automobile manufacturers, improving customer satisfaction, and strengthening after-sales service coverage.

Listing Rules implications

As the highest applicable percentage ratio (other than the profit ratio) under the Listing Rules in respect of this transaction is expected to, on an annual basis, exceed 5%, such transaction will, upon Listing, constitute continuing connected transaction of the Company subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(4) Entrustment Agreement

Principal terms

On April 26, 2023, Changjiu Jinfu and Changjiu Industrial entered into a pledged vehicle monitoring service entrustment agreement (the "Entrustment Agreement"). Pursuant to the Entrustment Agreement, Changjiu Jinfu was exclusively entrusted by Changjiu Industrial to provide the pledged vehicle monitoring services under the Unassigned Agreements (as defined below) previously entered into between Changjiu Industrial and relevant financial institutions and automobile dealerships. In exchange for the services provided by Changjiu Jinfu under such entrustment arrangement, Changjiu Industrial shall pay Changjiu Jinfu service fees.

The term of the Entrustment Agreement commenced from November 30, 2021 and will expire on December 31, 2024, being the projected date of completing the assignment of the Unassigned Agreements from Changjiu Industrial to Changjiu Jinfu at the latest.

Reasons for and benefits of the transactions

Since the establishment of Changjiu Jinfu in September 2016, Changjiu Industrial has been gradually restructuring the pledged vehicle monitoring service business into Changjiu Jinfu. As of the Latest Practicable Date, the rights and obligations of Changjiu Industrial under 524 pledged vehicle monitoring service agreements (the "Unassigned Agreements") with certain financial institutions and automobile dealerships had not been transferred from

CONNECTED TRANSACTIONS

Changjiu Industrial to Changjiu Jinfu. See “History, Reorganization and Corporate Structure—Reorganization—Onshore Reorganization—Business transfer of pledged vehicle monitoring services” for further details of the business transfer. As a transitional arrangement, as well as to maintain clear delineation and avoid material competition between the business operated by Changjiu Group and our Group, we entered into the Entrustment Agreement with Changjiu Industrial to ensure that Changjiu Industrial does not provide any pledged vehicle monitoring services to the users under the Unassigned Agreements. See “Relationship with Our Controlling Shareholders—Delineation of Business” for details. Furthermore, as we are the largest pledged vehicle monitoring service provider in China’s automobile sales and distribution industry, our services provided to Changjiu Industrial under the Entrustment Agreement are in the ordinary and usual course of our business. Therefore, the transactions contemplated under the Entrustment Agreement are profitable and in the interests of our Group and the Shareholders as a whole.

Pricing policy

The entrusted pledged vehicle monitoring service fees payable by Changjiu Industrial to Changjiu Jinfu shall equal to the service fees payable by the relevant users to Changjiu Industrial under the Unassigned Agreements, which are determined after arm’s length negotiation between such users and Changjiu Industrial on a cost-plus basis taking into consideration the average local salary and the manpower required. The service fees payable by Changjiu Industrial are no less favorable to us than those we receive from the Independent Third Party customers.

Historical transaction amounts

For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, the aggregate fees generated from Changjiu Industrial for the entrusted pledged vehicle monitoring services were nil, RMB3.6 million, RMB37.8 million and RMB19.1 million, respectively.

Annual caps

The proposed annual caps for the entrusted pledged vehicle monitoring service fees payable by Changjiu Industrial to Changjiu Jinfu under the Entrustment Agreement for the two years ending December 31, 2023 and 2024 are set out below:

Proposed annual caps for the years ending December 31,	
2023	2024
<i>(RMB in thousands)</i>	
31,000	20,000

CONNECTED TRANSACTIONS

The proposed annual caps above for the two years ending December 31, 2024 are determined with reference to (i) the contract value, the remaining period of the Unassigned Agreements and the projected date of completing the assignment of the Unassigned Agreements from Changjiu Industrial to Changjiu Jinfu; and (ii) the historical transaction amounts under the Entrustment Agreement. As Changjiu Industrial has confirmed and undertaken to us that it shall not enter into any new pledged vehicle monitoring service agreements, the scale of the transactions under the Entrustment Agreement is expected to remain limited and gradually decrease.

Listing Rules implications

As the highest applicable percentage ratio (other than the profit ratio) under the Listing Rules in respect of this transaction is expected to, on an annual basis, exceed 5%, such transaction will, upon Listing, constitute continuing connected transaction of the Company subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

WAIVERS APPLICATIONS FOR NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

In respect of the Automobile Dealership Operation Management Service Framework Agreement and the Entrustment Agreement, we have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated thereunder pursuant to Rule 14A.105 of the Listing Rules.

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including the independent non-executive Directors) are of the view that the continuing connected transactions as set out above have been and will continue to be entered into in the ordinary and usual course of our business on normal commercial terms or better that are fair and reasonable and in the interests of our Company and the Shareholders as a whole, and that the proposed annual caps for these transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

CONFIRMATION FROM THE JOINT SPONSORS

The Joint Sponsors are of the view that (i) the continuing connected transactions described in “—Non-exempt Continuing Connected Transactions” in this section have been and will be entered into in the ordinary and usual course of our business, on normal commercial terms or better, that are fair and reasonable and in the interests of our Company and our Shareholders as a whole; and (ii) the proposed annual caps of such continuing connected transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Our Board currently consists of seven Directors comprising three executive Directors, one non-executive Director and three independent non-executive Directors.

The following table sets forth information in respect of our Directors:

Members of our Board

Name	Age	Existing position(s) in our Group	Roles and responsibilities in our Group	Date of joining our Group	Date of appointment as Director
Li Guiping ⁽¹⁾ (李桂屏)	52	Chairwoman of our Board and executive Director	Overall strategic planning, business policy development and major operational decisions making of our Group	September 9, 2016	June 16, 2021
Bo Shijiu ⁽¹⁾ (薄世久).	59	Chief executive officer and executive Director	Overall operational management of our Group	September 9, 2016	June 16, 2021
Jia Hui (賈惠)	47	Executive Director and vice president	Management of pledged vehicle monitoring services of our Group	November 1, 2017	April 12, 2023
Jin Ting (靳婷).	40	Non-executive Director	Providing insights for financial management and business development of our Group	April 12, 2023	April 12, 2023
Shen Jinjun (沈進軍).	66	Independent non-executive Director	Providing independent advice on the operation and management of our Group	December 11, 2023	December 11, 2023

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Existing position(s) in our Group	Roles and responsibilities in our Group	Date of joining our Group	Date of appointment as Director
Dong Yang (董揚)	67	Independent non-executive Director	Providing independent advice on the operation and management of our Group	December 11, 2023	December 11, 2023
Wang Fukuan (王福寬)	50	Independent non-executive Director	Providing independent advice on the operation and management of our Group	December 11, 2023	December 11, 2023

Note:

(1) Mr. Bo Shijiu and Ms. Li Guiping are spouse.

Executive Directors

Ms. Li Guiping (李桂屏), aged 52, our founder and was appointed as our Director on June 16, 2021 and was re-designated as our executive Director and appointed as the chairwoman of our Board on April 12, 2023. Since September 2016, she has been serving as the executive director and general manager in Changjiu Jinfu. Ms. Li is responsible for the overall strategic planning, business policy development and major operational decision-making of our Group.

Prior to joining our Group, from April 2003 to November 2014, Ms. Li served as the president in Changjiu Industrial. From July 2007 to November 2014, she also served as the president and chairman of the board of directors in Guangxi Changjiu Automobile Investment Co., Ltd. (廣西長久汽車投資有限公司), a subsidiary of Changjiu Industrial. Since September 2016, Ms. Li has been serving as a director in Beijing Changjiu Logistics Corp. (北京長久物流股份有限公司), a company listed in Shanghai Stock Exchange (stock code: 603569).

Ms. Li graduated from China University of Political Science and Law Graduate School (中國政法大學研究生院) in the PRC in August 1990 with a major in enterprise management. She completed automobile marketing executive management program in business administration (EMBA) from Shanghai Hong Kong University – Fudan University School of Continuing Professional Education (上海香港大學 – 復旦大學專業繼續教育學院) in the PRC in December 2004. She completed advanced development course of market capitalization management of listed companies from PBC School of Finance, Tsinghua University (清華大學五道口金融學院) in April 2015.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Bo Shijiu (薄世久), aged 59, our founder and was appointed as our Director on June 16, 2021 and was re-designated as our executive Director and appointed as the chief executive officer on April 12, 2023. He is responsible for the overall operational management of our Group.

Mr. Bo has over 30 years of experience in the automotive and logistics industry and corporate management. Owing to Mr. Bo's in-depth knowledge and network connections in the automotive logistics industry in China, Mr. Bo has been a key driver of our business strategies and achievements to date. From February 1993 to December 2003, Mr. Bo was the chairman of Fada Automobile Delivery Service Department of First Automobile Work Factory (第一汽車製造廠發達汽車發送服務處). In March 1999, Changjiu Industrial was established and Mr. Bo has been its chairman of the board of directors since then. Since September 2003, Mr. Bo has been the chairman of the board of directors in Beijing Changjiu Logistics Corp. (北京長久物流股份有限公司). Under Mr. Bo's leadership, Beijing Changjiu Logistics Corp. successfully completed the listing on the Shanghai Stock Exchange (stock code: 603569) in August 2016. Mr. Bo was appointed as the vice president of China Federation of Logistics & Purchasing (中國物流與採購聯合會) in the PRC and the president of China Automotive Logistics Association of CFLP (中國物流與採購聯合會汽車物流分會) in September 2011 and November 2010 respectively.

Mr. Bo obtained his bachelor degree in business management from Jilin University (吉林大學) in the PRC in July 1997. Mr. Bo obtained the qualification as a certified international logistics specialist (高級物流師) issued by the Ministry of Labour and Social Security of the PRC in June 2009.

Ms. Jia Hui (賈惠), aged 47, joined our Group and served as the vice president of Changjiu Jinfu on November 1, 2017, and was appointed as our vice president on March 23, 2023. She was appointed as our executive Director on April 12, 2023. She is responsible for management of pledged vehicle monitoring services of our Group.

Ms. Jia has over 20 years of experience in automobile dealership operation management services and pledged vehicle monitoring services. Prior to joining our Group, from February 2002 to April 2004, Ms. Jia served as an operating director of brand business department in Henan Fuda Holdings Co., Ltd. (河南富達控股有限公司). From May 2004 to January 2007, Ms. Jia served as vice president in Henan Changjiang Modern Sales Company (河南長江現代銷售公司). From January 2007 to April 2011, she served as a senior manager of operation control department and assistant to president in Changjiu Industrial. From April 2011 to November 2017, she served as a chief operating officer and vice president in Beijing Consultation Branch of Changjiu Industrial (吉林省長久實業集團有限公司北京諮詢分公司). Since November 2017, Ms. Jia has been the head of smart business group of our Group.

Ms. Jia received her bachelor degree in business administration from China Agricultural University (中國農業大學) in the PRC in July 2018 through long distance learning. She completed advanced development course of integration of industry and finance from PBC School of Finance, Tsinghua University (清華大學五道口金融學院) in October 2017. In 2023,

DIRECTORS AND SENIOR MANAGEMENT

Ms. Jia was admitted to the executive management program in business administration (EMBA) provided by Peking University Guanghua School of Management (北京大學光華管理學院). She was qualified as a specially-invited expert in China Automobile Dealers Association Research Institute (中國汽車流通協會凱達研究院) in September 2016. She obtained the title of 2018 supply chain e-commerce leading flag bearer from China E-commerce Innovation Promotion Alliance (中國電子商務創新推進聯盟) in June 2018.

Non-executive Directors

Ms. Jin Ting (靳婷), aged 40, joined our Group and was appointed as our non-executive Director on April 12, 2023. She is primarily responsible for providing insights for financial management and business development of our Group.

From June 2006 to October 2017, Ms. Jin served in Beijing Caissa International Travel Agency Co., Ltd. (北京凱撒國際旅行社有限責任公司), where Ms. Jin was the financial manager, business director of financial management center and manager of corporate development department. From November 2017 to March 2020, Ms. Jin served as the assistant president and financial controller in Caissa Tongsheng Travel Agency (Group) Co., Ltd. (凱撒同盛旅行社(集團)有限公司). From June 2017 to October 2019, she was also the deputy finance director in Caissa Tosun Development Co., Ltd. (凱撒同盛發展股份有限公司) (formerly known as Hna-Caissa Travel Group Co., Ltd. (海航凱撒旅遊集團股份有限公司)), a company listed in Shenzhen Stock Exchange (stock code: 000796) and the controlling shareholder of both Beijing Caissa International Travel Agency Co., Ltd. and Caissa Tongsheng Travel Agency (Group) Co., Ltd.. Ms. Jin has been the vice president and financial controller in Beijing Changjiu Logistics Corp. (北京長久物流股份有限公司), a company listed in Shanghai Stock Exchange (stock code: 603569) since November 2020.

Ms. Jin obtained a bachelor degree of accounting from Heilongjiang Institute of Technology (黑龍江工程學院) in the PRC in July 2004 and a master's degree of science in applied accounting and finance from Hong Kong Baptist University (香港浸會大學) in November 2019.

Independent non-executive Directors

Mr. Shen Jinjun (沈進軍), aged 66, was appointed as our independent non-executive Director on December 11, 2023. He is primarily responsible for providing independent advice on the operation and management of our Group.

From October 2005 to September 2014, Mr. Shen served as the vice president and secretary-general in China Automobile Dealers Association (中國汽車流通協會), and has been the president since October 2014. Mr. Shen was appointed as an independent non-executive director of China Grand Automotive Services Group Co., Ltd. (廣匯汽車服務集團股份公司), a company listed in Shanghai Stock Exchange (stock code: 600297) from July 2015 to August 2021. He has been appointed as an independent non-executive director of Zhongsheng Group Holdings Ltd. (中升集團控股有限公司), a company listed in the Stock Exchange (stock code:

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0881) since November 2009. He has also been appointed as an independent non-executive director of Beijing Changjiu Logistics Corp. (北京長久物流股份有限公司), a company listed in Shanghai Stock Exchange (stock code: 603569) from December 2013 to February 2023.

Mr. Shen obtained his bachelor degree in electronics from Beijing Open University (北京開放大學) (formerly known as Beijing Radio and Television University (北京廣播電視大學)) in June 1982.

Mr. Dong Yang (董揚), aged 67, was appointed as our independent non-executive Director on December 11, 2023. He is primarily responsible for providing independent advice on the operation and management of our Group.

From April 2000 to August 2007, Mr. Dong was the deputy secretary of the party committee, general manager and director of Beijing Automotive Group Co., Ltd. (北京汽車集團有限公司) (formerly known as Beijing Automotive Industry Holding Co., Ltd. (北京汽車工業控股有限責任公司)). From July 2007, Mr. Dong started to serve as the executive vice president and secretary general at China Association of Automobile Manufacturers (中國汽車工業協會). Since April 2020, Mr. Dong has been the managing partner and chairman of the board of directors of Beijing Virtue Capital Investment Management Center (Limited Partnership) (北京德載厚投資管理中心(有限合夥)).

Mr. Dong has been appointed as an independent non-executive director of Brilliance China Automotive Holdings Limited (華晨中國汽車控股有限公司), a company listed in the Stock Exchange (stock code: 1114) since May 2021. From May 2009 to March 2016, Mr. Dong was an independent non-executive director of Chongqing Changan Automobile Co., Ltd. (重慶長安汽車股份有限公司), a company listed in the Shenzhen Stock Exchange (stock code: 000625).

Mr. Dong obtained his bachelor and master degree in automotive from Tsinghua University (清華大學) in the PRC in July 1982 and November 1984, respectively. He was certificated as the senior engineer of researcher's grade (研究員級高級工程師) by China Academy of Machinery Science and Technology (機械科學研究總院) in September 2008.

Mr. Wang Fukuan (王福寬), aged 50, was appointed as our independent non-executive Director on December 11, 2023. He is primarily responsible for providing independent advice on the operation and management of our Group.

From July 1994 to December 1996, Mr. Wang served as an accountant in Jilin Gold Company (吉林省黃金公司). From January 1997 to March 2000, Mr. Wang was the finance department accountant and accountant in charge in Changchun North China Wuhuan Industrial Co., Ltd. (長春北方五環實業股份有限公司). From April 2000 to August 2003, he served as the financial officer in Beijing Dongjiao Minxiang Hotel Co., Ltd. (北京東交民巷飯店有限公司). From September 2003 to December 2008, Mr. Wang was the financial officer in Zhongjun Insurance Broker (Beijing) Co., Ltd. (中軍保險經紀(北京)有限公司) (formerly known as Hongfu Insurance Brokers (Beijing) Co., Ltd. (宏孚保險經紀(北京)有限公司)). From January

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2012 to July 2022, he was the project manager and audit department manager in Beijing Zhongqingrui Certified Public Accountants Co., Ltd. (北京中青瑞會計師事務所有限公司). Mr. Wang has been the audit project partner in Beijing Xingye Certified Public Accountants Co., Ltd. (北京興業會計師事務所有限公司) since September 2022.

Mr. Wang obtained his diploma of accounting in Jilin University (吉林大學) in the PRC in July 1994. He obtained the intermediate professional qualification in accounting (會計中級職稱) from Ministry of Finance of the PRC (中華人民共和國財政部) in May 1999 and the senior accountant (高級會計師) from Jilin Province Department of Finance (吉林省財政廳) in January 2007. He obtained the practicing qualification of tax agent from the Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部) and State Taxation Administration of the PRC (國家稅務總局) in June 2009. He also obtained the Chinese Certified Public Accountant Certificate (中國註冊會計師證書) from Beijing Institute of Certified of Public Accountants (北京註冊會計師協會) in July 2019.

Save as disclosed in this section, each of our Directors had no other relationship with any Directors, senior management, substantial shareholders or controlling shareholders of our Company and none of our Directors have held any other directorships in listed companies during the three years immediately preceding the date of this prospectus.

Mr. Bo was: (i) a legal representative of Guangxi Changjiu Transportation Co., Ltd. (廣西長久運輸有限責任公司) (“**Changjiu Transportation**”), a company established in the PRC with limited liability principally engaged in highway passenger transportation services, whose business license was revoked on May 28, 2016 because it ceased its business operation and failed to conduct annual inspection on a timely basis under PRC laws; (ii) a responsible person of Jilin Changjiu Industrial Group Co., Ltd., Nong’an Branch (吉林省長久實業有限公司農安分公司) (“**Changjiu Industrial Nong’an Branch**”), the branch office of Changjiu Industrial principally engaged in automotive wholesale and retail, whose business license was revoked on September 9, 2005 because it ceased its business operation and failed to conduct annual inspection on a timely basis under PRC laws. Mr. Bo confirmed that the failure of conducting annual inspection on a timely basis for Changjiu Transportation and Changjiu Industrial Nong’an Branch was due to the employees who were in charge of this matter were negligent in timely filing of inspection documents. Moreover, such companies were solvent when their business licenses being revoked and were not involved in any material non-compliance that led to the revocation of their business licenses. Mr. Bo further confirmed that, as of the Latest Practicable Date, no claims had been made against him and he was not aware of any threatened or potential claims made against him and there was no outstanding claims and/or liabilities as a result of the revocation of the business licenses of such companies.

Mr. Bo was a legal representative, an executive director and a general manager of Dalian Bonded Zone Changjiu Logistics Limited Company (大連保稅區長久物流有限公司) (“**Dalian Changjiu Logistics**”), a company established in the PRC with limited liability principally engaged in warehousing and logistics agency services. Ms. Li was a supervisor of Dalian Changjiu Logistics. According to the PRC laws, the PRC company’s supervisor will not be liable for the revocation of its business license. The business license of Dalian Changjiu Logistics was revoked on June 29, 2006 because it ceased its business operation and failed to

DIRECTORS AND SENIOR MANAGEMENT

conduct annual inspection on a timely basis under PRC laws. Mr. Bo confirmed that the failure of conducting annual inspection on a timely basis for Dalian Changjiu Logistics was due to the employees who were in charge of this matter were negligent in timely filing of inspection documents. Moreover, Dalian Changjiu Logistics was solvent when its business license being revoked and was not involved in any material non-compliance that led to the revocation of its business license. Each of Mr. Bo and Ms. Li further confirmed that, as of the Latest Practicable Date, no claims had been made against him/her and he/she was not aware of any threatened or potential claims made against him/her and there was no outstanding claims and/or liabilities as a result of the revocation of the business license of such company.

Each of our Directors has confirmed that there are no other matters relating to his/her appointment as a Director that need to be brought to the attention of our Shareholders and there was no other information relating to his/her appointment which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

SENIOR MANAGEMENT

Our senior management comprises our executive Directors, namely Mr. Bo Shijiu and Ms. Jia Hui, and the following members:

Name	Age	Existing position(s) in our Group	Roles and responsibilities in our Group	Date of joining our Group	Date of appointment as senior management
Xu Zhengran (徐征然).	45	Vice president	Responsible for business segment information system construction, promotion and ecological construction of the automobile logistics service platform, and new energy innovation business of our Group	March 1, 2023	March 23, 2023
Wang Yuanbin (王元彬).	40	Vice president	Responsible for the management of automobile dealership operation management services of our Group	April 1, 2022	February 1, 2023

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Existing position(s) in our Group	Roles and responsibilities in our Group	Date of joining our Group	Date of appointment as senior management
Tan Zhengyang (談正陽).	44	Vice president and financial controller	Responsible for financial accounting management and economic accounting of our Group	May 25, 2022	May 25, 2022

Our executive Directors and members of our senior management are responsible for the day-to-day operations and management of the business of our Group. For the biographical details of our executive Directors, please refer to “Executive Directors” in this section.

Mr. Xu Zhengran (徐征然), aged 45, joined our Group on March 1, 2023, and was appointed as our vice president on March 23, 2023. He is primarily responsible for business segment information system construction, promotion and ecological construction of the automobile logistics service platform, and the new energy innovation business of our Group.

Mr. Xu has over 23 years of industry experience in information technology construction and industrial Internet. Prior to joining our Group, from January 2001 to October 2004, Mr. Xu served as a software engineer and project manager in Venustech Group Inc. (啟明星辰信息技術集團股份有限公司), a company listed in Shenzhen Stock Exchange (stock code: 002439). From April 2005 to October 2008, Mr. Xu was the director of research and development department at Beijing Star Softcomm Co., Ltd. (北京軟通科技有限責任公司). From October 2009 to May 2013, Mr. Xu was the director of research and development department at G-Net Cloud Service Co., Ltd. (全時雲商務服務股份有限公司). From September 2013 to November 2013, he served as a senior architect responsible at Tencent Technology (Shenzhen) Co., Ltd. (騰訊科技(深圳)有限公司), a company listed in the Stock Exchange (stock code: 0700). From August 2015, Mr. Xu started to work as a tech director at Kelly Services (Singapore) Pte. Ltd. From May 2019, he started to work as chief technology officer and vice president at Lonnic Technology Sdn. Bhd. From March 2021 to December 2021, he was the chief technology officer and vice president at the Hebei branch of China United Network Communications Group Co., Ltd. (中國聯合網絡通信有限公司河北省分公司). From April 2022 to October 2022, he was the chief technology officer at Beijing Changjiu Logistics Corp. (北京長久物流股份有限公司), a company listed in Shanghai Stock Exchange (stock code: 603569). From October 2022 to February 2023, Mr. Xu was the vice president at Xunruida Technology (Beijing) Co., Ltd. (迅睿達科技(北京)有限公司), a wholly-owned subsidiary of Changjiu Industrial.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Xu obtained his bachelor degree of textile engineering and minored in computer application and maintenance from Dalian Polytechnic University (大連工業大學) (formerly known as Dalian College of Light Industry (大連輕工業學院)) in the PRC in July 2000. He obtained his master degree of software engineering from Beijing University of Posts and Telecommunications (北京郵電大學) in the PRC in December 2008.

Mr. Wang Yuanbin (王元彬), aged 40, joined our Group on April 1, 2022, and was appointed as our vice president on February 1, 2023. He is primarily responsible for the management of automobile dealership operation management services of our Group.

Mr. Wang has over 10 years of experience in the automobile dealership operation management. Prior to joining our Group, from March 2011 to November 2016, he served as the general manager and a sales manager in Henan Changjiu Jisheng Automobile Sales & Service Co., Ltd. (河南長久吉盛汽車銷售服務有限公司). From December 2016 to September 2019, Mr. Wang served as the general manager in Zhengzhou Yuhua Toyota Automobile Sales & Service Co., Ltd. (鄭州裕華豐田汽車銷售服務有限公司). From October 2019 to April 2022, he served as the general manager of the third business division in Beijing branch of Guangxi Changjiu Automobile Investment Co., Ltd. (廣西長久汽車投資有限公司北京分公司).

Mr. Wang graduated from Henan University of Animal Husbandry and Economy (河南牧業經濟學院) (formerly known as Henan Commercial Higher College (河南商業高等專科學校)) in the PRC in July 2007 with a major in e-commerce. He was qualified as a used car appraiser (二手車鑒定評估師) by Henan Automobile Industry Association Practicing Skills Appraisal Station (河南省汽車行業協會職業技能鑒定站) and Henan Practicing Skills Appraisal Guidance Center (河南省職業技能鑒定指導中心) in June 2014. He completed advanced master of business administration (MBA) courses for professional managers of Changjiu Group from Xi'an Jiaotong University School of Management (西安交通大學管理學院) in the PRC in October 2017.

Mr. Tan Zhengyang (談正陽), aged 44, joined our Group and served as our vice president and financial controller on May 25, 2022. Mr. Tan is responsible for financial accounting management and economic accounting of our Group.

Prior to joining our Group, from September 2005 to November 2010, Mr. Tan worked at AviChina Industry & Technology Company Limited (中國航空科技工業股份有限公司), a company listed in the Stock Exchange (stock code: 2357). From December 2010 to May 2022, Mr. Tan served in Avic Automobile Industry Holding Co., Ltd (中國航空汽車系統控股有限公司) (“**Avic Automobile Industry**”), where he was the deputy chief accountant and the financial accounting department director general. During his tenure in AviChina Automobile Industry, Mr. Tan was assigned to serve as the finance and auditor commissioner of board of director of Nexteer Automotive Group Limited (耐世特汽車系統集團有限公司), a company listed in Hong Kong Stock Exchange (stock code: 1316) and a subsidiary of Avic Automobile Industry. From November 2015 to December 2019, he served as vice president and corporate secretary of Henniges Automotive Holdings, Inc, a subsidiary of Avic Automobile Industry.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Tan obtained his bachelor degree and master degree in accounting in Central University of Finance and Economic (中央財經大學) in the PRC in June 2001 and June 2007, respectively. Mr. Tan obtained the CPA qualification (註冊會計師) from Beijing CPA Institute in September 2010. He obtained the qualification of intermediate accountant (中級會計師) issued by the Beijing Municipal Human Resources and Social Security Bureau (北京市人力資源與社會保障廳) in October 2014. He was also recognized as senior accountant by Avic Corporation of China, Ltd. (中國航空工業集團有限公司) in 2018.

JOINT COMPANY SECRETARIES

Ms. Zhang Yexi (張燁茜), aged 34, was appointed as the joint company secretary of our Company on April 12, 2023. Ms. Zhang joined our Group as the securities representative on December 1, 2021, and then was appointed as the secretary to the board on March 23, 2023. She is responsible for capital financing, investor relations maintenance, daily operation of the office of the board and the company secretarial matters of our Group.

Prior to joining our Group, from November 2013 to June 2015, Ms. Zhang was the audit manager in Beijing Xingzhonghai Accountant Firm Co., Ltd. (北京興中海會計師事務所有限公司). From June 2015 to June 2019, she was the securities affairs representative in Beijing Changjiu Logistics Corp. (北京長久物流股份有限公司), a company listed in Shanghai Stock Exchange (stock code: 603569). From July 2019 to December 2021, she served in Beijing Yingpu Technology Co., Ltd. (北京影譜科技股份有限公司), where she was an investment director.

Ms. Zhang obtained a bachelor degree of accounting from Shanxi University of Finance and Economics (山西財經大學) in the PRC in October 2011. She also obtained a bachelor degree major in business administration and a master degree major in management (accounting & finance) in Hochschule für Oekonomie und Management (德國埃森經濟與管理高等學院) in September 2011 and July 2013 respectively. Ms. Zhang obtained the qualification of Director Secretary Qualification Certificate (董秘資格證書) from Shanghai Stock Exchange in April 2018. She also passed the qualification examinations of fund practitioner (基金從業人員資格考試) from Asset Management Association of China (中國證券投資基金業協會) in October 2021.

Ms. Tang King Yin (鄧景賢), aged 37, was appointed as the joint company secretary of our Company on April 12, 2023.

Ms. Tang is a senior manager of corporate services of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services. Ms. Tang has over 10 years of experience in the corporate secretarial field. She has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Tang is currently serving as the company secretary or joint company secretary of four companies listed on the Stock Exchange of Hong Kong, namely, Tuya Inc. (塗鴉智能) (stock code: 2391), Yum China Holdings, Inc. (百勝中國控股有限公司) (stock code: 9987), Leading Holdings Group Limited (領地控股集團有限公司) (stock code: 6999) and Ling Yue Services Group Limited (領悅服務集團有限公司) (stock code: 2165).

Ms. Tang obtained a bachelor degree of business administration from Hong Kong Shue Yan University in July 2011 and a master degree of corporate governance and compliance from the Hong Kong Baptist University in November 2021. Ms. Tang is a Chartered Secretary, a Chartered Governance Professional and an Associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom, respectively.

BOARD COMMITTEES

Our Board has established the audit committee, the remuneration committee and the nomination committee and delegated various responsibilities to these committees, which assist our Board in discharging its duties and overseeing particular aspects of our Group's activities.

Audit committee

Our Group has established the audit committee pursuant to Rule 3.21 of the Listing Rules with written terms of reference in compliance with paragraph D.3 of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Listing Rules. The audit committee consists of three members, namely, Mr. Wang Fukuan, Ms. Jin Ting and Mr. Dong Yang. Mr. Wang Fukuan has been appointed as the chairman of the audit committee, and Mr. Wang has the appropriate professional qualifications or related financial management expertise as required under Rule 3.10(2) of the Listing Rules.

The primary duties of the audit committee include, but are not limited to: (i) assisting our Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of our Group; (ii) overseeing the audit process and performing other duties and responsibilities as assigned by our Board.

Remuneration committee

Our Group has established the remuneration committee pursuant to Rule 3.25 of the Listing Rules with written terms of reference in compliance with paragraph E.1 of Part 2 of the CG Code as set out in Appendix 14 to the Listing Rules. The remuneration committee consists of three members, namely Mr. Bo Shijiu, Mr. Shen Jinjun and Mr. Dong Yang. Mr. Shen Jinjun has been appointed as the chairman of the remuneration committee.

DIRECTORS AND SENIOR MANAGEMENT

The primary duties of the remuneration committee include, but are not limited to: (i) making recommendations to our Board on our policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration; (ii) determining the specific remuneration packages of all Directors and senior management; and (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by our Board from time to time.

Nomination committee

Our Group has established the nomination committee pursuant to Rule 3.27A of the Listing Rules with written terms of reference in compliance with paragraph B.3 of Part 2 of the CG Code as set out in Appendix 14 to the Listing Rules. The nomination committee consists of three members, namely Ms. Li Guiping, Mr. Shen Jinjun and Mr. Dong Yang. Ms. Li has been appointed as the chairwoman of the nomination committee.

The primary duties of the nomination committee include, but are not limited to: (i) reviewing the structure, size and composition of our Board; (ii) assessing the independence of independent non-executive Directors; and (iii) making recommendations to our Board on matters relating to the appointment of Directors.

CORPORATE GOVERNANCE

Our Directors recognize the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of our Group so as to achieve effective accountability.

Our Company has adopted the code provisions stated in the CG Code. Our Company is committed to the view that our Board should include a balanced composition of executive Directors, non-executive Directors and independent non-executive Directors so that there is a strong independent element on our Board, which can effectively exercise independent judgment. It is expected that our Group will be able to continue to comply with the code provisions in the CG Code upon the Listing.

BOARD DIVERSITY POLICY

Our Board has adopted a board diversity policy which sets out the objective and approach to achieve diversity of our Board. Our Group recognizes the benefits of having a diversified Board and sees increasing diversity at the Board level as an essential element in supporting the attainment of our Group's strategic objectives and sustainable development. Our Group seeks to achieve diversity of our Board through the consideration of a number of factors, including but not limited to professional experience, skills, knowledge, gender and age. Our Directors have a balanced mix of experiences, including operation and management of technology companies, investment, corporate retail, risk management, finance and funding, auditing and tax. Furthermore, the ages of our Directors range from 40 years old to 67 years old. In terms

DIRECTORS AND SENIOR MANAGEMENT

of gender diversity, three of our seven Directors are female. Our Directors recognize the particular importance of gender diversity and we will continue to maintain the current gender ratio for our Board after Listing. Taking into account our existing business model and specific needs as well as the diversified background of our Directors, our Directors consider that the composition of our Board upon the Listing satisfies our board diversity policy.

After Listing, the nomination committee will review the board diversity policy and its implementation from time to time to ensure its implementation and monitor its continued effectiveness, and the same will be disclosed in our corporate governance report in accordance with the Listing Rules, including any measurable objectives set for implementing the board diversity policy and the progress on achieving these objectives on an annual basis.

Nevertheless, with a view to developing a pipeline of potential successors to our Board that can maintain our gender diversity, our Group will (i) continue to apply the principle of appointments based on merits with reference to board diversity as a whole; (ii) take steps to promote gender diversity at all levels of our Group by recruiting staff at a mid to senior level with regard to the benefits of gender diversity; and (iii) engage more resources in training female staff who we consider having the suitable experience, skills and knowledge for our business to equip themselves with the attributes and competencies required to serve as members of our Board in light of our strategic needs and the industry in which we operate with the aim of promoting them to our Board in a few years' time.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and members of our senior management receive compensation from our Company in the form of salaries, bonuses and contributions to retirement benefit and scheme. The aggregate remuneration (including fees, salaries, bonus, retirement benefits scheme, allowance and other benefits in kind) for our Directors for each of the years ended December 31, 2020, 2021, 2022 and the six months ended June 30, 2023 was RMB0.7 million, RMB1.4 million, RMB1.5 million and RMB3.6 million, respectively. Save as disclosed above, no other amounts have been paid or are payable by any member of our Group to our Directors during the Track Record Period.

The aggregate amount of salaries, bonuses and contributions to retirement benefit and scheme for our five highest paid individuals for each of the years ended December 31, 2020, 2021, 2022 and the six months ended June 30, 2023 was RMB2.9 million, RMB4.4 million, RMB5.0 million and RMB7.5 million, respectively.

No remuneration was paid by us to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office in respect of each of the years ended December 31, 2020, 2021, 2022 and the six months ended June 30, 2023. Further, none of our Directors had waived or agreed to waive any remuneration during the same periods.

DIRECTORS AND SENIOR MANAGEMENT

Under the arrangement currently in force, the aggregate remuneration (inclusive of benefits in kind and estimated share-based payment expense in relation to the Restricted Shares and Pre-IPO Share Options granted to our Director to be recognized in our Group's profit or loss for the year ending December 31, 2023, but exclusive of any discretionary bonuses) of our Directors for the year ending December 31, 2023 is estimated to be approximately RMB9.4 million. Our Board will review and determine the remuneration and compensation packages of our Directors and senior management and, following the Listing, will receive recommendation from the remuneration committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group.

COMPLIANCE ADVISOR

Our Company has appointed Zhongtai International Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our compliance advisor will advise our Company in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including shares issues and share repurchases;
- where our Company proposes to use the proceeds from the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of our Company under Rule 13.10 of the Listing Rules.

The term of the appointment of our compliance advisor shall commence on the Listing Date and end on the date on which our Company distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Global Offering (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Pre-IPO Share Options), the following persons will have or be deemed or taken to have an interest and/or short positions in the Shares or the underlying Shares of our Company which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name of Shareholder	Nature of interest	Shares held as of the Latest Practicable Date		Shares held immediately following the completion of the Global Offering (without taking into account the Shares which may be issued upon the exercise of the Pre-IPO Share Options)	
		Number	Approximate percentage	Number	Approximate percentage
Ms. Li	Interest in controlled corporation ⁽¹⁾	60,000,000	39.57%	60,000,000	29.68%
	Interest of spouse/ Interest of concert parties ⁽²⁾⁽³⁾	90,000,000	59.36%	90,000,000	44.52%
Brightio Limited	Interest in controlled corporation ⁽¹⁾	60,000,000	39.57%	60,000,000	29.68%
Brighht Limited	Beneficial interest ⁽¹⁾	60,000,000	39.57%	60,000,000	29.68%
Mr. Bo	Interest in controlled corporation ⁽⁴⁾⁽⁵⁾	90,000,000	59.36%	90,000,000	44.52%
	Interest of spouse/ Interest of concert parties ⁽²⁾⁽³⁾	60,000,000	39.57%	60,000,000	29.68%
Advancd Limited	Interest in controlled corporation ⁽⁴⁾	82,500,000	54.41%	82,500,000	40.81%
Advancey Limited	Beneficial interest ⁽⁴⁾	82,500,000	54.41%	82,500,000	40.81%

Notes:

- (1) Brighht Limited is indirectly wholly owned by Ms. Li through Brightio Limited. Therefore, each of Ms. Li and Brightio Limited is deemed to be interested in all the Shares directly held by Brighht Limited by virtue of the SFO.
- (2) Ms. Li and Mr. Bo are the spouse of one another. Therefore, each of them is deemed to be interested in all the Shares the other party is interested in by virtue of the SFO.

SUBSTANTIAL SHAREHOLDERS

- (3) Pursuant to a concert party confirmation dated March 1, 2023 entered into between Ms. Li and Mr. Bo, they have confirmed that they had and would continue to, for so long as they remain interested in the Shares, directly or indirectly, act in concert by aligning their votes at the shareholders' meetings of the Company. See "History, Reorganization and Corporation Structure—Concert Party Confirmation" for details. As such, Ms. Li and Mr. Bo, together with their wholly-owned companies, are all deemed to be interested in the total Shares directly held by Bright Limited, Advance Limited and Creation Limited by virtue of the SFO.
- (4) Advance Limited is wholly owned by Mr. Bo through Advance Limited. Therefore, each of Mr. Bo and Advance Limited is deemed to be interested in all the Shares directly held by Advance Limited by virtue of the SFO.
- (5) Creation Limited is wholly owned by Mr. Bo through CreateCube Limited. Therefore, Mr. Bo is deemed to be interested in all the Shares directly held by Creation Limited by virtue of the SFO.

Save as disclosed in the table above and in "Appendix IV—Statutory and General Information—C. Further Information about Our Directors and Substantial Shareholders," our Directors are not aware of any person who will, immediately following the completion of the Global Offering (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Pre-IPO Share Options), have an interest or short position in the Shares or underlying Shares which will be required to be disclosed to our Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

We are currently not aware of any arrangement which may result in any change of control in our Company at any subsequent date.

SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately before and following the Global Offering (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Pre-IPO Share Options):

	Nominal value <i>(US\$)</i>
Authorized share capital:	
75,000,000,000 Shares of US\$0.00000066667 each	50,000.25
Issued and to be issued, fully paid or credited as fully paid:	
151,620,000 Shares in issue as of the date of this prospectus	101.0805054
<u>50,540,000</u> Shares to be issued under the Global Offering	<u>33.6935018</u>
<u>202,160,000</u> Total	<u>134.7740072</u>

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and the issue of Shares pursuant to the Global Offering are made. It takes no account of any Shares which may be issued pursuant to the exercise of the Pre-IPO Share Options or any Shares that may be issued or bought back by us pursuant to the general mandates granted to our Directors to issue or buyback Shares as described below.

RANKINGS

The Offer Shares will be ordinary shares in the share capital of our Company and will carry the same rights in all respects with all Shares in issue or to be issued as mentioned in this prospectus and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus.

SHARE CAPITAL

GENERAL MANDATE TO ALLOT AND ISSUE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate to allot, issue and deal with Shares in the share capital of our Company with a total number of issued shares of not more than the sum of:

- (1) 20% of the total number of Shares in issue immediately following the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of the Pre-IPO Share Options); and
- (2) the total number of Shares bought back by our Company (if any) pursuant to the general mandate to buyback Shares granted to our Directors referred to below.

Our Directors may, in addition to the Shares which they are authorized to issue under this general mandate, allot, issue or deal with Shares under a rights issue, scrip dividend scheme or similar arrangement.

This general mandate will remain in effect until the earliest of:

- (i) the conclusion of the next annual general meeting of our Company; or
- (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held; or
- (iii) the date on which such general mandate is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

Further information on this general mandate is set out in “Statutory and General Information—A. Further Information about Our Company and Our Subsidiaries—3. Resolutions in Writing of Our Shareholders Passed on December 11, 2023” in Appendix IV to this prospectus.

GENERAL MANDATE TO BUYBACK SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate to exercise all the powers of our Company to buy back Shares with a total number of Shares of not more than 10% of the total number of Shares in issue immediately following the Global Offering (excluding Shares which may be allotted and issued pursuant to the exercise of the Pre-IPO Share Options).

SHARE CAPITAL

This mandate only relates to buybacks made on the Stock Exchange or any other stock exchange on which the Shares are listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in “Statutory and General Information—A. Further Information about our Company and Our Subsidiaries—6. Repurchase of Shares by Our Company” in Appendix IV to this prospectus.

This general mandate will remain in effect until the earliest of:

- (i) the conclusion of the next annual general meeting of the Company; or
- (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held; or
- (iii) the date on which such general mandate is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

Further information on this general mandate is set out in “Statutory and General Information—A. Further information about Our Company and Our Subsidiaries—3. Resolutions in Writing of Our Shareholders Passed on December 11, 2023” in Appendix IV to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Our Company will have only one class of Shares, namely ordinary shares, each of which carries the same rights as the other Shares upon the Global Offering.

As a matter of the Cayman Companies Act, an exempted company is not required by law to hold any general meeting or class meeting. The holding of general meeting or class meeting is prescribed under the articles of association of a company. Accordingly, our Company will hold general meetings as prescribed under the Articles, a summary of which is set out in “Summary of the Constitution of the Company and Cayman Islands Company Law” in Appendix III to this prospectus.

FINANCIAL INFORMATION

You should read the following discussion and analysis in conjunction with our consolidated financial statements and the accompanying notes included in the Accountants' Report in Appendix I to this prospectus. Our consolidated financial statements have been prepared in accordance with IFRSs.

The following discussion and analysis contain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, whether the actual outcome and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. See "Forward-looking Statements" and "Risk Factors."

Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We provide pledged vehicle monitoring services and automobile dealership operation management services in China. According to CIC, we were the largest pledged vehicle monitoring service provider in China's automobile sales and distribution industry both in terms of revenue in 2022, with a market share of 47.9%, and in terms of the number of automobile dealership users as of December 31, 2022.

During the Track Record Period, we primarily generated revenue from pledged vehicle monitoring services, which accounted for 100.0%, 100.0%, 92.2%, 95.0% and 90.2% of our revenue for the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, respectively. We offer pledged vehicle monitoring services primarily to (i) financial institutions, mainly including commercial banks and automobile finance companies, that provide secured financing to automobile dealerships for their purchase of vehicles; and (ii) automobile dealerships with pledged vehicles.

In April 2022, we started to provide operation management services to automobile dealerships by offering automobile dealership operational support, data system and managerial solutions. For the year ended December 31, 2022, 7.8% of our revenue was generated from automobile dealership operation management services. For the six months ended June 30, 2022 and 2023, 5.0% and 9.8%, respectively, of our revenue was generated from automobile dealership operation management services.

FINANCIAL INFORMATION

For the years ended December 31, 2020, 2021 and 2022, our revenue amounted to RMB430.6 million, RMB477.7 million and RMB547.9 million, respectively, representing a CAGR of 12.8%; our profit for the year amounted to RMB114.1 million, RMB83.7 million and RMB95.9 million, respectively. Our revenue amounted to RMB258.7 million and RMB309.4 million for the six months ended June 30, 2022 and 2023, respectively. Our profit for the period amounted to RMB48.1 million and RMB35.3 million for the six months ended June 30, 2022 and 2023, respectively.

BASIS OF PREPARATION

Our historical financial information has been prepared in accordance with IFRSs and interpretations issued by IASB applicable to companies reporting under IFRSs. Please see Note 1 to the Accountants' Report in Appendix I to this prospectus for more information on the basis of preparation of our financial information included herein.

The preparation of the historical financial information in conformity with IFRSs requires the use of certain material accounting estimates. It also requires management to exercise its judgment in the process of applying our accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the historical financial information, are disclosed in Note 3 to the Accountants' Report in Appendix I to this prospectus.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations are affected by general factors affecting the automobile sales and distribution industry and the broader passenger automobile market in China, which include China's overall economic growth and level of per capita disposable income; the penetration of NEVs in China particularly in lower-tier cities; the increase in the car parc of passenger automobiles; and governmental policies and initiatives affecting automobile sales in China.

Unfavorable changes in any of these factors could negatively affect demand for our services and materially and adversely affect our results of operations.

Our results of operations are also affected by certain company-specific factors, including the following:

Our Ability to Grow Our User Base

During the Track Record Period, substantially all of our revenue was generated from pledged vehicle monitoring services. Our business depends to a significant extent on our ability to grow our user base for pledged vehicle monitoring services, which is primarily comprised of (i) financial institutions that provide secured financing to automobile dealerships for their purchase of vehicles; and (ii) automobile dealerships with pledged vehicles. As of June 30, 2023, we provided pledged vehicle monitoring services to (i) approximately 200 branches of 18 commercial banks, including all of China's "Big Six" national state-owned commercial banks and 12 joint-stock commercial banks; (ii) 27 automobile finance companies; and (iii) 11,152 automobile dealerships.

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We strive to continuously grow our user base for pledged vehicle monitoring services, which is a key component of our operations. We have built a nationwide service network to support our high-quality and responsive services. Leveraging our marketing and service network, we are able to engage with our users closely, stay close to the business changes and operation results of our users and continue to optimize our services and solutions to enhance user satisfaction. The number of active users, their level of engagement and satisfaction affect our revenue from our pledged vehicle monitoring services.

Our Ability to Capitalize on Emerging Opportunities

Over the years through our frequent interactions with automobile dealerships, we have accumulated an in-depth understanding of their limitations, which primarily include competition, working capital pressure, lack of professional management personnel and lack of digital capabilities. According to CIC, automobile dealerships in China's automobile sales and distribution industry face increasingly intense competition and have strong demand for better management and higher profitability, resulting in an unmet need for professional operation and management solutions.

We started to provide operation management services to automobile dealerships in April 2022 and expect to expand our operations for this business line. For the year ended December 31, 2022 and the six months ended June 30, 2022 and 2023, 7.8%, 5.0% and 9.8%, respectively, of our revenue was generated from automobile dealership operation management services. Our ability to successfully expand our automobile dealership operation management services will affect our results of operations.

In addition, we intend to capitalize on the growth potential of China's NEV market. According to CIC, the growth rate of NEVs sales volume is gradually surpassing the growth of gasoline-powered new automobiles in China. Demand for NEVs in China in recent years has been fast-growing, leading to a corresponding rise in the demand for NEVs' sales network, delivery capacity and after-sales services. To capture the envisioned growth trends in NEVs in China, particularly in the lower-tier cities, we are developing an automobile supply chain service mobile application which will connect NEV manufacturers with automobile dealerships to facilitate the 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. See "Business—Our Strategies" for details. Our ability to execute these strategies will affect our results.

Our Ability to Manage Costs and Expenses

Our results of operations depend on our ability to manage costs and expenses. Our cost of sales during the Track Record Period consisted primarily of subcontracting costs, which represented the services fees we paid in connection with the outsourcing of onsite supervision services for our pledged vehicle monitoring services. 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 cost of sales during the same periods. Our ability to efficiently

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control our subcontracting costs will impact our profitability. For illustration purpose, we set out below a sensitivity analysis of our profit before taxation with reference to the fluctuation of our subcontracting costs during the Track Record Period. The below table demonstrates the impact of a hypothetical increase in our subcontracting costs on our profit before taxation, while all other factors remain unchanged.

	For the year ended December 31,			For the six months ended June 30,	
	2020	2021	2022	2022	2023
	<i>(RMB'000)</i>				
Profit before taxation	109,834	93,149	127,626	62,884	55,472
Assuming 10% increase in our subcontracting costs					
Hypothetical impact on our profit before taxation	(25,278)	(28,546)	(29,024)	(14,389)	(15,537)
Assuming 20% increase in our subcontracting costs					
Hypothetical impact on our profit before taxation	(50,557)	(57,091)	(58,048)	(28,777)	(31,075)

We have implemented technology initiatives and digitalization efforts in the upfront automobile dealerships store to reduce our reliance on manpower to cope with rising subcontracting costs. Our subcontractors were able to supervise multiple automobile dealerships for our pledged vehicle monitoring services during the Track Record Period and thus realized economies of scale as our business expanded. We expect our cost structure to evolve as our business expands and as we develop and launch new services in the future. In particular, we expect to incur additional costs relating to selling and marketing, and research and development. Going forward, we will continue to endeavor to further improve operating efficiency and enhance our profit margin.

The cost of sales for newly commenced automobile dealership operation management services consisted primarily of staff costs. For the year ended December 31, 2022 and the six months ended June 30, 2022 and 2023, our staff costs recorded in the costs of sales under automobile dealership operation management services amounted to RMB14.0 million, RMB3.3 million and RMB12.7 million, representing 4.3%, 2.1% and 7.2% of our cost of sales during the same periods, respectively. The monthly average cost per staff under this business segment during the Track Record Period was approximately RMB26,000, which was primarily due to the higher education and experience requirement of the relevant staff (as their responsibilities involved high level managerial tasks, such as formulating and supervising the implementation of business development plans for automobile dealerships), and were generally comparable to average salaries with similar educational background and years of experience according to CIC. We expect our staff costs for automobile dealership operation management to increase in the future to support business expansion and expect our cost structure to evolve as we continue to develop and expand this new business line.

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Our Ability to Price Competitively

Our results of operations are affected by our ability to price our pledged vehicle monitoring services competitively, which is influenced by (i) the location of the automobile dealerships and their pledged vehicles; and (ii) the scope of our services. We primarily use a cost-plus pricing model to price our pledged vehicle monitoring services, which may vary depending on the average local salary and the manpower required. For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, the average annual pledged vehicle monitoring fee per service agreement was approximately RMB39,300, RMB38,900, RMB34,800, RMB38,600 and RMB36,100, respectively. As our business continued to grow, we realized economies of scale and reduced the manpower required for pledged vehicle monitoring services, therefore our average annual pledged vehicle monitoring fee per service agreement became more competitive and decreased from RMB38,900 in 2021 to RMB34,800 in 2022 and from RMB38,600 in the six months ended June 30, 2022 to RMB36,100 in the same period in 2023. Despite the fact that our average annual pledged vehicle monitoring fees per service agreement decreased during such periods, our gross profit margin of pledged vehicle monitoring services increased from 38.2% in 2021 to 41.5% in 2022 and from 40.4% in the six months ended June 30, 2022 to 43.5% in the same period in 2023 as we gradually reduced our reliance on manpower and realized economies of scale.

We face competition from other market participants that provide similar services and expect that competition will become more intensive as more market participants commence similar business. See “Industry Overview” and “Business—Competition.” We believe our ability to price our services competitively will help expand our business and contribute to our future revenue growth.

Impact of COVID-19 on Our Operations

Our results of operations and financial condition during the Track Record Period were affected by the spread of COVID-19. Especially during the early stage of the COVID-19 outbreak, the automotive industry in China was negatively impacted, as automobile production and the number of purchasers declined due to 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. The containment efforts led by the government also caused delay in the near-term marketing demand of our automaker and dealer customers. Going forward, as countries around the world have gradually lifted the precautionary measures and implemented stimulating policies, the automobile-related industries are expected to recover and continue to grow, according to CIC.

Despite the impact of the COVID-19 outbreak, our revenue increased at a CAGR of 12.8% from RMB430.6 million in 2020 to RMB547.9 million in 2022. Our revenue increased by 19.6% from RMB258.7 million in the six months ended June 30, 2022 to RMB309.4 million in the same period 2023. As of June 30, 2023, we had cash and cash equivalents of RMB72.4 million. We believe our liquidity is sufficient for us to successfully navigate an extended period of uncertainty.

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Business Transfer of Pledged Vehicle Monitoring Services

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.” As of the Latest Practicable Date, Changjiu Industrial had entrusted us to provide pledged vehicle monitoring services under its then existing pledged vehicle monitoring service agreements (the “Unassigned Agreements”) that had not been transferred to us. See “Connected Transactions—Non-exempt Continuing Connected Transactions—(4) Entrustment Agreement.” The revenue generated from automobile dealerships under Unassigned Contracts and Entrustment Agreement was RMB3.6 million, RMB37.8 million, RMB20.6 million and RMB19.1 million in 2021 and 2022 and the six months ended June 30, 2022 and 2023, respectively, accounting for 0.8%, 6.9%, 8.0% and 6.2% of our total revenue during the same periods, respectively.

We recognize revenue from the Unassigned Contracts and the entrustment agreement dated April 26, 2023 between Changjiu Industrial and us (the “Entrustment Agreement”) as revenue from the provision of services to related parties. See “—Related Party Transactions.”

MATERIAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of our Group’s consolidated financial information requires management to make significant estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future. We continually evaluate these estimates based on our own historical experience, knowledge and assessment of current business and other conditions, our expectations regarding the future based on available information and our best assumptions, which together form our basis for making judgments about matters that are not readily apparent from other sources. Since the use of estimates is an integral component of the financial reporting process, our actual results could differ from those estimates and expectations. Our material accounting policies and estimates are set forth in detail in Note 2 and Note 3 to the Accountants’ Report in Appendix I to this prospectus.

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Revenue Recognition

We recognize revenue when control over a product or service is transferred to the customer, at the amount of promised consideration to which we are expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value-added tax or other sales taxes and is after deduction of any trade discounts.

We provide pledged vehicle monitoring services to customers, primarily including monitoring of the pledged vehicles and management of pledged vehicles' vehicle conformity certificates as well as car keys, to protect the interest of financial institutions that entered into financing credit arrangements with automobile dealerships. We recognize revenue from pledged vehicle monitoring services on a straight-line basis over time as the customers simultaneously receive and consume the benefits throughout the period when services are provided. Additionally, certain of our services, such as vehicles sales invoice check and physical check, pledged vehicle counting, are provided through staff from subcontractors, the revenue of which is recognized at the point in time when the service is rendered.

We provide operation management services to automobile dealerships that seek more optimal business and financial performance, and receives management service fee which is determined based on a percentage of operation income or operation profit generated by automobile dealerships during the services period. The percentage is based on the terms specific in the service contract with automobile dealerships. As a result, the management service fee includes variable consideration. We estimate variable consideration based on our current and future performance expectations and all information that is reasonably available. This estimated amount is included in the transaction price to the extent it is highly probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. We recognized revenue from operation management services over time as the customers simultaneously receives and consumes the benefits throughout the period during the services are provided.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives are as follows:

– Office equipment	1-5 years
– Electronic equipment	1-5 years

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Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. We review both the useful life of an asset and its residual value annually, if any.

Impairment of Trade Receivables

We apply the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses of trade receivables, trade receivables have been grouped based on shared credit risk characteristics and the aging. The Directors consider the probability of default upon initial recognition of asset and whether there has been significant increase in credit risk on an ongoing basis during the relevant periods.

We review regularly the recoverable amount of trade receivable to ensure that adequate impairment losses are made for irrecoverable amounts.

Income Tax

Income tax for the period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to and items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous period.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Leases

Right-of-use Assets

We recognize right-of-use asset when a lease is capitalized and is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use asset are determined on the same basis as those of property, plant and equipment.

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Lease liabilities

Where the lease is capitalized, we recognize the lease liability initially at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, we measure the lease liability at amortized cost and calculate interest expense using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

DESCRIPTION OF CERTAIN CONSOLIDATED STATEMENTS OF PROFIT OR LOSS ITEMS

The following table sets forth a summary of our consolidated statements of profit or loss for the periods indicated. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	For the year ended December 31,						For the six months ended June 30,			
	2020		2021		2022		2022		2023	
	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue
(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	
	<i>(unaudited)</i>									
Revenue	430,587	100.0	477,697	100.0	547,867	100.0	258,652	100.0	309,431	100.0
Cost of sales	(261,629)	(60.8)	(295,401)	(61.8)	(322,828)	(58.9)	(152,404)	(58.9)	(176,028)	(56.9)
Gross profit	168,958	39.2	182,296	38.2	225,039	41.1	106,248	41.1	133,403	43.1
Net other income	554	0.1	441	0.1	1,552	0.3	545	0.2	823	0.3
Impairment (losses)/reversal	(770)	(0.1)	110	0.0	(2,555)	(0.5)	(2,011)	(0.8)	(3,650)	(1.2)
Research and development expenses	(10,296)	(2.4)	(9,413)	(2.0)	(9,027)	(1.6)	(4,379)	(1.7)	(6,721)	(2.2)
General and administrative expenses	(42,579)	(9.9)	(71,101)	(14.9)	(76,984)	(14.1)	(33,608)	(13.0)	(63,400)	(20.5)
Sales and marketing expenses	(5,069)	(1.2)	(6,130)	(1.3)	(7,126)	(1.3)	(2,674)	(1.0)	(3,497)	(1.1)
Profit from operations	110,798	25.7	96,203	20.1	130,899	23.9	64,121	24.8	56,958	18.4
Net finance expense	(964)	(0.2)	(3,054)	(0.6)	(3,273)	(0.6)	(1,237)	(0.5)	(1,486)	(0.5)
Profit before taxation	109,834	25.5	93,149	19.5	127,626	23.3	62,884	24.3	55,472	17.9

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	For the year ended December 31,						For the six months ended June 30,			
	2020		2021		2022		2022		2023	
	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
Income tax benefit/(expense)	4,271	1.0	(9,418)	(2.0)	(31,714)	(5.8)	(14,796)	(5.7)	(20,181)	(6.5)
Profit for the year/period	114,105	26.5	83,731	17.5	95,912	17.5	48,088	18.6	35,291	11.4
Attributable to:										
Equity shareholders of the Company	114,105	26.5	83,731	17.5	95,877	17.5	48,053	18.6	35,291	11.4
Non-controlling interests	-	-	-	-	35	-	35	-	-	-

Revenue

Revenue by Business Line

During the Track Record Period, we primarily generated revenue from pledged vehicle monitoring services, which accounted for 100.0%, 100.0%, 92.2%, 95.0% and 90.2% of our revenue for the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, respectively. In April 2022, we started to provide operation management services to automobile dealerships. For the year ended December 31, 2022 and the six months ended June 30, 2022 and 2023, 7.8%, 5.0% and 9.8% of our revenue was generated from automobile dealership operation management services, respectively. The following table sets forth our revenue by business line for the periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2020		2021		2022		2022		2023	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
Pledged vehicle monitoring services	430,587	100.0	477,697	100.0	505,049	92.2	245,760	95.0	279,067	90.2
Automobile dealership operation management services	-	-	-	-	42,818	7.8	12,892	5.0	30,364	9.8
Total	430,587	100.0	477,697	100.0	547,867	100.0	258,652	100.0	309,431	100.0

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Revenue by User Ownership

We typically enter into tripartite agreements with financial institutions and automobile dealerships for such services. Although our pledged vehicle monitoring services are designed to help financial institutions manage secured financing provided to automobile dealerships, we consider the paying party under such tripartite agreements as our customer, which may be either financial institutions or automobile dealerships, depending on the negotiation among the contracting parties, and we consider both financial institutions and automobile dealerships as our users. See “Business—Pledged Vehicle Monitoring Services—Key Terms of Pledged Vehicle Monitoring Service Agreements” for more details.

During the Track Record Period, our revenue from pledged vehicle monitoring services was primarily derived from Independent-Third-Party users. The following table sets forth our revenue by business line and by user ownership for the periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2020		2021		2022		2022		2023	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
	<i>(unaudited)</i>									
Pledged vehicle monitoring services										
- Related-party users	1,729	0.4	5,793	1.2	1,284	0.2	1,024	0.4	157	0.1
- Independent-Third-Party users	428,858	99.6	471,904	98.8	503,765	92.0	244,736	94.6	278,910	90.1
<i>Sub-total</i>	<u>430,587</u>	<u>100.0</u>	<u>477,697</u>	<u>100.0</u>	<u>505,049</u>	<u>92.2</u>	<u>245,760</u>	<u>95.0</u>	<u>279,067</u>	<u>90.2</u>
Automobile dealership operation management services										
- Related-party users	-	-	-	-	42,785	7.8	12,892	5.0	30,281	9.8
- Independent-Third-Party user	-	-	-	-	33	0.0	-	-	83	0.0
<i>Sub-total</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,818</u>	<u>7.8</u>	<u>12,892</u>	<u>5.0</u>	<u>30,364</u>	<u>9.8</u>
Total	<u>430,587</u>	<u>100.0</u>	<u>477,697</u>	<u>100.0</u>	<u>547,867</u>	<u>100.0</u>	<u>258,652</u>	<u>100.0</u>	<u>309,431</u>	<u>100.0</u>

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Revenue by Paying Customer

The following table sets forth a breakdown of our total revenue by business line and by type of paying customer for the periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2020		2021		2022		2022		2023	
	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%
Pledged Vehicle										
Monitoring Services										
– Related parties	1,729	0.4	9,342 ⁽¹⁾	2.0	39,033 ⁽¹⁾	7.1	21,601 ⁽¹⁾	8.3	19,240 ⁽¹⁾	6.2
– Independent Third Parties	428,858	99.6	468,355 ⁽²⁾	98.0	466,016 ⁽²⁾	85.1	224,159 ⁽²⁾	86.7	259,827 ⁽²⁾	84.0
Subtotal	430,587	100.0	477,697	100.0	505,049	92.2	245,760	95.0	279,067	90.2
Automobile Dealership										
Operation Management Services										
– Related parties	–	–	–	–	42,785	7.8	12,892	5.0	30,281	9.8
– Independent Third Party	–	–	–	–	33	0.0	–	–	83	0.0
Subtotal	–	–	–	–	42,818	7.8	12,892	5.0	30,364	9.8
Total	430,587	100.0	477,697	100.0	547,867	100.0	258,652	100.0	309,431	100.0

Notes:

- (1) Including revenue derived from (i) one, two, two and two Unassigned Agreements from Changjiu Group as of December 31, 2021 and 2022 and June 30, 2022 and 2023, respectively; and (ii) 1,059, 794, 1,137 and 649 Unassigned Agreements from Independent Third Parties as of December 31, 2021 and 2022 and June 30, 2022 and 2023, respectively. The revenue generated from automobile dealerships under Unassigned Agreements and Entrustment Agreement was RMB3.6 million, RMB37.8 million, RMB20.6 million and RMB19.1 million in 2021 and 2022 and in the six months ended June 30, 2022 and 2023, respectively, accounting for 0.8%, 6.9%, 8.0% and 6.2% of our total revenue during the same periods, respectively.
- (2) Excluding revenue derived from 1,059, 794, 1,137 and 649 Unassigned Agreements from Independent Third Parties as of December 31, 2021 and 2022 and June 30, 2022 and 2023, respectively, which amounted to RMB3.5 million, RMB37.7 million, RMB20.6 million and RMB19.1 million in 2021 and 2022 and in the six months ended June 30, 2022 and 2023, respectively.

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We recognize revenue from the Unassigned Contracts and the Entrustment Agreement as revenue from the provision of services to related parties. See “—Related Party Transactions.” The revenue generated from automobile dealerships under the Unassigned Contracts and the entrustment agreement dated April 26, 2023 between Changjiu Industrial and us was RMB3.6 million, RMB37.8 million, RMB20.6 million and RMB19.1 million in 2021 and 2022 and in the six months ended June 30, 2022 and 2023, respectively, accounting for 0.8%, 6.9%, 8.0% and 6.2% of our total revenue during the same years, respectively. See “Connected Transactions—Non-exempt Continuing Connected Transactions—(4) Entrustment Agreement” and “Relationship with Our Controlling Shareholders—Independence from Our Controlling Shareholders—Operational Independence—Business of pledged vehicle monitoring services” for further details.

Revenue from Pledged Vehicle Monitoring Services by Major Regions

During the Track Record Period, we provided pledged vehicle monitoring services in, and generated relatively even and stable revenue from, major regions in the PRC. The table below sets forth a breakdown of our revenue from pledged vehicle monitoring services by major regions in the PRC for the periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2020		2021		2022		2022		2023	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
	<i>(unaudited)</i>									
Southern region ⁽¹⁾	112,601	26.2	107,693	22.5	119,463	23.7	57,310	23.3	68,718	24.6
Eastern region ⁽²⁾	96,741	22.5	110,186	23.1	118,219	23.4	55,453	22.6	65,534	23.5
Central region ⁽³⁾	100,190	23.3	104,372	21.9	108,637	21.5	54,411	22.1	60,191	21.6
Northern region ⁽⁴⁾	67,998	15.8	82,248	17.2	78,435	15.5	40,314	16.4	42,127	15.1
Western region ⁽⁵⁾	53,057	12.3	73,198	15.3	80,295	15.9	38,272	15.6	42,497	15.2
Total	430,587	100.0	477,697	100.0	505,049	100.0	245,760	100.0	279,067	100.0

Notes:

- (1) Includes Guangdong, Guizhou, Hainan, Sichuan, Chongqing and Guangxi according to our internal business division.
- (2) Includes Henan, Jiangsu, Shandong and Shanghai according to our internal business division.
- (3) Includes Anhui, Fujian, Hubei, Hunan, Jiangxi and Zhejiang according to our internal business division.
- (4) Includes Beijing, Hebei, Heilongjiang, Jilin, Liaoning and Tianjin according to our internal business division.
- (5) Includes Gansu, Qinghai, Shanxi, Shaanxi, Yunnan, Inner Mongolia, Ningxia, Tibet and Xinjiang according to our internal business division.

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Cost of Sales

Our cost of sales mainly consists of (i) subcontracting costs, representing service fees for third-party service providers for onsite supervision services in connection with our pledged vehicle monitoring services; (ii) staff costs; (iii) consulting service fees, primarily representing technical service fees for testing and implementation of an enterprise resource planning system tailored for our automobile dealership operation management services (the “North Star System”) provided by our related party to meet the need of our newly commenced automobile dealership operation management service segment, which were one-off and non-recurring in nature; (iv) travel and entertainment expenses; (v) hardware costs, representing procurement costs for RFID labels and scanners; (vi) depreciation and amortization; (vii) share-based payment expenses in connection with the grant of certain share options to certain employees; and (viii) others. Given the nationwide layout of our services, we outsourced certain services, primarily including pledged vehicle monitoring services, collective vehicle conformity certificate management services and counting services, to subcontractors to achieve the nationwide business coverage while maintaining high operational efficiency. The onsite supervision services provided by Independent Third Parties on a daily basis are basic and standard services. See “Business—Subcontracting” and “Business—Quality Control” for more information on our subcontracting arrangement and quality control measures. The following table sets forth a breakdown of our cost of sales by nature for the periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2020		2021		2022		2022		2023	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
	<i>(unaudited)</i>									
Subcontracting costs	252,783	96.6	285,455	96.6	290,239	89.9	143,886	94.4	155,373	88.3
Staff costs	-	-	-	-	14,017	4.3	3,271	2.1	12,701	7.2
Consulting service fees	-	-	-	-	11,761	3.6	2,509	1.6	382	0.2
Travel and entertainment expenses	-	-	-	-	1,585	0.5	36	0.1	2,397	1.4
Hardware costs	4,075	1.6	3,704	1.3	3,031	0.9	1,556	1.0	1,413	0.8
Depreciation and amortization	2,480	0.9	1,637	0.6	1,035	0.3	532	0.4	554	0.3
Share-based payment expenses	-	-	-	-	-	-	-	-	2,635	1.5
Others ⁽¹⁾	2,291	0.9	4,605	1.5	1,160	0.5	614	0.4	573	0.3
Total	261,629	100.0	295,401	100.0	322,828	100.0	152,404	100.0	176,028	100.0

Note:

(1) Mainly included telecommunication expenses and office expenses.

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The following table sets forth a breakdown of our cost of sales by business line for the periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2020		2021		2022		2022		2023	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
	<i>(unaudited)</i>									
Pledged vehicle										
monitoring services										
Subcontracting costs	252,783	96.6	285,455	96.6	290,239	89.9	143,886	94.4	155,373	88.3
Hardware costs	4,075	1.6	3,704	1.3	3,031	0.9	1,556	1.0	1,413	0.8
Depreciation and amortization	2,480	0.9	1,637	0.6	1,035	0.3	532	0.4	460	0.2
Others	2,291	0.9	4,605	1.5	1,054	0.4	614	0.4	357	0.2
<i>Sub-total</i>	<u>261,629</u>	<u>100.0</u>	<u>295,401</u>	<u>100.0</u>	<u>295,359</u>	<u>91.5</u>	<u>146,588</u>	<u>96.2</u>	<u>157,603</u>	<u>89.5</u>
Automobile dealership										
operation management services										
Staff costs	-	-	-	-	14,017	4.3	3,271	2.1	12,701	7.2
Consulting service fees	-	-	-	-	11,761	3.6	2,509	1.6	382	0.2
Travel and entertainment expenses	-	-	-	-	1,585	0.5	36	0.1	2,397	1.4
Depreciation and amortization	-	-	-	-	-	-	-	-	94	0.1
Share-based payment expenses	-	-	-	-	-	-	-	-	2,635	1.5
Others	-	-	-	-	106	0.1	-	-	216	0.1
<i>Sub-total</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,469</u>	<u>8.5</u>	<u>5,816</u>	<u>3.8</u>	<u>18,425</u>	<u>10.5</u>
Total	<u>261,629</u>	<u>100.0</u>	<u>295,401</u>	<u>100.0</u>	<u>322,828</u>	<u>100.0</u>	<u>152,404</u>	<u>100.0</u>	<u>176,028</u>	<u>100.0</u>

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For pledged vehicle monitoring services, we generally outsource onsite services to subcontractors, while our own employees carry out other related work, primarily consisting of marketing (such as liaising with customers and undertaking new projects), operation management (such as administrative work related to financial institutions and subcontractors) and risk management (such as reporting potential risk events through our IT systems). As such tasks are not directly related to the provision of pledged vehicle monitoring services, the corresponding staff costs were recorded under general and administrative expenses or selling and marketing expenses, rather than cost of sales. For automobile dealership operation management services, we generally utilize our own employees to manage such services.

The following table sets forth the average subcontracting cost per pledged vehicle monitoring service agreement per month for the periods indicated.

	2020	2021	2022	Six months ended June 30, 2023
Subcontracting costs (RMB'000)	252,783	285,455	290,239	155,373
Number of service agreements as of December 31/June 30	10,963	12,271	14,503	15,459
Average subcontracting cost per service agreement per month (RMB'000)	1.92	1.94	1.67	1.68

We incurred all subcontracting costs under our pledged vehicle monitoring service segment. The average subcontracting cost per automobile dealership per month remained stable in 2020 and 2021. The average subcontracting cost decreased from RMB1,940 in 2021 to RMB1,670 in 2022, which was primarily attributable to the economies of scale we had achieved as our business continued to grow. With the support of our technologies, our subcontractors were able to supervise multiple automobile dealerships at the same time. The average subcontracting cost remained relatively stable at RMB1,680 in the six months ended June 30, 2023.

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Gross Profit and Gross Profit Margin

The following table sets forth a breakdown of our gross profit and gross profit margin by business line for the periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2020		2021		2022		2022		2023	
	Gross profit margin	Gross profit margin	Gross profit margin	Gross profit margin	Gross profit margin	Gross profit margin	Gross profit margin	Gross profit margin	Gross profit margin	Gross profit margin
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
Pledged vehicle monitoring services	168,958	39.2	182,296	38.2	209,690	41.5	99,172	40.4	121,464	43.5
Automobile dealership operation management services	-	-	-	-	15,349	35.8	7,076	54.9	11,939	39.3
Total gross profit/overall gross profit margin	168,958	39.2	182,296	38.2	225,039	41.1	106,248	41.1	133,403	43.1

Our overall gross profit increased during the Track Record Period primarily as a result of business expansion of our pledged vehicle monitoring services. In addition, we started to provide automobile dealership operation management services and generated gross profit under this business line in 2022. Specifically, in 2022 and the six months ended June 30, 2022 and 2023, we recorded under this business line (i) gross profit of RMB17.1 million, RMB7.1 million and RMB15.8 million, respectively, attributable to related parties and (ii) gross loss of RMB1.8 million, nil and RMB3.8 million, respectively, attributable to an Independent Third Party. During the Track Record Period, we recorded gross loss from an Independent Third Party under this business line, primarily because we were at the early stage of business development for our automobile dealership operation management services with limited customer base (only one operation management service agreement with an automobile dealership owned by an Independent Third Party started to generate revenue during the Track Record Period). The increase in gross loss from RMB1.8 million in 2022 to RMB3.8 million in the six months ended June 30, 2023 was primarily because we incurred more staff costs from the additional staff we hired in preparation to serve more Independent-Third-Party customers in the future. In the meantime, to deliver high quality services and prepare for future demand from Independent-Third-Party customers, we need to be equipped with sufficient staffing. Therefore, we had set up a service team of experienced professionals with strong operation management skills and incurred relatively significant staff costs. These experienced professionals from the automobile sales and distribution industry are expected to have capabilities in customer communication.

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Given that the revenue generated by automobile dealership operation management services provided to Changjiu Group is larger than that provided to an Independent-Third-Party, we recorded gross profit for such services provided to Changjiu Group while we recorded gross loss for such services provided to an Independent-Third-Party in 2022 and the six months ended June 30, 2023 due to limited revenue generated with significant staff costs as the team serving Changjiu Group may not have enough capacity to serve Independent-Third-Party customers.

To improve the profitability of our automobile dealership operation management services, we will continue to adhere to our business strategy to grow and diversify our Independent-Third-Party customer base, including, among others: (a) setting up key project advancement teams to focus on high priority customers, (b) establishing project initiation mechanisms to handle prospective clients and review the operational status and requirements of automobile dealerships that have entered into letters of intent with us to formulate preliminary development plans and (c) seeking references through automobile manufacturers for potential dealerships for collaboration. Expanding customer base would enable us to generate more revenue from automobile dealership operation management services without incurring extra costs, especially staff costs, on the same scale due to the service team we set up in the early stage of our business development. In addition, we will focus on improving the operational results of our clients by leveraging our professional service team consisting of professionals from the automobile sales and distribution industry to, among others, optimize the dealerships' business plans and provide guidance to dealership staff to enhance their practical management skills, and our automobile dealership operation management system, Smart Star, to provide technical support in the daily operation of automobile dealerships and collect and process operational data for further analysis by our service team. Improved operational results of our clients could lead to performance-based/incentive fee in addition to our management fee and thereby improve profitability. Furthermore, we will aim to streamline our service process through our Smart Star system and thereby reduce the time, and the related staff costs, required for business improvement with respect to a specific client, through, for example, further improving the functions of our Smart Star system and integrating the operational data of automobile dealerships on the system to offer better support to our service team. In particular, our employees provide customers with tailored services to help them fully utilize the functions of our services, which primarily include (i) consultation based on their interpretation of the operational data collected and processed by Smart Star; and (ii) guidance relating to systematic improvement on automobile dealerships' management capabilities and operational efficiency.

Our gross profit margin was mainly affected by subcontracting costs, which were the major component of our cost of sales during the Track Record Period. We have implemented technology initiatives and digitalization efforts in the upfront automobile dealerships store to reduce our reliance on manpower to cope with rising subcontracting costs.

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Our overall gross profit margin remained stable in 2020 and 2021. Our overall gross profit margin increased from 38.2% in 2021 to 41.1% in 2022 and increased from 41.1% for the six months ended June 30, 2022 to 43.1% for the same period in 2023, which was primarily attributable to an increase in gross profit margin of pledged vehicle monitoring services as our business continued to grow, we realized economies of scale with the support of our technologies, which enabled our subcontractors to supervise multiple automobile dealerships at the same time.

Net Other Income

Our net other income primarily consists of (i) government grants, representing subsidies we received from local governments for the purpose of stabilizing employment and promoting vocational and social insurance training activities, which were one-off and non-recurring; (ii) extra deduction of input VAT for our services in accordance with relevant policies; (iii) OBD related compensation, representing indemnification payment we received from customers for losses of OBD devices which were used for pledged vehicle monitoring services; (iv) net exchange gains; and (v) others. The following table sets forth a breakdown of our net other income for the periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2020		2021		2022		2022		2023	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
	<i>(unaudited)</i>									
Government grants	191	34.5	34	7.7	416	26.8	256	47.0	13	1.6
Extra deduction of input										
VAT	210	37.9	192	43.5	843	54.3	62	11.4	504	61.2
OBD related compensation	191	34.5	178	40.4	176	11.3	113	20.7	89	10.8
Net exchange gains	-	-	-	-	-	-	-	-	171	20.8
Others	(38)	(6.9)	37	8.4	117	7.6	114	20.9	46	5.6
Total	554	100.0	441	100.0	1,552	100.0	545	100.0	823	100.0

Impairment (Losses)/Reversal

Our impairment losses primarily consist of impairment of trade receivables. We recorded impairment losses of RMB0.8 million, RMB2.6 million, RMB2.0 million and RMB3.7 million in 2020 and 2022 and the six months ended June 30, 2022 and 2023, respectively, which was primarily due to allowance for expected credit losses of trade receivables. We recorded reversal of impairment losses of RMB0.1 million in 2021, which was primarily due to the overall improvement of our trade receivables aging as of December 31, 2021.

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Research and Development Expenses

Our research and development activities were primarily related to continuous development and upgrade of our VFS system and integrated digital information infrastructure. Our research and development expenses primarily consist of (i) staff costs for our research and development personnel; (ii) third-party R&D and related costs for developing systems and devices and procurement of related tools; and (iii) share-based payment expenses in connection with the grant of certain share options to certain employees. The following table sets forth a breakdown of our research and development expenses for the periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2020		2021		2022		2022		2023	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
	<i>(unaudited)</i>									
Staff costs	4,590	44.6	9,191	97.6	8,941	99.0	4,379	100.0	5,989	89.1
Third-party R&D and related costs	5,706	55.4	222	2.4	86	1.0	-	-	233	3.5
Share-based payment expenses	-	-	-	-	-	-	-	-	499	7.4
Total	10,296	100.0	9,413	100.0	9,027	100.0	4,379	100.0	6,721	100.0

General and Administrative Expenses

Our general and administrative expenses primarily consist of (i) staff costs for our administrative and other staff; (ii) professional service fees, mainly representing service fees for technology services provided by related parties for IT infrastructure improvement to increase management efficiency and general audit and legal consulting services in the ordinary course of business; (iii) depreciation and amortization; (iv) listing expenses; (v) share-based payment expenses in connection with the grant of certain restricted shares and share options to certain employees; (vi) tax and surcharges; (vii) travel expenses; (viii) office expenses; (ix) non-refundable earnest money for an investment; and (x) others. We were interested in making a potential investment in a target company, an Independent Third Party, for its complementary technologies and automobile-related e-commerce platform, which we believed would create potential business synergy with our businesses. We paid an amount of RMB10.0 million as earnest money to the target company for this potential investment in June 2021 but the investment did not consummate after negotiation and due diligence in the same year. However, the earnest money was not refundable as stipulated in the relevant agreement. Such payment was one-off and non-recurring because it was not associated with the routine operations of our core business, but rather tied to the specific circumstances leading to the occurrence and final non-consummation of a particular investment opportunity. To the knowledge of our Directors, except for (i) the chief executive officer and one of the founders of the target company, who

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was a former employee of Changjiu Group from May 2010 to December 2014; (ii) the vice president and one of the founders of the target company, who was also a former employee of Changjiu Group from December 2013 to December 2014; (iii) aforementioned potential investment and provision of the loans to one of the subsidiaries of the Target, see “—Prepaid Expenses and Other Current Assets” for details on the loans we lent to a third party, there were no other past or present relationship, transaction or arrangement (family, shareholding, trust, financing, sharing of personnel, premises or other resources, or otherwise) between the target company and its related parties (including of their respective associates) and us or our subsidiaries, Directors, shareholders or senior management, or any of their respective associates, during the Track Record Period and up to the Latest Practicable Date. The following table sets forth a breakdown of our general and administrative expenses for the periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2020		2021		2022		2022		2023	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
	<i>(unaudited)</i>									
Staff costs	26,904	63.2	37,455	52.7	46,593	60.5	21,947	65.3	28,789	45.4
Professional service fees	513	1.2	6,771	9.5	11,822	15.4	4,250	12.6	3,766	5.9
Depreciation and amortization	2,771	6.5	3,366	4.7	5,551	7.2	2,069	6.1	3,899	6.2
Listing expenses	-	-	-	-	2,132	2.8	-	-	11,966	18.9
Share-based payment expenses	-	-	-	-	-	-	-	-	9,912	15.6
Tax and surcharges	3,212	7.5	3,763	5.3	4,244	5.5	1,970	5.9	1,243	2.0
Travel expenses	4,382	10.3	5,328	7.5	3,433	4.5	1,837	5.5	1,467	2.3
Office expenses	2,845	6.7	3,305	4.6	2,569	3.3	1,164	3.5	1,772	2.8
Non-refundable earnest money for an investment	-	-	10,000	14.1	-	-	-	-	-	-
Other ⁽¹⁾	1,952	4.6	1,113	1.6	640	0.8	371	1.1	586	0.9
Total	42,579	100.0	71,101	100.0	76,984	100.0	33,608	100.0	63,400	100.0

Note:

(1) Mainly included entertainment expense, conference organization fees and other miscellaneous expenses.

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Selling and Marketing Expenses

Our selling and marketing expenses primarily consist of (i) staff costs for our sales and marketing personnel; (ii) marketing and entertainment expenses we incurred to maintain and expand our service network; (iii) share-based payment expenses in connection with the grant of certain share option to certain employees; and (iv) others. The following table sets forth a breakdown of our selling and marketing expenses for the periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2020		2021		2022		2022		2023	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
	<i>(unaudited)</i>									
Staff costs	3,377	66.6	4,160	67.9	4,341	60.9	1,744	65.2	2,322	66.4
Marketing and entertainment expenses	1,388	27.4	1,802	29.4	2,615	36.7	880	32.9	288	8.2
Share-based payment expenses	-	-	-	-	-	-	-	-	608	17.4
Other ⁽¹⁾	304	6.0	168	2.7	170	2.4	50	1.9	279	8.0
Total	5,069	100.0	6,130	100.0	7,126	100.0	2,674	100.0	3,497	100.0

Note:

(1) Mainly included office, travel and other miscellaneous expenses.

Net Finance Expenses

Our net finance expenses primarily represent interest expenses on bank loans and lease liabilities, and other financial expenses and income. See “—Indebtedness” for details on bank loans and “—Prepaid Expenses and Other Current Assets” for details on the loans we lent to a third party. The following table sets forth a breakdown of our net finance expenses for the periods indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2020	2021	2022	2022	2023
	<i>(RMB'000)</i>				
	<i>(unaudited)</i>				
Interest expense on bank loans	817	2,712	3,174	1,274	1,219
Interest expense on lease liabilities	79	271	298	117	321
Other financial expenses/(income)	68	71	(199)	(154)	(54)
Total	964	3,054	3,273	1,237	1,486

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Income Tax Benefit/(Expenses)

We recorded income tax benefit of RMB4.3 million in 2020. Our income tax expenses amounted to RMB9.4 million, RMB31.7 million, RMB14.8 million and RMB20.2 million in 2021 and 2022 and the six months ended June 30, 2022 and 2023, respectively.

In 2021 and 2022 and the six months ended June 30, 2022 and 2023, our effective income tax rates, calculated as our income tax expenses divided by profit before tax, were 10.1%, 24.8%, 23.5% and 36.4%, respectively. Our effective income tax rate in the six months ended June 30, 2023 was higher than the statutory income tax rate of 25%, primarily as a result of the non-deductible share-based payment expenses connected with the grant of certain restricted shares and share options during this period and the loss incurred by our Cayman company due to listing expenses, which reduced our Group's overall profit before tax, while the profits from our operating entities that are subject to statutory income tax remained unaffected. The following table sets forth a reconciliation of tax expenses applicable to profit before tax at the statutory rate in the PRC, where our operating entities are domiciled, to the tax expenses at the effective income tax rates, and a reconciliation of the applicable tax rate to the effective income tax rate for the periods indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2020	2021	2022	2022	2023
			<i>(RMB'000)</i>		
				<i>(unaudited)</i>	
Profit before tax	109,834	93,149	127,626	62,884	55,472
Tax calculated at statutory tax rates applicable to profits in the respective jurisdictions	27,459	23,287	31,906	15,721	16,819
Tax effect of: Income not subject to tax ⁽¹⁾	(30,453)	(13,442)	–	–	–
Non-deductible expenses and loss	239	1,241	1,601	44	717
Super deduction for research and development expenses	(1,516)	(1,668)	(1,793)	(969)	(768)

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	For the year ended December 31,			For the six months ended June 30,	
	2020	2021	2022	2022	2023
			<i>(RMB'000)</i>		
				<i>(unaudited)</i>	
Non-deductible share-based payments expenses	–	–	–	–	3,413
Actual income tax (benefit)/expense	<u>(4,271)⁽²⁾</u>	<u>9,418</u>	<u>31,714</u>	<u>14,796</u>	<u>20,181</u>

Notes:

- (1) Refers to income from the pledged vehicle monitoring services provided by Changjiu Industrial during the relevant years. During the Track Record Period prior to the completion of the Reorganization, which is the year ended December 31, 2020 and the eleven months ended November 30, 2021, our pledged vehicle monitoring business segment was operated by both a division of Changjiu Industrial and Changjiu Jinfu. Regarding the portion of income from services operated by the division of Changjiu Industrial, income tax liability was determined with respect to Changjiu Industrial as a whole. During such periods, Changjiu Industrial as a whole was loss-making after tax adjustment and therefore had no income tax charges. Therefore, in our financial statements, the relevant income is recorded in this line item as “not subject to tax.”
- (2) Even though we recorded a net profit on a consolidated basis in 2020, it was attributable to the profit derived from the pledged vehicle monitoring services provided by the division of Changjiu industrial, the income tax liability on which was determined with respect to Changjiu Industrial as a whole (see note 1 above). Excluding such profit, the remainder of our business provided by Changjiu Jinfu, after tax adjustment, had a net tax loss in that year. Since the net tax loss can be carried forward to be deductible from future taxable profit in the next five years and it is probable that future taxable profit will be available against which the net tax loss can be utilized, the deductible net tax loss is recognized as a benefit to Changjiu Jinfu from tax perspective. A tax benefit and deferred tax assets were recognized in 2020 accordingly. Changjiu Jinfu, at the earlier stage of its business development in 2020, incurred higher costs and operating expenses, therefore experienced a net loss position. The business provided by Changjiu Jinfu turned around the loss position and achieved net profit in 2021.

Taxation

Cayman Islands

Under the current laws of the Cayman Islands, we are not subject to tax on either income or capital gain, the Cayman Islands does not impose a withholding tax on payments of dividends to shareholders.

Hong Kong

Our Hong Kong subsidiary, incorporated in July 2021, is subject to a profits tax rate of 8.25% for the first HKD2,000,000 of assessable profit and 16.5% for profit exceeding HKD2,000,000. No provision for Hong Kong profits tax was made as we had no estimated assessable profit that was subject to Hong Kong profits tax for the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023.

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Mainland China

Our subsidiaries established in the Mainland China are subject to an income tax rate of 25% pursuant to relevant PRC laws and regulations.

RESULTS OF OPERATIONS

Six Months Ended June 30, 2023 Compared to Six Months Ended June 30, 2022

Revenue

Our revenue increased by 19.6% from RMB258.7 million for the six months ended June 30, 2022 to RMB309.4 million for the same period in 2023.

Revenue generated from pledged vehicle monitoring services increased by 13.5% from RMB245.8 million for the six months ended June 30, 2022 to RMB279.1 million for the same period in 2023, which was primarily attributable to an increase in the number of our service agreements from 12,746 as of June 30, 2022 to 15,459 as of June 30, 2023 as the pledged vehicle monitoring services market recovered after the COVID-19 pandemic and demand for our services increased. We were able to obtain the new service agreements from financial institutions and automobile dealerships by leveraging our technological capabilities, experience in the industry and credibility among our user base. Our average annualized pledged vehicle monitoring fees per service agreement was approximately RMB38,600 and RMB36,100 for the six months ended June 30, 2022 and 2023, respectively, as we realized economies of scale and reduced the manpower required for pledged vehicle monitoring services, which enabled us to provide our services at a more competitive service fee level.

We commenced automobile dealership operation management services in April 2022. Revenue generated from automobile dealership operation management services increased by 135.7% from RMB12.9 million for the six months ended June 30, 2022, which reflected revenue for the three months during which we provided such services, to RMB30.4 million for the same period in 2023, which reflected revenue for the full six months during this period.

Cost of Sales

Our cost of sales increased by 15.5% from RMB152.4 million for the six months ended June 30, 2022 to RMB176.0 million for the same period in 2023, which was primarily due to increases in (i) subcontracting costs for our pledged vehicle monitoring services as a result of our business expansion and (ii) staff costs and share-based payment expenses for our automobile dealership operation management services, as (a) we recorded such costs for the full six months in the first half of 2023 as opposed to only three months in the same period in 2022, given that we started to provide automobile dealership operation management services in April 2022, (b) the number of our staff increased as a result of business expansion and (c) we incurred share-based payment expenses with respect to certain employees associated with the grant of certain share options in this period.

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Gross Profit and Gross Profit Margin

Our gross profit increased by 25.6% from RMB106.2 million for the six months ended June 30, 2022 to RMB133.4 million for the same period in 2023, which was primarily attributable to an increase in the gross profit of pledged vehicle monitoring services.

Our gross profit margin increased from 41.1% for the six months ended June 30, 2022 to 43.1% for the same period in 2023, which was primarily attributable to an increase in gross profit margin of pledged vehicle monitoring services. As our business continued to grow, we realized economies of scale with the support of our technologies, which enabled our subcontractors to supervise multiple automobile dealerships at the same time. The gross profit margin for our automobile dealership operation management services was 39.3% for the six months ended June 30, 2023, lower than that of 54.9% for the same period in 2022, primarily as a result of (i) the expansion of our service team for automobile dealership operation management services and the related increase in staff costs and (ii) the share-based payment incurred in the six months ended June 30, 2023 in connection with the grant of certain share options. See “History, Reorganization and Corporate Structure—Pre-IPO Share Incentive Plans” for more details of the grant of share options.

Net Other Income

Our net other income increased from RMB0.5 million for the six months ended June 30, 2022 to RMB0.8 million for the same period in 2023, primarily due to an RMB0.4 million increase in extra deduction of input VAT from our subcontracting costs, partially offset by an RMB0.2 million decrease in government grants.

Impairment Reversal/(Losses)

Our impairment losses increased from RMB2.0 million for the six months ended June 30, 2022 to RMB3.7 million for the same period in 2023, which was primarily due to an increase in loss allowance recognized as a result of the increase in trade receivables.

Research and Development Expenses

Our research and development expenses increased by 52.3% from RMB4.4 million for the six months ended June 30, 2022 to RMB6.7 million for the same period in 2023, which was primarily due to an RMB1.6 million increase in our staff costs as a result of an increase in the number our research and development related employees and an RMB0.5 million share-based payment expenses associated with the grant of share options to certain employees in this period.

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General and Administrative Expenses

Our general and administrative expenses increased by 88.7% from RMB33.6 million for the six months ended June 30, 2022 to RMB63.4 million for the same period in 2023, which was primarily due to (i) an RMB12.0 million listing expenses associated with this Global Offering; (ii) an increase of RMB6.8 million in staff costs as a result of an increase in the number of our administrative staff due to business expansion; and (iii) an RMB9.9 million share-based payment expenses associated with the grant of certain restricted shares and share options to certain employees in this period.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 29.6% from RMB2.7 million for the six months ended June 30, 2022 to RMB3.5 million for the same period in 2023, which was primarily due to our business expansion, which caused an increase in the number of our selling and marketing staff and related staff costs.

Net Finance Expenses

Our net finance expenses increased by 25.0% from RMB1.2 million for the six months ended June 30, 2022 to RMB1.5 million for the same period in 2023, which was primarily due to an increase in interest expenses on lease liabilities.

Income Tax Expense

Our income tax expense increased by 36.5% from RMB14.8 million for the six months ended June 30, 2022 to RMB20.2 million for the same period in 2023, which was primarily due to an increase in profit generated by Changjiu Jinfu as a result of the business expansion of our pledged vehicle monitoring services.

Profit for the Period

For the foregoing reasons, our profit for the period decreased from RMB48.1 million for the six months ended June 30, 2022 to RMB35.3 million for the same period in 2023.

2022 Compared to 2021

Revenue

Our revenue increased by 14.7% from RMB477.7 million in 2021 to RMB547.9 million in 2022.

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Revenue generated from pledged vehicle monitoring services increased by 5.7% from RMB477.7 million in 2021 to RMB505.0 million in 2022, which was primarily attributable to an increase in the number of our service agreements from 12,271 as of December 31, 2021 to 14,503 as of December 31, 2022 as the number of automobile dealerships in China increased during this period, which drove up the demand for pledged vehicle monitoring services, and we were able to obtain the new service agreements from financial institutions and automobile dealerships by leveraging our technological capabilities, experience in the industry and credibility among our user base, despite the fact that our average annual pledged vehicle monitoring fees per service agreement decreased from RMB38,900 in 2021 to RMB34,800 in 2022. As our business continued to grow, we realized economies of scale and reduced the manpower required for pledged vehicle monitoring services therefore our average annual pledged vehicle monitoring fee per service agreement became more competitive and decreased from RMB38,900 in 2021 to RMB34,800 in 2022.

We commenced automobile dealership operation management services in 2022. Revenue generated from automobile dealership operation management services increased from nil in 2021 to RMB42.8 million in 2022.

Cost of Sales

Our cost of sales increased by 9.3% from RMB295.4 million in 2021 to RMB322.8 million in 2022, which was primarily due to an increase of RMB27.5 million in cost of sales relating to the newly commenced automobile dealership operation management services. Our cost of sales for pledged vehicle monitoring services remained stable at RMB295.4 million in 2021 and 2022.

Gross Profit and Gross Profit Margin

Our gross profit increased by 23.4% from RMB182.3 million in 2021 to RMB225.0 million in 2022, which was primarily attributable to an increase in the gross profit of pledged vehicle monitoring services.

Our gross profit margin increased from 38.2% in 2021 to 41.1% in 2022, which was primarily attributable to an increase in gross profit margin of pledged vehicle monitoring services as our business continued to grow, we realized economies of scale with the support of our technologies, which enabled our subcontractors to supervise multiple automobile dealerships at the same time.

Net Other Income

We had net other income of RMB0.4 million and RMB1.6 million in 2021 and 2022, respectively. The increase in net other income was primarily attributable to (i) an increase of RMB0.7 million in extra deduction of input VAT as a result of an increase in expenses that were subject to deduction; and (ii) an increase of RMB0.4 million in government grants primarily for vocational and social insurance training activities.

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Impairment Reversal/(Losses)

We recorded reversal of impairment losses of RMB0.1 million in 2021, which was primarily due to the overall improvement of our trade receivables aging as of December 31, 2021. We recorded impairment losses of trade receivables of RMB2.6 million in 2022, which was primarily due to an increase in loss allowance recognized as a result of the increase in trade receivables.

Research and Development Expenses

Our research and development expenses remained relatively stable in 2021 and 2022.

General and Administrative Expenses

Our general and administrative expenses increased by 8.3% from RMB71.1 million in 2021 to RMB77.0 million in 2022, which was primarily due to (i) an increase of RMB9.1 million in staff costs as a result of our business expansion; (ii) an increase in professional service fees of RMB5.1 million mainly due to the increase in technology services provided by related parties for IT infrastructure improvement to increase management efficiency; and (iii) listing expenses of RMB2.1 million in 2022, which partially offset the effect of non-refundable earnest money of RMB10.0 million in 2021.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 16.2% from RMB6.1 million in 2021 to RMB7.1 million in 2022, which was primarily due to an increase of RMB0.8 million in marketing and entertainment expenses we incurred to maintain and expand our service network.

Net Finance Expenses

Our net finance expenses increased by 6.5% from RMB3.1 million in 2021 to RMB3.3 million in 2022, which was primarily due to an increase in interest expenses on bank loans.

Income Tax Expense

Our income tax expense increased significantly from RMB9.4 million in 2021 to RMB31.7 million in 2022, which was primarily due to the Reorganization in 2021. During the eleven months prior to the completion of the Reorganization on November 30, 2021, our pledged vehicle monitoring business line was operated by both a division of Changjiu Industrial and Changjiu Jinfu. During the same period, Changjiu Industrial incurred losses after tax adjustment, and no income tax charges, and therefore the profit for the pledged vehicle monitoring business operated by Changjiu Industrial was not subject to tax prior to the Reorganization in 2021. Only the remaining profit generated by Changjiu Jinfu was subject to tax based on its statutory tax rate of 25%, which lead to relatively low income tax expense in

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2021. After the Reorganization in 2021, the entire pledged vehicle monitoring service business segment was operated by us. All profits generated from pledged vehicle monitoring services in 2022 were subject to tax based on the statutory tax rate of Changjiu Jinfu, therefore there is a significant increase in EIT provision in the same year while our financial performance remained relatively stable during the Track Record Period. Accordingly, our effective income tax rate, calculated as our income tax expenses divided by profit before tax, of 10.1% in 2021 was lower than our effective income tax rate of 24.8% in 2022.

Profit for the Year

For the foregoing reasons, our profit for the year increased by 14.6% from RMB83.7 million in 2021 to RMB95.9 million in 2022.

2021 Compared to 2020

Revenue

Our revenue increased by 10.9% from RMB430.6 million in 2020 to RMB477.7 million in 2021, which was primarily attributable to an increase in revenue generated from pledged vehicle monitoring services.

Revenue generated from pledged vehicle monitoring services increased by 10.9% from RMB430.6 million in 2020 to RMB477.7 million in 2021, which was primarily attributable to an increase in the number of our service agreements from 10,963 as of December 31, 2020 to 12,271 as of December 31, 2021 as the number of automobile dealerships in China increased during this period, which drove up the demand for pledged vehicle monitoring services, and we were able to obtain the new service agreements from financial institutions and automobile dealerships by leveraging our technological capabilities, experience in the industry and credibility among our user base. The average annual pledged vehicle monitoring fees per service agreement remained stable in 2020 and 2021.

Cost of Sales

Our cost of sales increased by 12.9% from RMB261.6 million in 2020 to RMB295.4 million in 2021, which was primarily due to an RMB32.7 million increase in subcontracting costs for supervising the pledged vehicles across regions as a result of our business expansion.

Gross Profit and Gross Profit Margin

Our gross profit increased by 7.9% from RMB169.0 million in 2020 to RMB182.3 million in 2021, which was attributable to an increase in the gross profit of pledged vehicle monitoring services. Our overall gross profit margin remained stable in 2020 and 2021.

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Net Other Income

We had net other income of RMB0.6 million and RMB0.4 million in 2020 and 2021, respectively. The slight decrease in net other income was primarily attributable to a decrease of RMB0.2 million in government grants.

Impairment (Losses)/Reversal

We recorded impairment losses of RMB0.8 million in 2020, which was primarily due to allowance for expected credit losses of trade receivables. We recorded reversal of impairment losses of RMB0.1 million in 2021, which was primarily due to the overall improvement of our trade receivables aging as of December 31, 2021.

Research and Development Expenses

Our research and development expenses decreased by 8.6% from RMB10.3 million in 2020 to RMB9.4 million in 2021, primarily due to an RMB5.5 million decrease in third-party R&D costs as we started to develop the business-related features of VFS system and maintain this system in house, which was partially offset by an increase of RMB4.6 million in staff costs for our research and development personnel as a result of an increased number of personnel.

General and Administrative Expenses

Our general and administrative expenses increased by 67.0% from RMB42.6 million in 2020 to RMB71.1 million in 2021, which was primarily due to (i) an RMB10.6 million increase in staff costs as a result of the expansion of our pledged vehicle monitoring services, which led to an increase in the number of staff performing related tasks such as business process formulation and customer communication; (ii) an RMB10.0 million non-refundable earnest money we paid for a potential investment in an automobile-related e-commerce platform in 2021, which did not consummate after negotiation and due diligence in the same year; and (iii) an RMB6.3 million increase in professional service fees mainly due to the increase in audit and legal consulting services. The RMB10.0 million non-refundable earnest money for such investment in 2021 was one-off and non-recurring.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 20.9% from RMB5.1 million in 2020 to RMB6.1 million in 2021, which was primarily due to an RMB0.8 million increase in staff costs for our sales and marketing personnel and an RMB0.4 million increase in marketing and entertainment expenses to maintain and expand our service network, which were generally in line with our business expansion.

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Net Finance Expenses

Our net finance expenses increased significantly from RMB1.0 million in 2020 to RMB3.1 million in 2021, which was primarily due to an increase in interest expenses of RMB1.9 million on a bank loan. See “—Indebtedness.”

Income Tax Benefit/(Expense)

We recorded income tax benefit of RMB4.3 million in 2020 as a result of recognition of deferred tax assets mainly from deductible accumulative losses in 2020. Even though we recorded a net profit on a consolidated basis in 2020, it was attributable to the profit derived from the pledged vehicle monitoring services provided by the division of Changjiu industrial, the income tax liability on which was determined with respect to Changjiu Industrial as a whole. Excluding such profit, the remainder of our business provided by Changjiu Jinfu, after tax adjustment, had a net tax loss in that year. Since the net tax loss can be carried forward to be deductible from future taxable profit in the next five years and it is probable that future taxable profit will be available against which the net tax loss can be utilized, the deductible net tax loss is recognized as a benefit to Changjiu Jinfu from tax perspective. A tax benefit and deferred tax assets were recognized in 2020 accordingly.

Our income tax expenses amounted to RMB9.4 million in 2021. Our effective income tax rate, calculated as our income tax expenses divided by profit before tax, of 10.1% in 2021 was lower than the statutory tax rate in the PRC, which was primarily due to the Reorganization in 2021, where Changjiu Industrial incurred losses after tax adjustment and therefore the profit for the pledged vehicle monitoring business operated by Changjiu Industrial was not subject to tax prior to the Reorganization.

Profit for the Year

For the foregoing reasons, our profit for the year decreased by 26.6% from RMB114.1 million in 2020 to RMB83.7 million in 2021.

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DESCRIPTION OF CERTAIN CONSOLIDATED STATEMENTS OF FINANCIAL POSITION ITEMS

The following table sets forth a summary of our consolidated statements of financial position as of the dates indicated.

	As of December 31,			As of
	2020	2021	2022	June 30, 2023
	<i>(RMB'000)</i>			
Non-current assets				
Property, plant and equipment	3,743	3,042	2,790	2,428
Intangible assets	5,064	4,204	3,412	8,586
Right-of-use assets	664	4,640	5,829	10,180
Deferred tax assets	4,393	331	1,512	4,655
Total non-current assets	13,864	12,217	13,543	25,849
Current assets				
Trade receivables	39,964	59,861	101,311	179,783
Prepaid expenses and other current assets	148,750	145,308	26,969	11,661
Cash and cash equivalents	89	1,533	119,341	72,395
Total current assets	188,803	206,702	247,621	263,839
Current liabilities				
Bank loans	50,000	50,000	75,000	35,000
Trade payables	25,741	25,469	28,507	26,488
Accrued expenses and other current liabilities	40,518	49,406	58,012	71,800
Contract liabilities	52,657	69,426	58,923	50,668
Lease liabilities	218	2,334	6,353	7,120
Current tax liabilities	–	3,712	22,180	30,234
Total current liabilities	169,134	200,347	248,975	221,310
Net current assets/(liabilities)	19,669	6,355	(1,354)	42,529
Non-current liabilities				
Lease liabilities	397	2,359	64	7,308
Total non-current liabilities	397	2,359	64	7,308
Net assets	33,136	16,213	12,125	61,070

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Intangible Assets

Our intangible assets amounted to RMB5.0 million, RMB4.2 million and RMB3.4 million as of December 31, 2020, 2021 and 2022, respectively, primarily reflecting the book value of our VFS system. Our intangible assets increased from RMB3.4 million as of December 31, 2022 to RMB8.6 million as of June 30, 2023, primarily due to the purchase of the North Star System and related software copyright from certain related party for our automobile dealership operation management services.

Right-of-use assets

Our right-of-use assets consisted primarily of leases for offices and apartments for our staff, which amounted to RMB0.7 million, RMB4.6 million and RMB5.8 million as of December 31, 2020, 2021 and 2022, respectively. Our right-of-use assets increased from RMB5.8 million as of December 31, 2022 to RMB10.2 million as of June 30, 2023, primarily due to the extension and rent increase on the lease for our office in Beijing.

Trade Receivables

Our trade receivables primarily represent outstanding amounts due from financial institutions and related parties. The following table sets forth the details of our trade receivables as of the dates indicated and trade receivable turnover days for the periods indicated.

	As of December 31,			As of
	2020	2021	2022	June 30, 2023
	<i>(RMB'000)</i>			
Trade receivables				
– Third parties	40,714	56,902	94,948	170,319
– Related parties	243	3,860	9,284	16,335
<i>Sub-total</i>	40,957	60,762	104,232	186,654
Less: loss allowance	(993)	(901)	(2,921)	(6,871)
Net trade receivables	39,964	59,861	101,311	179,783

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	As of December 31,			As of June 30,
	2020	2021	2022	2023
	<i>(RMB'000)</i>			
Trade receivable turnover days ⁽¹⁾				
– Third parties	35	38	59	92
– Related parties	51	29	29	47
– Overall	35	39	55	85

Note:

- (1) Calculated by dividing the arithmetic mean of the opening and ending balance of trade receivables in that period by revenue for the corresponding period and then multiplying by 365 days for a full year period or 180 days for a six-month period.

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. The increase of our trade receivables was primarily attributable to the growth of our business and revenue during the Track Record Period.

Our overall trade receivable turnover days was 35 days, 39 days, 55 days and 85 days in 2020, 2021 and 2022 and the six months ended June 30, 2023, respectively. The increase in our trade receivable turnover days in 2022 was mainly due to prolonged internal settlement review processes of financial institutions as a result of periodic resurgence of the COVID-19 pandemic. The increase in our trade receivable turnover days in the six months ended June 30, 2023 was primarily attributable to (i) an increase in the number of pledged vehicle monitoring service agreements where the financial institutions (instead of automobile dealerships) bear the payment obligation, which often make payments of relevant service fees after the services are provided, whereas automobile dealerships typically make advance payments for our services; and (ii) prolonged settlement process by financial institutions due to their internal review.

We periodically perform an impairment analysis using a provision matrix to measure expected credit losses and assess our credit risk exposure. As of December 31, 2020, 2021 and 2022 and June 30, 2023, we recorded loss allowance of RMB1.0 million, RMB0.9 million, RMB2.9 million and RMB6.9 million, respectively.

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The following table sets forth an aging analysis, based on the transaction date and net of loss allowance, of our trade receivables as of the dates indicated.

	As of December 31,			As of
	2020	2021	2022	June 30, 2023
	<i>(RMB'000)</i>			
Within three months	33,122	53,055	82,032	98,566
Three months to six months	4,202	4,558	11,190	57,382
Six months to one year	1,656	1,625	7,862	22,251
Over one year	1,977	1,524	3,148	8,455
<i>Sub-total</i>	40,957	60,762	104,232	186,654
Less: loss allowance	(993)	(901)	(2,921)	(6,871)
Total	39,964	59,861	101,311	179,783

To measure the expected credit losses of trade receivables, trade receivables have been grouped based on shared credit risk characteristics and the aging. We use a provision matrix to calculate expected credit loss for our trade receivables taking account historical observed default rates and forward-looking information.

We believe there is no recoverability issue for our trade receivables and there is a sufficient provision given: (i) our periodic performance of impairment analysis using a provision matrix to measure expected credit losses and assessment of our credit risk exposure; and (ii) we have been exerting efforts to enhance the management and collection of trade receivables, in particular, we closely monitor the status of our trade receivables, we hold periodic meetings to discuss the status of trade receivables, and we timely communicate with relevant parties and remind them of due payments through various channels. We have monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, we review regularly the recoverable amount of trade receivables to ensure that adequate impairment losses are made for irrecoverable amounts.

As of October 31, 2023, 71.4%, or RMB133.3 million, of our trade receivables as of June 30, 2023 had been subsequently settled.

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Prepaid Expenses and Other Current Assets

Our prepaid expenses and other current assets primarily consist of (i) amounts due from related parties; (ii) loans to a third party; (iii) deposits, primarily representing deposits paid for business tendering; (iv) prepaid expenses, primarily representing the capitalized listing expenses and prepaid expenses related to the purchase of certain IT systems for office management; and (v) prepaid income tax. The following table sets forth the details of prepaid expenses and other current assets as of the dates indicated.

	As of December 31,			As of
	2020	2021	2022	June 30, 2023
	<i>(RMB'000)</i>			
Amounts due from related parties	148,303	139,813	25,179	5,265
Loans to a third party	–	4,800	–	–
Deposits	791	1,103	287	307
Prepaid expenses	96	14	605	5,191
Prepaid income tax	–	–	898	898
Less: loss allowance	(440)	(422)	–	–
Total	148,750	145,308	26,969	11,661

As of December 31, 2020, 2021 and 2022 and June 30, 2023, our amounts due from related parties amounted to RMB148.3 million, RMB139.8 million, RMB25.2 million and RMB5.3 million, respectively, all of which were of a non-trade nature. The non-trade amounts due from related parties were attributable to (i) the fund management between Changjiu Group and us and (ii) the services fees collected by Changjiu Group on our behalf in connection with certain pledged vehicle monitoring service agreements transferred to Changjiu Jinfu. The non-trade amounts due from related parties as of June 30, 2023 had been fully settled as of the Latest Practicable Date. See “—Related Party Transactions” for details.

Our prepaid expenses and other current assets decreased from 2020 to 2021, primarily due to a decrease in amounts due from related parties, which was partially offset by loans we lent to an Independent Third Party in November 2021 to supplement its working capital. The loans had an annual interest rate of 6% and a term of 12 months. The Independent Third Party was the target company for our potential investment in an automobile-related e-commerce platform. The potential investment did not consummate after negotiation and due diligence in December 2021, following which the loans and related interests were repaid to us in full, in June 2022.

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Under the General Lending Provisions (《貸款通則》), only financial institutions may legally engage in the business of extending loans, and loans between companies that are not financial institutions are prohibited. The PBOC may impose penalties on the lender equivalent to one to five times of the income generated (being interests charged) from loan advancing activities. However, pursuant to the Provisions of the Supreme People’s Court on Several Issues concerning the Application of Law in the Trial of Private Lending Cases (《最高人民法院關於審理民間借貸案件適用法律若干問題的規定》), or the Provisions, promulgated on August 6, 2015, effective on September 1, 2015 and amended on August 20, 2020 and December 29, 2020, loans among companies are valid if extended for purposes of financing production or business operations, except for circumstances resulting in a void agreement stipulated in the Civil Code of the PRC and the Provisions. The PRC courts will also support a company’s claim for interest in respect of such a loan as long as the annual interest rate does not exceed four times the one-year loan prime rate, at the time when the agreement is entered into, published every month by National Interbank Funding Center (全國銀行間同業拆借中心) with the authorization from PBOC. Our PRC Legal Advisors are of the view that our financing arrangement with the third party does not violate the applicable provisions of the Civil Code of the PRC or the Provisions, after taking into consideration that our financing arrangement with the third party was extended for purposes of financing business operations and in compliance with the requirements of the Provisions above.

Our prepaid expenses and other current assets further decreased from 2021 to 2022, which was primarily due to a decrease in amounts due from related parties and the repayment of the loans by the Independent Third Party. Our prepaid expenses and other current assets further decreased from December 31, 2022 to June 30, 2023, primarily due to a decrease in amounts due from related parties, which was partially offset by an increase in prepaid expenses, primarily reflecting increased capitalized listing expenses of RMB1.8 million and prepaid expenses of RMB1.7 million for the purchase of certain IT systems for office management.

Cash and Cash Equivalents

As of December 31, 2020, 2021 and 2022 and June 30, 2023, we had cash and cash equivalents of RMB89,000, RMB1.5 million, RMB119.3 million and RMB72.4 million, respectively. The low cash balances as of December 31, 2020 and 2021 were primarily due to the deemed distribution in relation to cash transferred to Changjiu Industrial prior to the Reorganization in 2021. Our cash and cash equivalents decreased from December 31, 2022 to June 30, 2023, primarily as a result of the repayment of certain bank loans.

Bank Loans

As of December 31, 2020, 2021 and 2022, we had bank loans of RMB50.0 million, RMB50.0 million, and RMB75.0 million, respectively. The bank loans bore annual interest rates of 5.66%, 4.60%, and 4.60% as of December 31, 2020, 2021 and 2022, respectively, and were guaranteed by the Ultimate Controlling Shareholders and Changjiu Industrial, which are related parties of the Group. The bank loans as of December 31, 2022 were fully repaid, and the related guarantees were released, in April 2023. As of June 30, 2023, we had bank loans of RMB35.0 million, which bore an annual interest rate of 4.60% and was secured by the pledge of certain trade receivables from financial institutions. See “—Indebtedness” for details.

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Trade Payables

Our trade payables primarily consist of payments due to our subcontracting service providers. In general, we are required to settle subcontracting service fees on a monthly basis. The following table sets forth the details of our trade payables as of the dates indicated.

	As of December 31,			As of
	2020	2021	2022	June 30, 2023
	<i>(RMB'000)</i>			
Trade payables				
– Third parties	25,071	25,469	28,507	26,488
– A related party	670	–	–	–
Total	25,741	25,469	28,507	26,488

The following table sets forth an aging analysis of trade payables based on the invoice dates as of the dates indicated and trade payable turnover days for the periods indicated.

	As of/For the year ended December 31,			As of/ For the six months ended June 30,
	2020	2021	2022	2023
	<i>(RMB'000)</i>			
Within six months	25,728	25,469	28,507	26,488
Six months to one year	13	–	–	–
Total	25,741	25,469	28,507	26,488
Trade payable turnover days ⁽¹⁾	36	32	31	28

Note:

- (1) Calculated by dividing the arithmetic mean of the opening and ending balance of trade payables in that period by cost of sales for the corresponding period and then multiplying by 365 days for a full year period or 180 days for a six-month period.

Our trade payables remained stable as of December 31, 2020 and 2021. Our trade payables increased from RMB25.5 million as of December 31, 2021 to RMB28.5 million as of December 31, 2022 as a result of our business expansion. Our trade payables decreased from RMB28.5 million as of December 31, 2022 to RMB26.5 million as of June 30, 2023 as a result of settlement of certain payments due. Our trade payable turnover days was generally in line with the credit term granted by our subcontractors throughout the Track Record Period.

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As of October 31, 2023, RMB23.9 million, or 90.1%, of our trade payables as of June 30, 2023 had been subsequently settled.

Our Directors confirm that we had no material defaults in payment of our trade or non-trade payables during the Track Record Period and up to the Latest Practicable Date.

Accrued Expenses and Other Current Liabilities

Our accrued expenses and other current liabilities consist of (i) other payables to customers, primarily representing advance payments we received from automobile dealerships, which subsequently terminated their financing relationship (typically after the pledged vehicles were sold or the secured financings were paid off) with the relevant financial institutions or where financial institutions took over the obligation to pay service fees under the tripartite pledged vehicle monitoring service agreements during the service period; (ii) accrued payroll and welfare; (iii) value-added tax and surcharges payables; (iv) deposits we received from automobile dealerships for our devices; (v) amounts due to related parties; (vi) restricted shares repurchase liability; (vii) accrued listing expenses and (viii) others. The following table sets forth the details of our accrued expenses and other current liabilities as of the dates indicated.

	As of December 31,			As of June 30,
	2020	2021	2022	2023
	<i>(RMB'000)</i>			
Other payables to customers	13,983	20,167	26,634	34,880
Accrued payroll and welfare	5,838	9,152	15,209	12,429
Value-added tax and surcharges payable	15,757	13,837	10,168	10,174
Deposit received from third parties	3,179	2,933	2,603	2,535
Amounts due to related parties	1,301	1,301	1,301	2,391
Restricted shares repurchase liability	–	–	–	4,325
Accrued listing expenses	–	–	–	4,043
Others ⁽¹⁾	460	2,016	2,097	1,023
Total	40,518	49,406	58,012	71,800

Note:

(1) Mainly included payables for professional service fees and staff reimbursement.

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Our accrued expenses and other current liabilities increased from RMB40.5 million as of December 31, 2020 to RMB49.4 million as of December 31, 2021, which was primarily due to an RMB6.2 million increase in other payables to customers and an increase of RMB3.3 million in accrued payroll and welfare. Our accrued expenses and other current liabilities increased from RMB49.4 million as of December 31, 2021 to RMB58.0 million as of December 31, 2022, which was primarily due to an RMB6.5 million increase in other payables to customers and an increase of RMB6.1 million in accrued payroll and welfare. Our accrued expenses and other current liabilities increased from RMB58.0 million as of December 31, 2022 to RMB71.8 million as of June 30, 2023, which was primarily due to (i) an increase of RMB8.2 million in other payables to customers, (ii) an RMB4.3 million of restricted shares repurchase liability associated with the grant of certain restricted shares in March 2023 and (iii) an RMB4.0 million of accrued listing expenses associated with this Global Offering.

Other payables to customers increased throughout the Track Record Period, which was primarily due to the accumulation of prepaid service fees to be refunded to automobile dealerships when (i) the automobile dealerships terminated their financing relationship (typically after the pledged vehicles were sold or the secured financings were paid off) with the relevant financial institutions and the related pledged vehicle monitoring service agreements with us pursuant to the relevant contractual terms, which, according to CIC, this is a common practice in the automobile sales and distribution industry in China; or (ii) there was a change in settlement party from the automobile dealerships to the financial institutions under certain of our pledged vehicle monitoring service agreements. We typically received advance payments from automobile dealerships prior to the provision of our pledged vehicle monitoring services, but financial institutions may choose to take over the obligation to pay for the same services under the service agreements and paid the relevant service fees during the service period. The advances payment of services fees we received from automobile dealerships then becomes the amount of payables back to them. Financial institutions may choose to take over the obligation to pay service fees following further negotiation with automobile dealerships, which we believe is based on their internal requirements and their evaluation of evolving customer needs and competition landscape in an effort to improve their competitiveness and increase the attractiveness of their products. We are typically indifferent to the arrangement of paying party, primarily because (i) we provide the same services to financial institutions and automobile dealerships regardless of who is the paying party under the tripartite agreements; and (ii) based on our experience, both financial institutions and automobile dealerships were creditworthy and had no material defaults on their service payments during the Track Record Period. See “Business—Pledged Vehicle Monitoring Services—Overview” for a detailed discussion on payment negotiation factors. Our Directors confirm that the other payables to customers during the Track Record Period did not have a material adverse effect on our business, financial position or results of operations.

As of December 31, 2020, 2021 and 2022 and June 30, 2023, our amounts due to related parties amounted to RMB1.3 million, RMB1.3 million, RMB1.3 million and RMB2.4 million, respectively, all of which were of a trade nature. See “—Related Party Transactions” for details.

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Contract Liabilities

Our contract liabilities primarily represent advance payments from customers for the provision of pledged vehicle monitoring services. Our contract liabilities amounted to RMB52.7 million, RMB69.4 million, RMB58.9 million and RMB50.7 million as of December 31, 2020, 2021 and 2022 and June 30, 2023, respectively. During the Track Record Period, some of the automobile dealerships prepay the service fees in advance on a monthly or quarterly basis, while other customers, particularly financial institutions, may be granted credit terms by us for our pledged vehicle monitoring services. Our contract liabilities fluctuated during the Track Record Period because of changes in the mix of paying customers.

The following table sets forth an aging analysis of our contract liabilities as of the dates indicated.

	As of December 31,			As of June 30,
	2020	2021	2022	2023
	<i>(RMB'000)</i>			
Within three months	45,494	56,468	47,649	38,129
Three months to six months	4,676	7,718	8,203	9,774
Six months to one year	1,715	3,564	1,320	2,551
More than one year	772	1,676	1,751	214
Total	52,657	69,426	58,923	50,668

As of October 31, 2023, 77.1%, or RMB39.1 million, of our contract liabilities as of June 30, 2023 had been subsequently recognized as revenue.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash during the Track Record Period were to fund our subcontracting costs, employee compensation, research and development, sales and marketing of our services, as well as other working capital needs. Historically, we have financed our operations and other capital requirements primarily through cash generated from our operations and proceeds from bank loans.

Our anticipated cash needs primarily include costs associated with business operations. We expect to fund our future working capital and other cash requirements with cash generated from our operations, the net proceeds from Global Offering and, when necessary, bank loans and other borrowings. Taking into account our internal resources, our cash flow from operations, proceeds from bank loans and the estimated net proceeds from the Global Offering, our Directors are of the view, and the Joint Sponsors concur, that the working capital available to us is sufficient at present and for at least the next 12 months from the date of this prospectus.

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Net Current Assets

The following table sets forth a summary of our current assets and liabilities as of the dates indicated.

	As of December 31,			As of	As of
	2020	2021	2022	June 30, 2023	October 31, 2023
	<i>(RMB'000)</i>				<i>(unaudited)</i>
Current assets					
Trade receivables	39,964	59,861	101,311	179,783	181,457
Prepaid expenses and other current assets	148,750	145,308	26,969	11,661	27,548
Cash and cash equivalents	89	1,533	119,341	72,395	94,407
Total current assets	188,803	206,702	247,621	263,839	303,412
Current liabilities					
Bank loan	50,000	50,000	75,000	35,000	35,000
Trade payables	25,741	25,469	28,507	26,488	26,362
Accrued expenses and other current liabilities	40,518	49,406	58,012	71,800	62,453
Contract liabilities	52,657	69,426	58,923	50,668	42,303
Lease liabilities	218	2,334	6,353	7,120	7,184
Current tax liabilities	–	3,712	22,180	30,234	30,725
Total current liabilities	169,134	200,347	248,975	221,310	204,027
Net current assets/(liabilities)	19,669	6,355	(1,354)	42,529	99,385

Our net current assets decreased from RMB19.7 million as of December 31, 2020 to RMB6.4 million as of December 31, 2021, which was primarily due to (i) an RMB16.8 million increase in contract liabilities arising from advance payments from customers for the provision of pledged vehicle monitoring services; (ii) an RMB8.9 million increase in accrued expenses and other current liabilities; and (iii) an RMB3.7 million increase in current tax liabilities, partially offset by an RMB19.9 million increase in trade receivables.

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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—Reorganization—Onshore Reorganization—Acquisition of Changjiu Jinfu by Shanghai Bozhong” for details.

Our net current liabilities of RMB1.4 million as of December 31, 2022 turned to net current assets of RMB42.5 million as of June 30, 2023, which was primarily due to an increase of RMB78.5 million in trade receivables and a decrease of RMB40.0 million in bank loans, partially offset by a decrease of RMB46.9 million in cash and cash equivalents and an increase of RMB13.8 million in accrued expenses and other current liabilities.

Our net current assets increased from RMB42.5 million as of June 30, 2023 to RMB99.4 million as of October 31, 2023, which was primarily attributable to an RMB22.0 million increase in cash and cash equivalents, an RMB15.9 million increase in prepaid expenses and other current assets and an RMB9.3 million decrease in accrued expenses and other current liabilities.

Cash Flows

The following table sets forth a summary of our consolidated cash flow statements for the periods indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2020	2021	2022	2022	2023
	<i>(RMB'000)</i>			<i>(unaudited)</i>	
Operating profit before changes in working capital	116,739	111,023	139,986	68,636	78,574
Changes in working capital	7,488	5,353	(42,631)	(75,082)	(84,059)
Income tax paid	–	(1,644)	(15,325)	(2,681)	(15,270)
Net cash generated from/(used in) operating activities	124,227	114,732	82,030	(9,127)	(20,755)
Net cash (used in)/generated from investing activities	(74,508)	(52,935)	118,584	(20,036)	12,406
Net cash (used in)/ generated from financing activities	(67,981)	(60,353)	(82,806)	38,337	(38,768)

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	For the year ended December 31,			For the six months ended June 30,	
	2020	2021	2022	2022	2023
	<i>(RMB'000)</i>			<i>(unaudited)</i>	
Net (decrease)/increase in cash and cash equivalents	(18,262)	1,444	117,808	9,174	(47,117)
Cash and cash equivalents at the beginning of the year/period	18,351	89	1,533	1,533	119,341
Effect of foreign exchange rate changes	-	-	-	-	171
Cash and cash equivalents at the end of the year/period	89	1,533	119,341	10,707	72,395

Operating Activities

In the six months ended June 30, 2023, our net cash used in operating activities was RMB20.8 million, which was primarily the result of our profit before tax of RMB55.5 million, as adjusted for non-cash and non-operating items, which was further adjusted by negative changes in working capital of RMB84.1 million and income tax paid of RMB15.3 million. The negative changes in working capital were mainly due to (i) an RMB82.4 million increase in trade receivables; and (ii) an RMB8.3 million decrease in contract liabilities, partially offset by an RMB9.5 million increase in accrued expenses and other liabilities. Our cash outflow was primarily due to an increase in trade receivables for the six months ended June 30, 2023. To address our cash outflow position, we intend to enhance our efforts in the collection of trade receivables and maintain strict control over our trade receivables and overdue balances on an ongoing basis, in particular, we closely monitor the status of our trade receivables, we hold periodic meetings to discuss the status of trade receivables, and we timely communicate with relevant parties and remind them of due payments through various channels. In addition, we intend to further enhance our cost control measures, such as implementing technological initiatives and digitalization efforts to reduce our reliance on manpower.

In the six months ended June 30, 2022, our net cash used in operating activities was RMB9.1 million, which was primarily the result of our profit before tax of RMB62.9 million, as adjusted for non-cash and non-operating items, which was further adjusted by negative changes in working capital of RMB75.1 million and income tax paid of RMB2.7 million. The

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negative changes in working capital were mainly due to (i) an RMB68.8 million increase in trade receivables; and (ii) an RMB16.4 million decrease in contract liabilities, partially offset by an RMB10.1 million increase in accrued expenses and other liabilities. Our cash outflow was primarily due to an increase in trade receivables for the six months ended June 30, 2022.

In 2022, we had net cash generated from operating activities of RMB82.0 million, primarily attributable to our profit before tax of RMB127.6 million, as adjusted for non-cash and non-operating items, which was further adjusted by negative changes in working capital and income tax paid of RMB15.3 million. The negative changes in working capital were mainly due to (i) an RMB43.7 million increase in trade receivables as a result of the growth of our business and revenue; and (ii) an RMB10.5 million decrease in contract liabilities arising from advance payments from customers for the provision of pledged vehicle monitoring services, partially offset by an RMB8.6 million increase in accrued expenses and other liabilities as a result of an increase in other payables to customers and accrued payroll and welfare, and an RMB3.0 million increase in trade payable.

In 2021, we had net cash generated from operating activities of RMB114.7 million, primarily attributable to our profit before tax of RMB93.1 million, as adjusted for non-cash and non-operating items, which was further adjusted by positive changes in working capital and income tax paid of RMB1.6 million. The positive changes in working capital were mainly attributable to (i) an RMB16.8 million increase in contract liabilities arising from advance payments from customers for the provision of pledged vehicle monitoring services; and (ii) an RMB8.9 million increase in accrued expenses and other liabilities, partially offset by an RMB19.8 million increase in trade receivables as a result of the growth of our business and revenue.

In 2020, we had net cash generated from operating activities of RMB124.2 million, primarily attributable to our profit before tax of RMB109.8 million, as adjusted for non-cash and non-operating items, which was further adjusted by positive changes in working capital. The positive changes in working capital were mainly attributable to (i) an RMB3.3 million decrease in trade receivables; (ii) an RMB2.7 million increase in contract liabilities arising from advance payments from customers for the provision of pledged vehicle monitoring services; and (iii) an RMB2.2 million increase in trade payables as a result of our business expansion, partially offset by an RMB1.9 million decrease in accrued expenses and other liabilities.

Investing Activities

In the six months ended June 30, 2023, our net cash generated from investing activities was RMB12.4 million, primarily attributable to net receipt from related parties of RMB14.3 million, partially offset by prepayment for acquisition of intangible assets of RMB1.7 million.

In 2022, our net cash generated from investing activities was RMB118.6 million, primarily attributable to net receipts from related parties of RMB114.6 million and loan of RMB4.8 million.

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In 2021, our net cash used in investing activities was RMB52.9 million, primarily attributable to (i) net payments to related parties of RMB37.0 million; (ii) non-refundable earnest money we paid for an unconsummated investment of RMB10.0 million; and (iii) loans to a third party of RMB4.8 million.

In 2020, our net cash used in investing activities was RMB74.5 million, attributable to (i) net payments to related parties of RMB73.5 million; and (ii) purchase of property, plant and equipment of RMB1.0 million.

Financing Activities

In the six months ended June 30, 2023, our net cash used in financing activities was RMB38.8 million, primarily attributable to repayment of bank loans of RMB75.0 million, partially offset by proceeds from bank loans of RMB35.0 million.

In 2022, our net cash used in financing activities was RMB82.8 million, primarily attributable to the RMB101.0 million consideration paid in 2022 to acquire the 100% equity interest in Changjiu Jinfu as part of the Reorganization and repayment of bank loans of RMB50.0 million, partially offset by proceeds from bank loans of RMB75.0 million.

In 2021, our net cash used in financing activities was RMB60.4 million, primarily attributable to repayment of bank loans of RMB50.0 million, deemed distribution in relation to cash transferred to Changjiu Industrial of RMB33.1 million and dividend paid by Changjiu Jinfu to its then shareholders of RMB22.0 million, partially offset by proceeds from bank loans of RMB50.0 million.

In 2020, our net cash used in financing activities was RMB68.0 million, primarily attributable to deemed distribution in relation to cash transferred to Changjiu Industrial of RMB115.2 million, partially offset by proceeds from bank loans of RMB50.0 million.

INDEBTEDNESS

The following table sets forth a summary of our indebtedness as of the dates indicated.

	As of December 31,			As of	As of
	2020	2021	2022	June 30, 2023	October 31, 2023
			<i>(RMB'000)</i>		<i>(unaudited)</i>
Bank loans	50,000	50,000	75,000	35,000	35,000
Lease liabilities	615	4,693	6,417	14,428	14,629
Total	50,615	54,693	81,417	49,428	49,629

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As of December 31, 2020, 2021 and 2022, June 30, 2023 and October 31, 2023, we had bank loans of RMB50.0 million, RMB50.0 million, RMB75.0 million, RMB35.0 million and RMB35.0 million, respectively, representing short-term working capital loans from reputable PRC commercial banks, which was primarily used to fund our business operation. The bank loans outstanding as of October 31, 2023 were secured by a pledge of certain of our trade receivables from financial institutions.

As of December 31, 2020, 2021 and 2022, June 30, 2023 and October 31, 2023, we recorded lease liabilities of RMB0.6 million, RMB4.7 million, RMB6.4 million, RMB14.4 million and RMB14.6 million, respectively, which were primarily in relation to the properties we leased for our office premises. The lease liabilities increased during the Track Record Period as we renewed our leases from time to time and leased more spaces for our office premises during the Track Record Period.

As of December 31, 2020, 2021 and 2022 and June 30, 2023, October 31, 2023 and the Latest Practicable Date, we did not have any contingent liabilities. We confirm that there had been no material changes or arrangements to our contingent liabilities as of the Latest Practicable Date.

We had unutilized banking facilities of RMB50.0 million as of the Latest Practicable Date.

As of December 31, 2020, 2021 and 2022 and June 30, 2023 and October 31, 2023, except as disclosed above, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, acceptance credits, hire purchase commitments, any guarantees or other material contingent liabilities. Since October 31, 2023 and up to the Latest Practicable Date, our Directors confirm there had been no adverse change to our indebtedness. Our Directors further confirm that during the Track Record Period and up to the Latest Practicable Date, our Group did not experience any material difficulties in obtaining or repaying bank loans or other borrowings and they were not aware of any breach of covenants contained in our banking or other borrowing facilities constituting any events of default.

CAPITAL EXPENDITURE AND COMMITMENTS

Capital Expenditure

Our capital expenditure during the Track Record Period related to purchases of property, plant and equipment and intangible assets. In 2020, 2021 and 2022 and the six months ended June 30, 2023, the total amount of purchase of property, plant and equipment were RMB1.0 million, RMB1.1 million, RMB1.0 million and RMB0.1 million, respectively. In the six months ended June 30, 2023, we recorded prepayment for acquisition of intangible assets of RMB1.7 million, related to the purchase of certain IT systems for office management. During the Track Record Period, we financed our capital expenditures primarily through cash flow from operations.

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We expect our capital expenditure in 2023 to remain at similar level, subject to any future changes in our business plan, market conditions, and the economic and regulatory environment. We plan to finance such expenditure primarily through cash flow from operating activities and the net proceeds from the Global Offering.

Commitments

As of December 31, 2020, 2021 and 2022, we did not have any material capital commitment. As of June 30, 2023, we had capital commitments of RMB14.8 million associated with the acquisition of certain software for office management.

CONTINGENT LIABILITIES

As of the Latest Practicable Date, we did not have any contingent liabilities. We confirm that there had been no material changes or arrangements to our contingent liabilities as of the Latest Practicable Date.

RELATED PARTY TRANSACTIONS

During the Track Record Period, our transactions with related parties primarily include (i) payment of remuneration to key management personnel; (ii) transactions with related parties for provision of services and purchase of intangible asset; (iii) advance to and repayment from related parties; and (iv) transactions with related parties for lease arrangements, as described in Note 26 to the Accountants' Report in Appendix I to this prospectus.

Provisions of Services

We provided pledged vehicle monitoring services and automobile dealership operation management services to related parties, including a company controlled by Ms. Li, during the Track Record Period. In 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, revenue recorded for providing services to related parties, including the aforementioned company controlled by Ms. Li, amounted to RMB1.7 million, RMB9.3 million, RMB81.8 million, RMB34.5 million and RMB49.5 million, respectively, representing for 0.4%, 2.0%, 14.9%, 13.3% and 16.0% of our total revenue for the same periods. In 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, the revenue recorded for providing pledged vehicle monitoring services to the aforementioned company controlled by Ms. Li amounted to RMB1.1 million, RMB0.7 million, RMB0.7 million, RMB0.6 million and nil, respectively. The revenue recorded for providing services to related parties significantly increased from 2021 to 2022 and the six months ended June 30, 2023, which was primarily attributable to the fact that we started to provide automobile dealership operation management services to related parties in April 2022 and the derived revenue under the entrustment arrangements between Changjiu Industrial and us.

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Services Received from Related Parties

During the Track Record Period, we received technology and operational services from related parties. In 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, the expenses of services received from related parties amounted to RMB6.3 million, RMB2.4 million, RMB20.1 million, RMB6.5 million and RMB1.1 million, respectively. The expenses increased from 2021 to 2022, which was primarily due to the technical service fees of RMB11.8 million we incurred for testing and implementation of our North Star System for our automobile dealership operation management services. Such services were provided by our related party in 2022 and were one-off in nature. See “—Description of Certain Consolidated Statements of Profit or Loss—Cost of Sales” for details.

Purchase of Intangible Asset from Related Parties

In the six months ended June 30, 2023, we made a purchase of RMB5.7 million from a related party for the North Star System for the provision of our automobile dealership operation management services. Such purchase was one-off and non-recurring in nature and the amount was settled by offsetting the amount due from the related party.

Lease Payments

In 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, our lease payment to related parties amounted to RMB1.9 million, RMB2.5 million, RMB4.2 million, nil and nil, respectively.

Net Change of Non-trade Related Amounts Due from Related Parties

When we were part of Changjiu Group, there were fund transfers among related parties as a result of the fund management between Changjiu Group and us. The net change of non-trade related amounts due from related parties was RMB73.5 million, negative RMB8.5 million, negative RMB114.6 million, RMB24.7 million and negative RMB19.9 million in 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, respectively.

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Balances with Related Parties

The following table sets for a breakdown of our amounts due from and due to related parties as of the dates indicated.

	As of December 31,			As of
	2020	2021	2022	June 30, 2023
	<i>(RMB'000)</i>			
Amounts due from related parties	148,546	143,673	33,378	20,515
– Trade related	243	3,860	8,199	15,250
– Non-trade related	148,303	139,813	25,179	5,265
Amounts due to related parties	1,971	1,301	1,301	2,391
– Trade related	1,971	1,301	1,301	2,391
Contract liabilities	–	6,723	5,732	4,031
– Trade related	–	6,723	5,732	4,031

The amounts due from and due to related parties of a non-trade nature are non-interest-bearing and unsecured. Our Directors are of the view that the transactions with related parties were conducted on an arm's-length basis.

The contract liabilities arose primarily from the Unassigned Agreements under the business transfer of pledged vehicle monitoring services from Changjiu Industrial to us as part of the Reorganization. Despite that Changjiu Industrial is still a signing party of the Unassigned Agreements, Changjiu Industrial does not directly provide any pledged vehicle monitoring services to the users under such agreements and has entirely and exclusively entrusted such services to us. See “History, Reorganization and Corporate Structure—Reorganization—Onshore Reorganization—Business transfer of pledged vehicle monitoring services” and “Connected Transactions—Non-exempt Continuing Connected Transaction—(4) Entrustment Agreement” for further details of the business transfer and the entrustment arrangements between Changjiu Industrial and us.

The amounts due from related parties of a non-trade nature had been fully settled as of the Latest Practicable Date.

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KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as of the dates or for the periods indicated.

	As of/For the year ended December 31,			As of/For the six months ended June 30,	
	2020	2021	2022	2022	2023
				<i>(unaudited)</i>	
Return on equity ⁽¹⁾ (%)	344.3	339.3	676.9	(493.5) ⁽⁶⁾	96.4
Return on asset ⁽²⁾ (%)	56.3	39.7	40.0	17.9	12.8
Current ratio ⁽³⁾	1.1	1.0	1.0	0.9	1.2
Liabilities to assets ratio ⁽⁴⁾	0.8	0.9	1.0	1.1	0.8
Gearing ratio ⁽⁵⁾ (%)	150.9	308.4	618.6	(248.5) ⁽⁶⁾	57.3

Notes:

- (1) Equals profit for the period divided by average balance of total equity at the beginning and the end of that period and multiplied by 100%.
- (2) Equals profit for the period divided by average balance of total assets at the beginning and the end of that period and multiplied by 100%.
- (3) Current ratio represents current assets divided by current liabilities as of the same date.
- (4) Liabilities to assets ratio represents total liabilities divided by total assets as of the same date.
- (5) Gearing ratio represents the sum of interest-bearing bank loans divided by total equity as of the same dates and multiplied by 100%.
- (6) As of June 30, 2022, our return on equity and gearing ratio were negative primarily because we recorded net liabilities as of the same date.

Return on Equity

Our return on equity remained stable in 2020 and 2021. Our return on equity increased from 339.3% in 2021 to 676.9% in 2022, primarily attributable to a decrease in our equity from RMB33.1 million as of December 31, 2020 to RMB16.2 million as of December 31, 2021, and further to RMB12.1 million as of December 31, 2022, which was primarily attributable to a deemed distribution in relation to cash transferred to Changjiu Industrial in 2021, a dividend distribution by Changjiu Jinfu to its then shareholders in 2021, and the consideration paid in 2022 to acquire the 100% equity interest in Changjiu Jinfu as part of the Reorganization.

Our return on equity decreased from 676.9% in 2022 to 96.4% in the six months ended June 30, 2023, primarily attributable to (i) the increase in our total equity from RMB12.1 million as of December 31, 2022 to RMB61.1 million as of June 30, 2023, primarily as a result of the net profit of RMB35.3 million recorded for the period; and (ii) the fact that only profit for the first half of 2023 was taken into account in our calculation of return on equity for the six months ended June 30, 2023 as compared to the full year effect in 2022.

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Return on Asset

Our return on assets decreased from 56.3% in 2020 to 39.7% in 2021, which was primarily due to the fact that the profit for the year decreased while total assets also increased from 2020 to 2021. Our return on assets remained stable in 2021 and 2022.

Our return on asset decreased from 40.0% in 2022 to 12.8% in the six months ended June 30, 2023, primarily attributable to the fact that only profit for the first half of 2023 was taken into account in our calculation of return on asset for the six months ended June 30, 2023 as compared to the full year effect in 2022.

Current Ratio

Our current ratio remained relatively stable during the Track Record Period.

Liabilities to Assets Ratio

Our liabilities to assets ratio increased slightly from 0.8 as of December 31, 2020 to 0.9 as of December 31, 2021, and further increased to 1.0 as of December 31, 2022 as the increase in total liabilities outpaced the increase in total assets. Our liabilities to assets ratio decreased from 1.0 as of December 31, 2022 to 0.8 as of June 30, 2023, as our total liabilities decreased from December 31, 2022 to June 30, 2023, while our total assets increased during the same period.

Gearing Ratio

Our gearing ratio increased from 150.9% as of December 31, 2020 to 308.4% as of December 31, 2021, primarily due to a decrease in our equity from RMB33.1 million as of December 31, 2020 to RMB16.2 million as of December 31, 2021, which was primarily attributable to a deemed distribution in relation to cash transferred to Changjiu Industrial in 2021 and a dividend distribution by Changjiu Jinfu to its then shareholders in 2021. Our gearing ratio increased from 308.4% as of December 31, 2021 to 618.6% as of December 31, 2022, primarily due to an increase in our bank loans from RMB50.0 million as of December 31, 2021 to RMB75.0 million as of December 31, 2022, as well as a decrease in our equity from RMB16.2 million as of December 31, 2021 to RMB12.1 million as of December 31, 2022, which was primarily attributable to the consideration paid in 2022 to acquire the 100% equity interest in Changjiu Jinfu as part of the Reorganization, which in turn contributed to a relatively high gearing ratio as of December 31, 2022. Our gearing ratio decreased from 618.6% as of December 31, 2022 to 57.3% as of June 30, 2023, primarily due to the decrease in bank loans from RMB75.0 million as of December 31, 2022 to RMB35.0 million as of June 30, 2023, and the significant increase in our total equity in the same period primarily as a result of the recorded net profit.

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OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT FINANCIAL RISK

We are exposed to a variety of financial risks, including credit risk, liquidity risk, interest rate risk and foreign exchange risk, as set out below. We manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner. See Note 25 to the Accountants' Report in Appendix I to this prospectus for further details.

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to our Group. Our credit risk is primarily attributable to trade receivables. For trade receivables, we have policies in place to ensure that provisions of services are made to customers with an appropriate credit history. We also have other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, we review regularly the recoverable amount of trade receivable to ensure that adequate impairment losses are made for irrecoverable amounts. The exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks for which we consider to have low credit risk. We do not provide any guarantees which would expose us to credit risk.

Liquidity Risk

Our policy is to regularly monitor our liquidity requirements and our compliance with lending covenants, to ensure that we maintain sufficient reserves of cash to meet our liquidity requirements in the short and longer term.

Interest Rate Risk

Our interest rate risk arises primarily from interest-bearing bank loans. The majority of our interest-bearing financial instruments at fixed interest rates as of December 31, 2020, 2021 and 2022 and June 30, 2023 are bank loans and lease liabilities, and the change of interest rate does not expose us to significant interest risk.

Foreign Exchange Risk

We were not exposed to significant foreign exchange risk as of December 31, 2020, 2021 and 2022. As of June 30, 2023, our foreign exchange risk primarily arose from cash and cash equivalents denominated in Hong Kong dollars of approximately HK\$4.9 million associated with the grant of certain restricted shares.

FINANCIAL INFORMATION

DIVIDENDS

During the Track Record Period, our Company did not declare or pay any dividend. In 2021, Changjiu Jinfu, a wholly owned subsidiary of our Company, declared and paid dividends of RMB22.0 million to its then shareholders.

We do not have a specific dividend policy or a predetermined dividend payout ratio. The decision to pay dividends in the future will be made at the discretion of our Board and will be based on our profits, cash flows, financial condition, capital requirements and other conditions that our Board deems relevant. The payment of dividends may be limited by other legal restrictions and agreements that we may enter into in the future.

DISTRIBUTABLE RESERVES

As of June 30, 2023, our Company did not have any distributable reserves.

LISTING EXPENSES

Our listing expenses include underwriting commission, professional fees and other fees incurred in connection to the Listing and the Global Offering. Listing expenses to be borne by us are estimated to be RMB46.8 million (including underwriting commission and fees of approximately RMB16.8 million, and non-underwriting related expenses of approximately RMB30.0 million, which consist of accounting and legal fees and expenses of approximately RMB17.3 million and other fees and expenses of approximately RMB12.7 million, assuming an Offer Price of HK\$6.93 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$5.95 to HK\$7.90 per Offer Share), of which RMB17.7 million is expected to be accounted for as a deduction from equity upon the Listing. Listing expenses accounted for approximately 14.7% of our gross proceeds. During the Track Record Period, the listing expenses charged to profit or loss were RMB14.1 million (HK\$15.5 million). RMB15.0 million is expected to be charged to our consolidated statements of profit or loss for the remaining period ending December 31, 2023. The listing expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The unaudited pro forma statement of adjusted net tangible assets of our Group prepared in accordance with Rule 4.29 of the Listing Rules is to illustrate the effect of the Global Offering on the net tangible assets of our Group attributable to owners of our Company as of June 30, 2023 as if the Global Offering had taken place on that date.

The unaudited pro forma statement of adjusted net tangible assets of our Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not provide a true picture of the net tangible assets attributable to owners of our Company had the Global Offering been completed as of June 30, 2023 or at any future date. No adjustment has

FINANCIAL INFORMATION

been made to reflect any trading results or other transactions of our Group entered into subsequent to June 30, 2023. See Appendix II to this prospectus for the details about the unaudited pro forma statement of adjusted net tangible assets of our Group.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in our financial, trading position or prospects since June 30, 2023, being the latest date of our consolidated financial statements, up to the date of this prospectus.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, they were not aware of any circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS AND PROSPECTS

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

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK\$313.0 million from the Global Offering, after deducting the underwriting commissions and other estimated expenses payable by us in connection with the Global Offering, assuming an Offer Price of HK\$6.93 per Share (being the mid-point of the indicative Offer Price range set forth on the cover page of this prospectus). We intend to use such net proceeds from the Global Offering for the purposes and in the amounts set forth below:

Major Categories	% of Total Proceeds	Amount ⁽¹⁾	Sub-categories	% of Total Proceeds	Timeframe		
					2024	2025	2026
Improve our pledged vehicle monitoring services	35.0%	HK\$109.6 million	Upgrade and promote our hardware and equipment	25.0%	22.4%	29.9%	47.7%
			Increase the features of our software products	10.0%	32.5%	33.3%	34.2%
Develop an integrated supporting system for the automobile sales and distribution industry	30.0%	HK\$93.9 million	Recruit R&D staff	10.0%	25.0%	35.0%	40.0%
			Deepen our cooperation with third-party vendors and enhance our R&D capabilities	10.0%	30.0%	30.0%	40.0%
			Continue to improve our digital information infrastructure	10.0%	28.5%	32.0%	39.5%
Expand our automobile dealership operation management capacity	15.0%	HK\$47.0 million	Improve our automobile dealership operation management services	11.5%	24.5%	32.0%	43.5%
			Improve the quality of our automobile dealership operation management services	3.5%	24.3%	31.8%	43.9%
Expand our sales and marketing capacity	10.0%	HK\$31.3 million	Expand our ground marketing teams	5.8%	13.0%	35.8%	51.2%
			Expand our online marketing and promotion capacity	4.2%	30.5%	33.8%	35.7%
General business operations and working capital	10.0%	HK\$31.3 million	N/A	10.0%	N/A	N/A	N/A

Note:

(1) We plan to use these net proceeds over a term of three years from 2024 to 2026.

FUTURE PLANS AND USE OF PROCEEDS

Plans to Improve Our Pledged Vehicle Monitoring Services

Upgrade and Promote Our Hardware and Equipment

We plan to continuously upgrade our hardware products, such as our lockboxes and OBD devices, to improve efficiency and reduce human errors. We plan to upgrade our lockbox by improving its shape and volume, optimizing the methods to access the certificate and keys to increase efficiency, enhancing features with respect to anti-counterfeiting, authenticity identification and watermark recognition in order to increase products' security and protect against changing fraud and counterfeiting technologies, and adjusting the function composition on a single lockbox to contain a different combination of service features to meet customized needs from customers. We plan to update OBD devices by simplifying the device structure, improving the volume and weight of the device, and enlarging its vehicle identification range to tackle with a larger number of and more kinds of vehicle. We also plan to promote our upgraded hardware products among our customers across the country through enhanced marketing means by focusing high-end automobile brands and regions where the brands that we are working with are located and get timely feedback from customers to improve the quality of our pledged vehicle monitoring services, enhance customer experience and expand our market share.

Increase the Features of Our Software Products

We plan to continue to (i) upgrade the pledged vehicle monitoring functions and pool of preset commands in our VFS system by means of introducing monitoring modules for external vehicles to expand our service coverage, purchasing used-car assessment systems from used-car trading platforms and adopting classified pledged vehicle monitoring functions at different dealership levels in order to meet the evolving market condition and customers' need; and (ii) enhance the connectivity of our software and hardware devices, including our VFS system, Vehicle Connect system, RFIDs and OBDS, to optimize financial institutions' access to our system, streamline the monitoring process and improve operational efficiency by means of upgrading servers, expanding the storage space, increasing the uploading speed and recruiting approximately 16 experienced engineers by the end of 2026.

We believe there will be sufficient market demand for pledged vehicle monitoring services to accommodate our improvement plan. According to CIC, the total addressable market of pledged vehicle monitoring services for automobile dealerships and general automobile trading stores in China was approximately RMB6.1 billion in 2022. See "Industry Overview—Overview of China's Pledged Vehicle Monitoring Services Market" for further details. By upgrading hardware and software for pledged vehicle monitoring services, we can position ourselves to capitalize on the potential opportunities in the market, enhance our service offerings and meet the evolving needs of the industry, which could not be fully captured by the current forecast of the relevant market. For example, the upgrading of our lockboxes/OBD devices and improvement of our software modules could potentially lead to increases in our services fees and expansion to new user base, such as general automobile trading stores, for which secured financing is expected to become more widely available in the

FUTURE PLANS AND USE OF PROCEEDS

future as financial institutions begin to provide new secured financing products with lower credit support requirement targeting such customers. Both the potential increase in service fee and the potential new user base are not reflected by the estimated market size and could drive market expansion beyond the current expectation.

Plans to Develop an Integrated Supporting System for the Automobile Sales and Distribution Industry

Recruit R&D Staff

We plan to recruit approximately 63, 87 and 98 experienced researchers, programmers and engineers by the end of 2024, 2025 and 2026, respectively, who specialize in big data analytics, artificial intelligence and software development with competitive salaries. Through our R&D team, we plan to develop a series of supporting systems to analyze data relating to automobile brands and models to improve our data analysis capabilities to cope with our growing data volume, new business needs and diversified customer demands.

Deepen Our Cooperation with Third-party Vendors and Enhance Our R&D Capabilities

We plan to (i) cooperate with and procure data analytics from third-party data service providers to improve our capabilities of data acquisition and analysis; and (ii) acquire professional software and other products to improve the functions of our Smart Star system to further improve the operation management solutions we provide to automobile dealerships. We plan to select and screen third-party vendors based on our internal criteria, including but not limited to service quality, qualifications, track record and price. We plan to explore opportunities with software, hardware and/or technology service vendors for each cooperation matter and the expected timeframe of cooperation will be between 2024 to 2026 and the details of which will be determined based on the capabilities of the vendors and on a case-by-case basis.

Continue to Improve Our Digital Information Infrastructure

We plan to (i) continue to improve the capabilities of our supporting system by establishing an integrated financial information system with financial information, data and budget management and analysis capabilities; (ii) cooperate with third-party data service providers to improve our analysis capabilities by improving the capabilities of our customer relationship management, operation analysis, decision-making and smart data analysis; (iii) improve our data processing and computing capabilities by uploading and integrating automobile-related data to servers of multiple providers, building enhanced firewall, and plugging in vulnerability/viruses scanning and discovering features; and (iv) procure advanced project management system with performance management, automated testing and code optimization tools from software companies to improve the development efficiency of our supporting system.

FUTURE PLANS AND USE OF PROCEEDS

Considering that (i) the technology involved in the improvement of information infrastructure is well developed in the technology industry; (ii) the estimated potential costs for the proposed improvement are within the acceptable budget range; and (iii) our prior experience and accumulated resources in technology development, we believe that our plan to improve our digital information infrastructure is feasible.

Plans to Expand Our Automobile Dealership Operation Management Capacity

Improve Our Automobile Dealership Operation Management Services

We plan to (i) expand our business development team with approximately 7 additional staff members by the end of 2026 that will be primarily responsible for business outreach, business promotion, data collection and profit forecasting, research and evaluation of business opportunities and potential customers, commercial negotiations, contract signing, due diligence and budgeting to ensure effective customer acquisition; (ii) build an operation team with approximately 29 additional staff members by the end of 2026 that will be primarily responsible for consulting and counseling automobile dealerships with respect to performance and management improvement; and (iii) build a project support team with approximately 51 additional staff members by the end of 2026 that will be primarily responsible for monitoring the overall service quality of our automobile dealership operation management services and supporting the operation team. All of the aforementioned teams will be potentially based in Beijing.

Improve the Quality of Our Automobile Dealership Operation Management Services

We plan to provide our customers across the country with an upgraded automobile dealership operation management system, which can further and deeply integrate the financial and operational data on the system and concurrently solve business, financial and operation problems with more accuracy, to improve automobile dealerships' profitability and operational efficiency.

We believe there will be sufficient market demand for automobile dealership operation management services to accommodate our expansion plan. According to CIC, approximately 70% of the 30,000 automobile dealerships in China were operating at a loss or barely breaking-even in 2022, primarily due to operational or management deficiencies, such as a lack of mature business plan and training system and limited technology capabilities. These challenges present a growing demand for proficient management teams, with comprehensive operational experience and sophisticated business insight. According to CIC, the market size of such services is expected to reach RMB89.6 million in 2027. See "Industry Overview—Overview of China's Automobile Dealership Operation Management Services Market" for further details. Therefore, we believe the expansion plan for our automobile dealership operation management services, especially the hiring of additional staff members focused on the business development and operation of automobile dealerships will help create a solid foundation for our long-term business growth and we intend to deploy a total of approximately HK\$47.0 million on our plans to expand our automobile dealership operation management capacity over the three years ending December 31, 2024, 2025 and 2026.

FUTURE PLANS AND USE OF PROCEEDS

Plans to Expand Our Sales and Marketing Capacity

Expand Our Ground Marketing Teams

We plan to expand our ground marketing teams by recruiting approximately 76 staff members to provide on-site marketing services covering northern region, eastern region, southern region, western region and central region of China; business and product teams by recruiting approximately 10 staff members to provide user engagement services, user demand analysis and product research; and branding teams by recruiting approximately 35 staff members to offer content production, service promotion and new media services.

Expand our Online Marketing and Promotion Capacity

We aim to reach a wider group of customers through high-quality online marketing content, such as text advertising, videos and live broadcasts.

General Business Operations and Working Capital

We expect to have increasing needs for working capital as a result of our expected organic growth, service diversification and more automobile dealerships under management.

If the Offer Price is determined at HK\$7.90 per Offer Share, being the high end of the indicative Offer Price range stated in this prospectus, we will receive additional net proceeds of approximately HK\$47.4 million. If the Offer Price is fixed at HK\$5.95 per Offer Share, being the low end of the indicative Offer Price range stated in this prospectus, the net proceeds we receive will be reduced by approximately HK\$47.7 million. If the Offer Price is set above the mid-point of the indicative Offer Price range, we intend to apply the additional amounts to the purposes stated above in the same proportions. If the Offer Price is set below the mid-point of the indicative Offer Price range, we intend to reduce the allocation of the net proceeds to the purposes stated above on a pro rata basis.

To the extent that the net proceeds from the Global Offering are not immediately applied to the purposes stated above, and to the extent permitted by applicable laws and regulations, we intend to only place such proceeds in short-term interest-bearing accounts at licensed banks or authorized financial institutions (as defined under the Securities and Futures Ordinance or applicable laws in the relevant jurisdictions for non-Hong Kong based deposits). We will make a formal announcement in the event that there is any change in our use of net proceeds from the purposes stated above or in our allocation of the net proceeds in the proportions stated above.

UNDERWRITING

HONG KONG UNDERWRITERS

CLSA Limited
ICBC International Securities Limited
CEB International Capital Corporation Limited
BOCOM International Securities Limited
SPDB International Capital Limited
Patrons Securities Limited
CMB International Capital Limited
Zhongtai International Securities Limited
UOB Kay Hian (Hong Kong) Limited
Tiger Brokers (HK) Global Limited
Livermore Holdings Limited
Valuable Capital Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company has agreed to offer the Hong Kong Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of the Hong Kong Underwriting Agreement and this prospectus.

Subject to (a) the Stock Exchange granting the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Global Offering on the Main Board as mentioned in this prospectus (including any additional Shares which may be allotted and issued pursuant to the exercise of the Pre-IPO Share Options) and such approval not having been withdrawn; and (b) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed, severally but not jointly, to subscribe, or procure subscribers to subscribe, for the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering on the terms and subject to the conditions set out in this prospectus, and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, among other things, the International Underwriting Agreement having been executed and becoming unconditional and not having been terminated in accordance with its terms.

UNDERWRITING

Grounds for Termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination by written notice from the Joint Sponsors and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters), at any time prior to 8:00 a.m. on the Listing Date if:

- (1) there develops, occurs, exists or comes into force:
 - (a) any local, national, regional, or international event or circumstance in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of infectious disease (including contagious coronavirus (COVID-19), SARS, swine or avian flu, H5N1, H1N1, H7N9 or such related/mutated forms, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism (whether or not responsibility has been claimed) in or affecting the Cayman Islands, Hong Kong, the PRC, the United States, the United Kingdom, the European Union as a whole or any other jurisdiction relevant to any member of our Group or the Global Offering (collectively, the “**Relevant Jurisdictions**” and each, a “**Relevant Jurisdiction**”); or
 - (b) any change, or any development involving a prospective change or development in (whether or not permanent), or any event or series of events resulting or likely to result in any change or development, or a prospective change or development, in any local, national, regional or international financial, political, military, industrial, fiscal, economic, regulatory, currency, credit, or market conditions, or any monetary or trading settlement system or other financial markets (including, but not limited to, a change in the conditions in stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets or a change in the system under which the value of the Hong Kong dollar is linked to the U.S. dollar or Renminbi is linked to any foreign currency or currencies) in or affecting any of the Relevant Jurisdictions; or
 - (c) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the New York Stock Exchange or the NASDAQ Global Market; or

UNDERWRITING

- (d) any general moratorium on commercial banking activities in or affecting Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent Authority (as defined in the Hong Kong Underwriting Agreement)), New York (imposed at the U.S. Federal or New York State level or by other competent Authority (as defined in the Hong Kong Underwriting Agreement)), London or any other Relevant Jurisdictions (declared by the relevant Authorities), or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in or affecting any of the Relevant Jurisdictions; or
- (e) any new Laws (as defined in the Hong Kong Underwriting Agreement), or any change or any development involving a prospective change in existing Laws, or in the interpretation or application by any competent Authorities, in each case, in or affecting any Relevant Jurisdiction; or
- (f) any imposition of economic sanctions, in whatever form, directly and indirectly, by, or for, any Relevant Jurisdictions; or
- (g) any (i) change or prospective change in exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the U.S. dollar, Euro, Hong Kong dollar or the Renminbi against any foreign currencies), or (ii) any change or prospective change in Taxation (as defined in the Hong Kong Underwriting Agreement) in any of the Relevant Jurisdictions adversely affecting an investment in the Shares; or
- (h) any litigation or claim being threatened or instigated against any member of our Group or any Director; or
- (i) an Authority in any Relevant Jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any member of our Group or any Director; or
- (j) any Director or senior management member of our Company as named in this prospectus being charged with or found guilty of an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company or taking directorship of a company; or
- (k) any Director or chief executive officer of our Company vacating his or her office; or
- (l) save as disclosed in this prospectus, any contravention by any member of our Group or any Director of any applicable Laws (including, without limitation, the Listing Rules or the Companies (Winding Up and Miscellaneous Provisions) Ordinance); or

UNDERWRITING

- (m) any change or development involving a prospective change which has the effect of materialization of, any of the risks set out in the section headed “Risk Factors” in this prospectus; or
- (n) non-compliance of this prospectus, the CSRC Filings (as defined in the Hong Kong Underwriting Agreement) (or any other documents used in connection with the contemplated subscription and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules, the CSRC Rules (as defined in the Hong Kong Underwriting Agreement) or any other applicable Laws; or
- (o) any breach or any event or circumstance rendering untrue, misleading or incorrect in any respect, any of the Warranties (as defined in the Hong Kong Underwriting Agreement); or
- (p) the issue or requirement to issue by our Company of any supplement or amendment to this prospectus, (or to any other documents in connection with the contemplated offer, subscription and sale of the Offer Shares) pursuant to the Companies Ordinance and the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange, the SFC and/or the CSRC, unless such supplemental or amendment has been issued with the prior written consent of the Joint Sponsors and the Overall Coordinators; or
- (q) an order or a petition is presented for the winding up or liquidation of any member of our Group or any member of our Group makes any composition, compromise or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or
- (r) a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity,

which, individually or in the aggregate, in the sole and absolute opinion of the Joint Sponsors and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters),

- (A) has or will have or is likely to have a material adverse effect or change, or any development involving a prospective material adverse effect or change, in or affecting the assets, liabilities, business, general affairs, management, prospects, shareholders’ equity, revenue, profits, losses, results of operations, position or condition, financial or otherwise, or performance of our Group, taken as a whole (the “**Material Adverse Effect**”); or

UNDERWRITING

- (B) has or will have or is likely to have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or
 - (C) makes or will make or is likely to make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to be performed or implemented as envisaged or to market the Global Offering, or to deliver the Offer Shares on the terms and in the manner contemplated by this prospectus, the formal notice, the preliminary offering circular or the final offering circular; or
 - (D) has or will have or is likely to have the effect of (i) making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or (ii) preventing processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or
- (2) there has come to the notice of the Joint Sponsors and the Overall Coordinators as at or after the date of the Hong Kong Underwriting Agreements:
- (a) that any statement contained in any of the Offering Documents (as defined in the Hong Kong Underwriting Agreement) and/or in any public notices, announcements, advertisements, communications or other documents issued or used by our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto, but excluding information in relation to the Underwriters, consisting only of the name, logo, address and qualification of each of the Joint Sponsors, the Sponsor-overall Coordinator, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries) (collectively, the “**Offer Related Documents**”) was, when it was issued, or has become, untrue, incorrect, inaccurate, incomplete or misleading or deceptive in any respect, or that any forecast, estimate, expression of opinion, intention or expectation expressed or contained in any of the Offer Related Documents is not fair and honest, not made on reasonable grounds or, where appropriate, not based on reasonable assumptions with reference to the facts and circumstances then subsisting, when taken as a whole; or
 - (b) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, not have been disclosed in the Offering Documents, constitute a material omission therefrom; or

UNDERWRITING

- (c) a prohibition by a relevant Authority on our Company for whatever reason from allotting or issuing the Shares (including the Shares which may be allotted and issued pursuant to the exercise of the Pre-IPO Share Options) pursuant to the terms of the Global Offering; or
- (d) that any material breach of the obligations or undertakings imposed upon any party to, the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, the Joint Sponsors, Hong Kong Underwriters or the International Underwriters); or
- (e) any event, act or omission which gives rise to or is likely to give rise to any material liability of the Indemnifying Parties (as defined in the Hong Kong Underwriting Agreement) under the Hong Kong Underwriting Agreement; or
- (f) that there is any Material Adverse Effect; or
- (g) that the Admission (as defined in the Hong Kong Underwriting Agreement) is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the Admission is subsequently withdrawn, cancelled, qualified (other than by customary conditions), revoked or withheld; or
- (h) that our Company withdraws any of the Hong Kong Public Offering Document (as defined in the Hong Kong Underwriting Agreement) or the Global Offering; or
- (i) any of the experts specified in this prospectus (other than any of the Joint Sponsors) has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or
- (j) a material portion of the orders placed in the book-building process have been withdrawn, terminated or cancelled,

then the Joint Sponsors and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters), shall be entitled, in their sole and absolute discretion, by giving a written notice to our Company and our Controlling Shareholders, to terminate the Hong Kong Underwriting Agreement with immediate effect if prior to 8:00 a.m. on the Listing Date.

UNDERWRITING

Undertakings to the Stock Exchange Pursuant to the Listing Rules

(A) Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange, that within six months from the Listing Date no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) shall be issued by our Company or form the subject of any agreement to such issue (whether or not such issue of Shares or securities of our Company will be completed within six months from the Listing Date), except pursuant to the Global Offering, the Pre-IPO Share Options or under any of the circumstances provided under Rule 10.08 of the Listing Rules.

(B) Undertakings by our Controlling Shareholders

By virtue of Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and to our Company that, except pursuant to the Global Offering and the Pre-IPO Share Options, it will not and will procure that the relevant registered holder(s) (if any) of our Shares in which any of them has a beneficial interest will not, without the prior written consent of the Stock Exchange or unless otherwise in compliance with the requirements of the Listing Rules:

- (i) in the period commencing from the date by reference to which disclosure of its shareholdings in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, either directly or indirectly, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which they are shown to be the beneficial owner in this prospectus (the “**Relevant Shares**”); and
- (ii) in the period of six months commencing on the date on which the period referred to in paragraph (i) above expires, either directly or indirectly, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Relevant Shares to such extent that, immediately following such disposal, or upon the exercise or enforcement of such options, rights, interests or encumbrances, it will cease to be a controlling shareholder (as defined in the Listing Rules) of our Company or a member of a group of our Controlling Shareholders or would together with the other Controlling Shareholders cease to be a controlling shareholder (as defined in the Listing Rules).

UNDERWRITING

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and to our Company that within the period commencing from the date by reference to which disclosure of their shareholdings in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, it will:

- (i) when it pledges or charges any Relevant Shares in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company in writing of such pledge or charge together with the number of Shares so pledged or charged; and
- (ii) when it receives indications, either verbal or written, from the pledgee or chargee of any Shares that any of the pledge or charged Relevant Shares will be disposed of, immediately inform our Company in writing of such indications.

Our Company will inform the Stock Exchange in writing as soon as we have been informed of matters referred in above by any of our Controlling Shareholders and disclose such matters by way of announcement pursuant to the requirements under the Listing Rules as soon as possible.

Undertakings pursuant to the Hong Kong Underwriting Agreement

(A) Undertakings by our Company

Our Company has undertaken to each of the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries, that except for the offer, allotment, issue and sale of the Offer Shares pursuant to the Global Offering and the issue of shares under the Pre-IPO Share Options, at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling six months after the Listing Date (the “**First Six-Month Period**”), our Company will not, without the prior written consent of the Joint Sponsors and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (i) offer, allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an Encumbrance (as defined in the Hong Kong Underwriting Agreement) over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other equity securities of our Company, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants

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or other rights to purchase, any Shares or other equity securities of our Company or deposit any Shares or other equity securities of our Company with a depository in connection with the issue of depository receipts; or

- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership (legal or beneficial) of any Shares or other equity securities of our Company as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other equity securities of our Company); or
- (iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above; or
- (iv) offer to or agree to or announce any intention to enter into any transaction specified in (i), (ii) or (iii) above,

in each case, whether any of the transactions specified in (i), (ii) or (iii) above is to be settled by delivery of Shares or other equity securities of our Company, or in cash or otherwise (whether or not the issue of such Shares or other equity securities of our Company will be completed within the First Six-month Period).

Our Company further agrees that, in the event our Company is allowed to enter into any of the transactions specified in (i), (ii) or (iii) above or offers to or agrees to or announces any intention to enter into any such transaction during the period of six months commencing on the date on which the First Six-Month Period expires (the “**Second Six-Month Period**”), our Company shall take all reasonable steps to ensure that it will not, and no other act of our Company will, create a disorderly or false market in the securities of the Company.

(B) Undertakings by our Controlling Shareholders

Each of our Controlling Shareholders has jointly and severally agreed and undertaken to each of the Company, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries that, except as pursuant to the Global Offering and save for any pledge or charge to authorized institutions (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, to the extent permitted by applicable Laws, without the prior written consent of the Joint Sponsors and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (i) it/he/she will not, at any time during the First Six-Month Period, (a) sell, offer to sell, contract or agree to sell, assign, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any

UNDERWRITING

option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any such other securities of our Company, as applicable), or deposit any Shares or other securities of our Company with a depositary in connection with the issue of depositary receipts, or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any such other securities of our Company, as applicable), or (c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above, or (d) offer to or contract to or agree to or announce any intention to enter into any transaction specified in (a), (b) or (c) above, in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or other securities of our Company or in cash or otherwise (whether or not the settlement or delivery of such Shares or other securities will be completed within the First Six-Month Period); and

- (ii) until the expiry of the Second Six-Month Period, it/he/she will not enter into any of the transactions specified in (a), (b) or (c) above or offer to or agree to or announce any intention to enter into any such transaction, if, immediately following such transaction, it/he/she will cease, to be a “Controlling Shareholder” (as defined in the Listing Rules) of our Company. In the event that it/he/she enters into any of the transactions specified in (a), (b) or (c) above or offers to or agrees to or announces any intention to enter into any such transaction after the expiry of the Second Six-Month Period, it/he/she will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company,

provided that nothing in the undertakings above shall prevent our Controlling Shareholders from purchasing additional Shares or other securities of our Company and disposing of such additional Shares or other securities of our Company.

Indemnity

We and our Controlling Shareholders have agreed to indemnify, among others, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries for certain losses which they may suffer, including, among others, losses arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by our Company and our Controlling Shareholders of the Hong Kong Underwriting Agreement.

UNDERWRITING

The International Offering

International Underwriting Agreement

In connection with the International Offering, it is expected that our Company and our Controlling Shareholders will enter into the International Underwriting Agreement with the Joint Sponsors, the Overall Coordinators and the International Underwriters. Under the International Underwriting Agreement, subject to the conditions set forth therein, the International Underwriters would severally and not jointly agree to purchase, or procure purchasers to purchase, the Offer Shares being offered pursuant to the International Offering (subject to, among others, any reallocation between the International Offering and the Hong Kong Public Offering). It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors are reminded that in the event that the International Underwriting Agreement is not entered into, or is terminated, the Global Offering will not proceed.

It is expected that each of our Controlling Shareholders will undertake to the International Underwriters not to dispose of, or enter into any agreement to dispose of, or otherwise create any options, rights, interest or encumbrances in respect of any of the Shares held by it in our Company for a period similar to such undertakings given by them pursuant to the Hong Kong Underwriting Agreement, which is described in “—Underwriting Arrangements and Expenses—Undertakings pursuant to the Hong Kong Underwriting Agreement—(B) Undertakings by our Controlling Shareholders” above.

Commission and Expenses

Our Company will pay an underwriting commission of 2.5% of the aggregate Offer Price of all the Offer Shares (the “**Fixed Fees**”). Our Company may also in our sole and absolute discretion pay any one or all of the Underwriters an additional incentive fee in aggregate of up to 1.0% of the aggregate Offer Price for all of the Offer Shares (the “**Discretionary Fees**”). The ratio of Fixed Fees and Discretionary Fees payable is therefore approximately 71.4%:28.6% (on the basis that the Discretionary Fees will be fully paid). For any unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the relevant International Underwriters and not the Hong Kong Underwriters.

The aggregate commissions and fees, together with Stock Exchange listing fees, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565%, AFRC transaction levy of 0.00015%, legal and other professional fees and printing and all other expenses payable by us relating to the Global Offering are currently estimated to amount in aggregate to approximately HK\$51.4 million (assuming an Offer Price of HK\$6.93 per Offer Share, being the mid-point of the indicative Offering Price range stated in this prospectus).

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INDEPENDENCE OF THE JOINT SPONSORS

As members of the sponsor group (as defined in the Listing Rules) of CITIC Securities (Hong Kong) Limited have current business relationships with the Group, CITIC Securities (Hong Kong) Limited does not satisfy the independence criteria applicable to sponsor set out in Rule 3A.07 of the Listing Rules.

ICBC International Capital Limited satisfies the independence criteria applicable to sponsor set out in Rule 3A.07 of the Listing Rules.

UNDERWRITERS' INTERESTS IN OUR COMPANY

Save for the obligations under the Hong Kong Underwriting Agreement and the International Underwriting Agreement and as disclosed in this prospectus, as at the Latest Practicable Date, none of the Underwriters has any shareholding or beneficial interests in any member of our Group nor has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any member of our Group nor any interest in the Global Offering.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the “**Syndicate Members**”) and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments our Company and/or persons and entities with relationships with our Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with our Group’s loans and other debt.

UNDERWRITING

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

Such activities may affect the market price or value of our Shares, the liquidity or trading volume in our Shares and the volatility of the price of our Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- (a) the Syndicate Members must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to our Company and our affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

- (a) the Hong Kong Public Offering of initially 5,054,000 Offer Shares (subject to reallocation) in Hong Kong, as described in “—The Hong Kong Public Offering” below; and
- (b) the International Offering of initially 45,486,000 Offer Shares (subject to reallocation) outside the United States in offshore transactions in reliance on Regulation S, as described in “—The International Offering” below.

The 50,540,000 Offer Shares initially being offered in the Global Offering will represent 25% of the total number of issued Shares immediately after completion of the Global Offering, without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Pre-IPO Share Options. The underwriting arrangements, and the respective Underwriting Agreements, are summarized in “Underwriting” in this prospectus.

Investors may apply for Hong Kong Offer Shares under the Hong Kong Public Offering, or, if qualified to do so, apply for or indicate an interest in International Offer Shares under the International Offering, but may not do both.

References in this prospectus to applications, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of Shares Initially Offered

We are initially offering 5,054,000 Hong Kong Offer Shares, representing 10% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price for subscription by the public in Hong Kong. Subject to the reallocation of Shares between (i) the International Offering, and (ii) the Hong Kong Public Offering, the Hong Kong Offer Shares will represent 10% of the total number of Offer Shares initially available under the Global Offering.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers and companies (including fund managers) whose ordinary business involves dealing in shares and other securities, and corporate entities which regularly invest in shares and other securities.

STRUCTURE OF THE GLOBAL OFFERING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a several basis under the terms of the Hong Kong Underwriting Agreement and is subject to our Company and the Overall Coordinators (for themselves and on behalf of the Underwriters) agreeing on the Offer Price. Completion of the Hong Kong Public Offering is subject to the conditions as set out in “—Conditions of the Global Offering” below.

Allocation

Allocation of the Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of the Offer Shares initially available under the Hong Kong Public Offering (after taking account of any reallocation in the number of Offer Shares allocated between the Hong Kong Public Offering and the International Offering referred to below) will be divided equally into two pools (with any odd lots being allocated to pool A): pool A and pool B. Pool A will comprise 2,527,000 Hong Kong Offer Shares and pool B will comprise 2,527,000 Hong Kong Offer Shares initially. Both of which are available on an equitable basis to successful applicants. All valid applications that have applied for Hong Kong Offer Shares with a total price (excluding brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015% payable) of HK\$5 million or below will fall into pool A. All valid applications that have applied for Hong Kong Offer Shares with a total price (excluding brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015% payable) of over HK\$5 million and up to the total value of pool B will fall into pool B.

For the purpose of this sub-section only, the “price” for Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined).

Applicants should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If Hong Kong Offer Shares in one (but not both) of the two pools are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly.

Applicants can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B, but not from both pools. Multiple or suspected multiple applications and any application for more than 2,527,000 Hong Kong Offer Shares (being 50% of the 5,054,000 Offer Shares initially available under the Hong Kong Public Offering) will be rejected.

STRUCTURE OF THE GLOBAL OFFERING

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation on the following basis:

- (a) where the International Offer Shares are fully subscribed or oversubscribed and:
 - (i) if the Hong Kong Offer Shares are undersubscribed, the Overall Coordinators (for themselves and on behalf of the Underwriters) have the authority (but not the obligation) in their sole and absolute discretion to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Overall Coordinators deem appropriate to satisfy demand under the International Offering;
 - (ii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents less than 15 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then up to 5,054,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering in accordance with Chapter 4.14 of the Guide for New Listing Applicants issued by the Stock Exchange, so that the number of the Offer Shares available under the Hong Kong Public Offering will be increased to 10,108,000 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Global Offering;
 - (iii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then 10,108,000 Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 15,162,000 Offer Shares, representing 30% of the number of the Offer Shares initially available under the Global Offering;
 - (iv) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then 15,162,000 Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the number of the Offer Shares available under the Hong Kong Public Offering will be increased to 20,216,000 Offer Shares, representing 40% of the number of the Offer Shares initially available under the Global Offering; and
 - (v) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then

STRUCTURE OF THE GLOBAL OFFERING

20,216,000 Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the number of the Offer Shares available under the Hong Kong Public Offering will be increased to 25,270,000 Offer Shares, representing 50% of the number of the Offer Shares initially available under the Global Offering.

- (b) where the International Offer Shares are undersubscribed and:
 - (i) if the Hong Kong Offer Shares are undersubscribed, the Global Offering will not proceed unless fully underwritten by the Underwriters; and
 - (ii) if the Hong Kong Offer Shares are oversubscribed, irrespective of the number of times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then up to 5,054,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 10,108,000 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Global Offering.

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the sole and absolute discretion of the Overall Coordinators. If either the Hong Kong Public Offering or the International Offering is not fully subscribed for, the Overall Coordinators have the authority (but not the obligation) in their sole and absolute discretion to reallocate all or any unsubscribed Offer Shares from such offering to the other, in such proportion as the Overall Coordinators deem appropriate.

In addition, to any mandatory reallocation required as described above, the Overall Coordinators (for themselves and on behalf of the Underwriters) may reallocate the Offer Shares from the International Offering to the Hong Kong Public Offering. In accordance with Chapter 4.14 of the Guide for New Listing Applicants issued by the Stock Exchange, if such reallocation is done other than pursuant to Practice Note 18 of the Listing Rules, (i) the maximum total number of Offer Shares that may be reallocated to the Hong Kong Public Offering following such reallocation shall be not more than double the initial allocation to the Hong Kong Public Offering (i.e. 10,108,000 Offer Shares), and (ii) the final Offer Price shall be fixed at HK\$5.95 per Offer Share, the low-end of the Offer Price range stated in this prospectus.

In the event of a reallocation of the Offer Shares from the International Offering to the Hong Kong Public Offering in the circumstances under paragraphs (a)(ii), (a)(iii), (a)(iv) or (b)(ii) above, the number of Offer Shares allocated to the International Offering will be correspondingly reduced.

STRUCTURE OF THE GLOBAL OFFERING

Applications

The Overall Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered Shares under the International Offering, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Overall Coordinators so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Shares under the Hong Kong Public Offering.

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it and any person(s) for whose benefit he/she/it is making the application has not applied for or taken up, or indicated an interest in, and will not apply for or take up, or indicate an interest in, any International Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated International Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering may be required to pay, on application (subject to application channels), the maximum price of HK\$7.90 per Offer Share in addition to the brokerage, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy payable on each Offer Share. If the Offer Price, as finally determined in the manner described in “—Pricing and Allocation” below, is less than the maximum price of HK\$7.90 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in “How to Apply for Hong Kong Offer Shares.”

References in this prospectus to applications, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

Number of Offer Shares Offered

Subject to the reallocation as described above, the number of Offer Shares to be initially offered under the International Offering will be 45,486,000, representing 90% of the total number of Offer Shares initially available under the Global Offering. The International Offering is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement, and is subject to the Hong Kong Public Offering becoming unconditional.

STRUCTURE OF THE GLOBAL OFFERING

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in offshore transactions in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. The International Offering is subject to the Hong Kong Public Offering being unconditional.

Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the “book-building” process described in “—Pricing and Allocation” below and based on a number of factors, including the level and timing of demand, total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely hold or sell, Shares, after the Listing. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and our Shareholders as a whole.

The Overall Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Overall Coordinators (for themselves and on behalf of the Underwriters) so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any application of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued pursuant to the International Offering may change as a result of the reallocation arrangement described in “—The Hong Kong Public Offering—Reallocation” above and any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

PRICING AND ALLOCATION

Determining the Offer Price

The International Underwriters will be soliciting from prospective investors’ indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building,” is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

STRUCTURE OF THE GLOBAL OFFERING

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or about Friday, January 5, 2024 and in any event, no later than 12:00 noon on Friday, January 5, 2024, by agreement between the Overall Coordinators (for themselves and on behalf of the Underwriters) and our Company and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

Offer Price Range

The Offer Price per Offer Share under the Hong Kong Public Offering will be identical to the Offer Price per Offer Share under the International Offering based on the Hong Kong dollar price per Offer Share, as determined by the Overall Coordinators (for themselves and on behalf of the Underwriters) and our Company.

The Offer Price will not be more than HK\$7.90 per Offer Share and is expected to be not less than HK\$5.95 per Offer Share, unless otherwise announced by our Company no later than the morning of the last day for lodging applications under the Hong Kong Public Offering, which is Thursday, January 4, 2024 as further explained below. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.**

If, for any reason, our Company and the Overall Coordinators (for themselves and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before 12:00 noon on Friday, January 5, 2024, the Global Offering will not proceed and will lapse.

Reduction in Indicative Offer Price Range and/or Number of Offer Shares

The Overall Coordinators (for themselves and on behalf of the other Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares and/or the indicative Offer Price range as stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause to be announced on the website of our Company at www.99digitech.com and the website of the Stock Exchange at www.hkexnews.hk, notices of the reduction, and the cancellation of the Global Offering and relaunch of the offer at the revised number of Offer Shares and/or the revised Offer Price.

STRUCTURE OF THE GLOBAL OFFERING

As soon as practicable after such reduction of the number of Offer Shares and/or the Offer Price, we will also issue a supplemental prospectus or a new prospectus updating investors of the change in the number of Offer Shares being offered under the Global Offering and/or the Offer Price, and giving investors at least three business days to consider the new information. The supplemental or new prospectus should include at least the following: updated (i) Offer Price and market capitalization; (ii) listing timetable and underwriting obligations; (iii) price/earning multiple, unaudited pro forma and adjusted net tangible assets; and (iv) use of proceeds and working capital adequacy confirmation based on the revised proceeds.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering, which is Thursday, January 4, 2024. In the absence of any such supplemental or new prospectus so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Overall Coordinators (for themselves and on behalf of the Underwriters) and our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

If there is any change to the offer size due to change in the number of Offer Shares offered in the Global Offering (other than pursuant to the reallocation mechanism as disclosed in this prospectus), or change to the Offer Price which leads to the resulting price falling outside the indicative Offer Price range as stated in this prospectus, or if the Company becomes aware that there has been a significant change affecting any matter contained in this prospectus or a significant new matter has arisen, the inclusion of information in respect of which would have been required to be in this prospectus if it had arisen before this prospectus was issued, after the issue of this prospectus and before the commencement of dealings in our Offer Shares as prescribed under Rule 11.13 of the Listing Rules, our Company is required to cancel the Global Offering and issue a supplemental prospectus or a new prospectus and subsequently relaunched on FINI pursuant to the supplemental prospectus.

In the event of a reduction in the number of Offer Shares, the Overall Coordinators (for themselves and on behalf of the Underwriters) may, at its discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering. The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Overall Coordinators (for themselves and on behalf of the Underwriters).

Announcement of Offer Price and Basis of Allocations

The final Offer Price, the level of indications of interest in the International Offering, the results of applications in the Hong Kong Public Offering, the basis of allocations of the Hong Kong Offer Shares and the results of allocations are expected to be announced on Monday, January 8, 2024 on the website of our Company at www.99digtech.com and the website of the Stock Exchange at www.hkexnews.hk.

STRUCTURE OF THE GLOBAL OFFERING

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to our Company and the Overall Coordinators (for themselves and on behalf of the Underwriters) agreeing on the Offer Price.

We expect to enter into the International Underwriting Agreement relating to the International Offering on or around the Price Determination Date.

These underwriting arrangements under the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarized in “Underwriting” in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptances of all applications for Offer Shares pursuant to the Global Offering will be conditional on, among others:

- (a) the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares in issue and the Shares to be issued pursuant to the (i) Global Offering, and (ii) the exercise of the Pre-IPO Share Options, and such approval not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- (b) the Offer Price having been duly agreed between our Company and the Overall Coordinators (for themselves and on behalf of the Underwriters) on the Price Determination Date;
- (c) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and
- (d) the obligations of the Underwriters under the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times).

If, for any reason, the Offer Price is not agreed between our Company and the Overall Coordinators (for themselves and on behalf of the Underwriters) by 12:00 noon on Friday, January 5, 2024, the Global Offering will not proceed and will lapse immediately.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with their respective terms.

STRUCTURE OF THE GLOBAL OFFERING

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company on the website of the Stock Exchange at www.hkexnews.hk and the website of our Company at www.99digtech.com on the next Business Day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in “How to Apply for Hong Kong Offer Shares—D. Dispatch/Collection of Share Certificates and Refund of Application Monies.” In the meantime, all application monies will be held in separate bank account(s) with the receiving bankers or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates will only become valid evidence of title at 8:00 a.m. on the Listing Date provided that (i) the Global Offering has become unconditional in all respects, and (ii) the right of termination as described in “Underwriting—Underwriting Arrangements and Expenses – Hong Kong Public Offering—Grounds for Termination” has not been exercised.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued by us pursuant to the Global Offering (including the Shares which may be allotted and issued pursuant to the exercise of the Pre-IPO Share Options).

No part of our Company’s share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to deal is being or proposed to be sought in the near future.

SHARES WILL BE ELIGIBLE FOR CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange (as defined in the Listing Rules) is required to take place in CCASS on the second settlement day after any trading day. All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisors for details of the settlement arrangements as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling our Shares to be admitted into CCASS.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Tuesday, January 9, 2024, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Tuesday, January 9, 2024. The Shares will be traded in board lots of 500 Shares. The stock code of the Shares will be 6959.

HOW TO APPLY FOR HONG KONG OFFER SHARES

IMPORTANT NOTICE TO INVESTORS OF HONG KONG OFFER SHARES

FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering and below are the procedures for application.

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk under the “HKEXnews > New Listings > New Listing Information” section, and our website at www.99digtech.com.

The contents of this prospectus are identical to the prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

A. APPLICATION FOR HONG KONG OFFER SHARES

1. Who Can Apply

You can apply for Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying for:

- are 18 years of age or older; and
- have a Hong Kong address (*for the **HK eIPO White Form** service only*).

Unless permitted by the Listing Rules or a waiver and/or consent has been granted by the Stock Exchange to us, you cannot apply for any Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying for:

- are an existing Shareholder or its close associates; or
- are a Director or any of his/her close associates.

HOW TO APPLY FOR HONG KONG OFFER SHARES

2. Application Channels

The Hong Kong Public Offering period will begin at 9:00 a.m. on Friday, December 29, 2023 and end at 12:00 noon on Thursday, January 4, 2024 (Hong Kong time).

To apply for Hong Kong Offer Shares, you may use one of the following application channels:

Application Channel	Platform	Target Investors	Application Time
HK eIPO White Form service	Online application via the HK eIPO White Form service in the IPO App (which can be downloaded by searching “ IPO App ” in App Store or Google Play or download at www.hkeipo.hk/IPOApp or www.tricorglobal.com/IPOApp) or at the designated website at www.hkeipo.hk .	Investors who would like to receive a physical Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in your own name.	From 9:00 a.m. on Friday, December 29, 2023 to 11:30 a.m. on Thursday, January 4, 2024, Hong Kong time. The latest time for completing full payment of application monies will be 12:00 noon on Thursday, January 4, 2024, Hong Kong time.
HKSCC EIPO channel	Your broker or custodian who is a HKSCC Participant will submit a HKSCC EIPO application on your behalf through HKSCC’s FINI system in accordance with your instruction.	Investors who would <u>not</u> like to receive a physical Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in the name of HKSCC Nominees, deposited directly into CCASS and credited to your designated HKSCC Participant’s stock account.	Contact your broker or custodian for the earliest and latest time for giving such instructions, as this may vary by broker or custodian .

HOW TO APPLY FOR HONG KONG OFFER SHARES

The **HK eIPO White Form** service and the HKSCC EIPO channel are facilities subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day of the application period to apply for Hong Kong Offer Shares.

For those applying through the **HK eIPO White Form** service, once you complete payment in respect of any application instructions given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. If you are a person for whose benefit the **electronic application instructions** are given, you shall be deemed to have declared that only one set of **electronic application instructions** has been given for your benefit. If you are an agent for another person, you shall be deemed to have declared that you have only given one set of **electronic application instructions** for the benefit of the person for whom you are an agent and that you are duly authorized to give those instructions as an agent.

For the avoidance of doubt, giving an application instruction under the **HK eIPO White Form** service more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you apply through the **HK eIPO White Form** service, you are deemed to have authorized the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

By instructing your **broker** or **custodian** to apply for the Hong Kong Offer Shares on your behalf through the HKSCC EIPO Channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to apply for Hong Kong Offer Shares on your behalf and to do on your behalf all the things stated in this prospectus and any supplement to it.

For those applying through HKSCC EIPO channel, an actual application will be deemed to have been made for any application instructions given by you or for your benefit to HKSCC (in which case an application will be made by HKSCC Nominees on your behalf) provided such application instruction has not been withdrawn or otherwise invalidated before the closing time of the Hong Kong Public Offering.

HKSCC Nominees will only be acting as a nominee for you and neither HKSCC nor HKSCC Nominees shall be liable to you or any other person in respect of any actions taken by HKSCC or HKSCC Nominees on your behalf to apply for Hong Kong Offer Shares or for any breach of the terms and conditions of this prospectus.

HOW TO APPLY FOR HONG KONG OFFER SHARES

3. Information Required to Apply

You must provide the following information with your application:

For Individual Applicants

- Full name(s)² as shown on your identity document
- Identity document's issuing country or jurisdiction
- Identity document type, with order of priority:
 - i. HKID card; or
 - ii. National identification document; or
 - iii. Passport; and
- Identity document number

For Corporate Applicants

- Full name(s)² as shown on your identity document
- Identity document's issuing country or jurisdiction
- Identity document type, with order of priority:
 - i. LEI registration document; or
 - ii. Certificate of incorporation; or
 - iii. Business registration certificate; or
 - iv. Other equivalent document; and
- Identity document number

Notes:

1. If you are applying through the **HK eIPO White Form** service, you are required to provide a valid e-mail address, a contact telephone number and a Hong Kong address. You are also required to declare that the identity information provided by you follows the requirements as described in Note 2 below. In particular, where you cannot provide a HKID number, you must confirm that you do not hold a HKID card. The number of joint applicants may not exceed four. If you are a firm, the applicant must be in the individual members' names.
2. The applicant's full name as shown on their identity document must be used. If an applicant's identity document contains both an English and Chinese name, both English and Chinese names must be used. Otherwise, either English or Chinese names will be accepted. The order of priority of the applicant's identity document type must be strictly followed and where an individual applicant has a valid HKID card, the HKID number must be used when making an application to subscribe for shares in a public offer. Similarly for corporate applicants, a LEI number must be used if an entity has a LEI certificate.
3. If the applicant is a trustee, the client identification data ("CID") of the trustee, as set out above, will be required. If the applicant is an investment fund (i.e. a collective investment scheme, or CIS), the CID of the asset management company or the individual fund, as appropriate, which has opened a trading account with the **broker** will be required, as above.
4. The maximum number of joint account holders on FINI is capped at four⁽¹⁾ in accordance with market practice.
5. If you are applying as a nominee, you must provide: (i) the full name (as shown on the identity document), the identity document's issuing country or jurisdiction, the identity document type; and (ii), the identity document number, for each of the beneficial owners or, in the case(s) of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.
6. If you are applying as an unlisted company and (i) the principal business of that company is dealing in securities; and (ii) you exercise statutory control over that company, then the application will be treated as being for your benefit and you should provide the required information in your application as stated above.

(1) Subject to change, if the Company's Articles of Incorporation and applicable company law prescribe a lower cap.

HOW TO APPLY FOR HONG KONG OFFER SHARES

“Unlisted company” means a company with no equity securities listed on the Stock Exchange or any other stock exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

For those applying through HKSCC EIPO channel, and making an application under a power of attorney, we and the Overall Coordinators, as our agents, have discretion to consider whether to accept it on any conditions we think fit, including evidence of the attorney’s authority.

Failing to provide any required information may result in your application being rejected.

4. Permitted Number of Hong Kong Offer Shares for Application

Board lot size : 500 Shares

Permitted number of Hong Kong Offer Shares for application and amount payable on application/successful allotment : Hong Kong Offer Shares are available for application in specified board lot sizes only. Please refer to the amount payable associated with each specified board lot size in the table below.

The maximum Offer Price is HK\$7.90 per Share.

If you are applying through the HKSCC EIPO channel, you are required to pre-fund your application based on the amount specified by your **broker** or **custodian**, as determined based on the applicable laws and regulations in Hong Kong.

By instructing your **broker** or **custodian** to apply for the Hong Kong Offer Shares on your behalf through the HKSCC EIPO Channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to arrange payment of the final Offer Price, brokerage, SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy by debiting the relevant nominee bank account at the designated bank for your **broker** or **custodian**.

If you are applying through the **HK eIPO White Form** service, you may refer to the table below for the amount payable for the number of Shares you have selected. You must pay the respective amount payable on application in full upon application for Hong Kong Offer Shares.

HOW TO APPLY FOR HONG KONG OFFER SHARES

No. of Hong Kong Offer Shares applied for	Maximum Amount payable ⁽²⁾ on	No. of Hong Kong Offer Shares applied for	Maximum Amount payable ⁽²⁾ on	No. of Hong Kong Offer Shares applied for	Maximum Amount payable ⁽²⁾ on	No. of Hong Kong Offer Shares applied for	Maximum Amount payable ⁽²⁾ on
	application/ successful allotment		application/ successful allotment		application/ successful allotment		application/ successful allotment
	HK\$		HK\$		HK\$		HK\$
500	3,989.84	7,000	55,857.69	50,000	398,983.58	700,000	5,585,770.06
1,000	7,979.67	8,000	63,837.37	60,000	478,780.29	800,000	6,383,737.20
1,500	11,969.51	9,000	71,817.05	70,000	558,577.00	900,000	7,181,704.36
2,000	15,959.34	10,000	79,796.71	80,000	638,373.72	1,000,000	7,979,671.50
2,500	19,949.18	15,000	119,695.08	90,000	718,170.44	1,500,000	11,969,507.26
3,000	23,939.02	20,000	159,593.44	100,000	797,967.16	2,000,000	15,959,343.00
3,500	27,928.85	25,000	199,491.79	200,000	1,595,934.30	2,527,000 ⁽¹⁾	20,164,629.88
4,000	31,918.69	30,000	239,390.15	300,000	2,393,901.46		
4,500	35,908.52	35,000	279,288.50	400,000	3,191,868.60		
5,000	39,898.36	40,000	319,186.85	500,000	3,989,835.76		
6,000	47,878.03	45,000	359,085.22	600,000	4,787,802.90		

Notes:

- (1) Maximum number of Hong Kong Offer Shares you may apply for and this is 50% of the Hong Kong Offer Shares initially offered.
- (2) The amount payable is inclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy. If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules) or to the **HK eIPO White Form** Service Provider (for applications made through the application channel of the **HK eIPO White Form** Service Provider) while the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy will be paid to the SFC, the Stock Exchange and the AFRC, respectively.

5. Multiple Applications Prohibited

You or your joint applicant(s) shall not make more than one application for your own benefit, except where you are a nominee and provide the information of the underlying investor in your application as required under the paragraph headed “—A. Application for Hong Kong Offer Shares—3. Information Required to Apply” in this section. If you are suspected of submitting or cause to submit more than one application, all of your applications will be rejected.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Multiple applications made either through (i) the **HK eIPO White Form** service, (ii) HKSCC EIPO channel, or (iii) both channels concurrently are prohibited and will be rejected. If you have made an application through the **HK eIPO White Form** service or HKSCC EIPO channel, you or the person(s) for whose benefit you have made the application shall not apply further for any Offer Shares.

The Hong Kong Share Registrar would record all applications into its system and identify suspected multiple applications with identical names, identification document numbers and reference numbers according to the Best Practice Note on Treatment of Multiple/Suspected Multiple Applications (“**Best Practice Note**”) issued by the Federation of Share Registrars Limited.

Since applications are subject to personal information collection statements, identification document numbers displayed are redacted.

6. Terms and Conditions of An Application

By applying for Hong Kong Offer Shares through the **HK eIPO White Form** service or HKSCC EIPO channel, you (or as the case may be, HKSCC Nominees will do the following things on your behalf):

- (i) undertake to execute all relevant documents and instruct and authorise us and/or the Overall Coordinators, as our agents, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association, and (if you are applying through the HKSCC EIPO channel) to deposit the allotted Hong Kong Offer Shares directly into CCASS for the credit of your designated HKSCC Participant’s stock account on your behalf;
- (ii) confirm that you have read and understand the terms and conditions and application procedures set out in this prospectus, the **IPO App** and the designated website of the **HK eIPO White Form** service (or as the case may be, the agreement you entered into with your broker or custodian), and agree to be bound by them;
- (iii) (if you are applying through the HKSCC EIPO channel) agree to the arrangements, undertakings and warranties under the participant agreement between your **broker** or **custodian** and HKSCC and observe the General Rules of HKSCC and the HKSCC Operational Procedures for giving application instructions to apply for Hong Kong Offer Shares;
- (iv) confirm that you are aware of the restrictions on offers and sales of shares set out in this prospectus and they do not apply to you, or the person(s) for whose benefit you have made the application;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (v) confirm that you have read this prospectus and any supplement to it and have relied only on the information and representations contained therein in making your application (or as the case may be, causing your application to be made) and will not rely on any other information or representations;
- (vi) agree that our Company, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries, and any of their or our Company's respective directors, officers, employees, partners, agents, advisers, and representatives, and any other parties involved in the Global Offering (collectively, the "**Relevant Persons**"), the Hong Kong Share Registrar and HKSCC will not be liable for any information and representations not in this prospectus and any supplement to it;
- (vii) agree to disclose the details of your application and your personal data and any other personal data which may be required about you and the person(s) for whose benefit you have made the application to us, the Relevant Persons, the Hong Kong Share Registrar, HKSCC, HKSCC Nominees, the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, for the purposes under the paragraph headed "*—G. Personal Data—3. Purposes and 4. Transfer of personal data*" in this section;
- (viii) agree (without prejudice to any other rights which you may have once your application (or as the case may be, HKSCC Nominees' application) has been accepted) that you will not rescind it because of an innocent misrepresentation;
- (ix) agree that subject to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any application made by you or HKSCC Nominees on your behalf cannot be revoked once it is accepted, which will be evidenced by the notification of the result of the ballot by the Hong Kong Share Registrar by way of publication of the results at the time and in the manner as specified in the paragraph headed "*—B. Publication of Results*" in this section;
- (x) confirm that you are aware of the situations specified in the paragraph headed "*—C. Circumstances In Which You Will Not Be Allocated Hong Kong Offer Shares*" in this section;
- (xi) agree that your application or HKSCC Nominees' application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
- (xii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Articles of Association and laws of any place outside Hong Kong that apply to your application and that neither we nor the

HOW TO APPLY FOR HONG KONG OFFER SHARES

Relevant Persons will breach any law inside and/or outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus;

- (xiii) confirm that (a) your application or HKSCC Nominees' application on your behalf is not financed directly or indirectly by our Company, any of the directors, chief executives, substantial Shareholder(s) or existing shareholder(s) of our Company or any of our subsidiaries or any of their respective close associates; and (b) you are not accustomed or will not be accustomed to taking instructions from our Company, any of the directors, chief executives, substantial shareholder(s) or existing shareholder(s) of our Company or any of our subsidiaries or any of their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Shares registered in your name or otherwise held by you;
- (xiv) warrant that the information you have provided is true and accurate;
- (xv) confirm that you understand that we and the Overall Coordinators will rely on your declarations and representations in deciding whether or not to allocate any Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xvi) agree to accept Hong Kong Offer Shares applied for or any lesser number allocated to you under the application;
- (xvii) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC directly or indirectly or through the application channel of the **HK eIPO White Form** Service Provider or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (1) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving **electronic application instructions** to HKSCC and the **HK eIPO White Form** Service Provider and (2) you have due authority to give **electronic application instructions** on behalf of that other person as its agent.

HOW TO APPLY FOR HONG KONG OFFER SHARES

B. PUBLICATION OF RESULTS

Results of Allocation

You can check whether you are successfully allocated any Hong Kong Offer Shares through:

<u>Platform</u>	<u>Date/Time</u>
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Applying through the **HK eIPO White Form** service or HKSCC EIPO channel:

Website	From the “IPO Results” function in the IPO App or at www.tricor.com.hk/ipo/result or www.hkeipo.hk/IPOResult with a “search by ID Number” function.	24 hours, from 11:00 p.m. on Monday, January 8, 2024 to 12:00 midnight Sunday, January 14, 2024 (Hong Kong time).
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The full list of (i) wholly or partially successful applicants using the **HK eIPO White Form** service and HKSCC EIPO channel, and (ii) the number of Hong Kong Offer Shares conditionally allotted to them, among other things, will be displayed at www.hkeipo.hk/IPOResult or www.tricor.com.hk/ipo/result.

The Stock Exchange’s website at www.hkexnews.hk and our website at www.99digtech.com which will provide links to the above mentioned websites of the Hong Kong Share Registrar.

No later than 11:00 p.m. on Monday, January 8, 2024 (Hong Kong time).

HOW TO APPLY FOR HONG KONG OFFER SHARES

<u>Platform</u>		<u>Date/Time</u>
Telephone	+852 3691 8488—the allocation results telephone enquiry line provided by the Hong Kong Share Registrar.	Between 9:00 a.m. and 6:00 p.m., from Tuesday, January 9, 2024 to Friday, January 12, 2024 (Hong Kong time) on a business day.

For those applying through HKSCC EIPO channel, you may also check with your **broker** or **custodian** from 6:00 p.m. on Friday, January 5, 2024

HKSCC Participants can log into FINI and review the allotment result from 6:00 p.m. on Friday, January 5, 2024 (Hong Kong time) on a 24-hour basis and should report any discrepancies on allotments to HKSCC as soon as practicable.

Allocation Announcement

We expect to announce the results of the final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of Hong Kong Offer Shares on the Stock Exchange's website at www.hkexnews.hk and our website at www.99digtech.com by no later than 11:00 p.m. on Monday, January 8, 2024 (Hong Kong time).

C. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES

You should note the following situations in which Hong Kong Offer Shares will not be allocated to you or the person(s) for whose benefit you are applying for:

1. If your application is revoked:

Your application or the application made by HKSCC Nominees on your behalf may be revoked pursuant to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

2. If we or our agents exercise our discretion to reject your application:

We, the Overall Coordinators, the Hong Kong Share Registrar and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

HOW TO APPLY FOR HONG KONG OFFER SHARES

3. If the allocation of Hong Kong Offer Shares is void:

The allocation of Hong Kong Offer Shares will be void if the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Stock Exchange notifies us of that longer period within three weeks of the closing date of the application lists.

4. If:

- you make multiple applications or suspected multiple applications. You may refer to the paragraph headed “—A. *Application for Hong Kong Offer Shares—5. Multiple Applications Prohibited*” in this section on what constitutes multiple applications;
- your application instruction is incomplete;
- your payment (or confirmation of funds, as the case may be) is not made correctly;
- the Underwriting Agreements do not become unconditional or are terminated; or
- we or the Overall Coordinators believe that by accepting your application, it or we would violate applicable securities or other laws, rules or regulations.

5. If there is money settlement failure for allotted Shares:

Based on the arrangements between HKSCC Participants and HKSCC, HKSCC Participants will be required to hold sufficient application funds on deposit with their designated bank before balloting. After balloting of Hong Kong Offer Shares, the Receiving Bank will collect the portion of these funds required to settle each HKSCC Participant’s actual Hong Kong Offer Share allotment from their designated bank.

There is a risk of money settlement failure. In the extreme event of money settlement failure by a HKSCC Participant (or its designated bank), who is acting on your behalf in settling payment for your allotted Shares, HKSCC will contact the defaulting HKSCC Participant and its designated bank to determine the cause of failure and request such defaulting HKSCC Participant to rectify or procure to rectify the failure.

However, if it is determined that such settlement obligation cannot be met, the affected Hong Kong Offer Shares will be reallocated to the International Offering. Hong Kong Offer Shares applied for by you through the **broker** or **custodian** may be affected to the extent of the settlement failure. In the extreme case, you will not be allocated any Hong Kong Offer Shares due to the money settlement failure by such HKSCC Participant. None of us, the Relevant Persons, the Hong Kong Share Registrar and HKSCC is or will be liable if Hong Kong Offer Shares are not allocated to you due to the money settlement failure.

HOW TO APPLY FOR HONG KONG OFFER SHARES

D. DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND OF APPLICATION MONIES

You will receive one Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made through the HKSCC EIPO channel where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application.

Share certificates will only become valid at 8:00 a.m. on the Listing Date, provided that the Global Offering has become unconditional and the right of termination described in the section headed “Underwriting—Underwriting Arrangements and Expenses—Hong Kong Public Offering—Grounds for Termination” has not been exercised. Investors who trade the Shares on the basis of publicly available allocation details prior to the receipt of Share certificates or prior to the Share certificates becoming valid evidence of title do so entirely at their own risk.

The right is reserved to retain any Share certificate(s) and (if applicable) any surplus application monies pending clearance of application monies.

The following sets out the relevant procedures and time:

	<u>HK eIPO White Form service</u>	<u>HKSCC EIPO channel</u>
Dispatched/collection of Share certificate¹		
For application of 1,000,000 Hong Kong Offer Shares or more	Collection in person at the Hong Kong Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong. Time: from 9:00 a.m. to 1:00 p.m. on Tuesday, January 9, 2024 (Hong Kong time). If you are an individual, you must not authorise any other person to collect for you. If you are a corporate applicant, your authorised representative must bear a letter of authorization from your corporation stamped with your corporation’s chop.	Share certificate(s) will be issued in the name of HKSCC Nominees, deposited into CCASS and credited to your designated HKSCC Participant’s stock account. No action by you is required.

HOW TO APPLY FOR HONG KONG OFFER SHARES

HK eIPO White Form service

HKSCC EIPO channel

Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

Note: If you do not collect your Share certificate(s) personally within the time above, it/they will be sent to the address specified in your application instructions by ordinary post at your own risk.

For application of less than 1,000,000 Hong Kong Offer Shares Your Share certificate(s) will be sent to the address specified in your application instructions by ordinary post at your own risk.

Date: Monday, January 8, 2024

Refund mechanism for surplus application monies paid by you

Date	Tuesday, January 9, 2024	Subject to the arrangement between you and your broker or custodian .
Responsible party	Hong Kong Share Registrar.	Your broker or custodian .
Application monies paid through single bank account	HK eIPO White Form e-Auto Refund payment instructions to your designated bank account.	Your broker or custodian will arrange refund to your designated bank account subject to the arrangement between you and it.
Application monies paid through multiple bank accounts	Refund cheque(s) will be dispatched to the address as specified in your application instructions by ordinary post at your own risk.	

- 1 Except in the event of a tropical cyclone warning signal number 8 or above, a black rainstorm warning and/or Extreme Conditions in the morning on Monday, January 8, 2024 rendering it impossible for the relevant Share certificates to be dispatched to HKSCC in a timely manner, the Company shall procure the Hong Kong Share Registrar to arrange for delivery of the supporting documents and Share certificates in accordance with the contingency arrangements as agreed between them. You may refer to “– E. Severe Weather Arrangements” in this section.

HOW TO APPLY FOR HONG KONG OFFER SHARES

E. SEVERE WEATHER ARRANGEMENTS

The Opening and Closing of the Application Lists

The application lists will not open or close on Thursday, January 4, 2024 if, there is/are:

- a tropical cyclone warning signal number 8 or above;
- a black rainstorm warning; and/or
- Extreme Conditions,

(collectively, “**Severe Weather Signals**”),

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, January 4, 2024.

Instead they will open between 11:45 a.m. and 12:00 noon and/or close at 12:00 noon on the next business day which does not have **Severe Weather Signals** in force at any time between 9:00 a.m. and 12:00 noon.

Prospective investors should be aware that a postponement of the opening/closing of the application lists may result in a delay in the listing date. Should there be any changes to the dates mentioned in the section headed “Expected Timetable” in this prospectus, an announcement will be made and published on the Stock Exchange’s website at www.hkexnews.hk and our website at www.99digtech.com of the revised timetable.

If a **Severe Weather Signal** is hoisted on Monday, January 8, 2024, the Hong Kong Share Registrar will make appropriate arrangements for the delivery of the Share certificates to the HKSCC Depository’s service counter so that they would be available for trading on Tuesday, January 9, 2024.

If a **Severe Weather Signal** is hoisted on Monday, January 8, 2024, the despatch of physical Share certificates of less than 1,000,000 Offer Shares issued under your own name will be made by ordinary post when the post office re-opens after the **Severe Weather Signal** is lowered or cancelled (e.g. in the afternoon of Monday, January 8, 2024 or on Tuesday, January 9, 2024).

If a **Severe Weather Signal** is hoisted on Tuesday, January 9, 2024, physical Share certificates of 1,000,000 Offer Shares or more issued under your own name are available for collection in person at the Hong Kong Share Registrar’s office after the **Severe Weather Signal** is lowered or cancelled (e.g. in the afternoon of Tuesday, January 9, 2024 or on Wednesday, January 10, 2024).

HOW TO APPLY FOR HONG KONG OFFER SHARES

Prospective investors should be aware that if they choose to receive physical Share certificates issued in their own name, there may be a delay in receiving the Share certificates.

F. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

You should seek the advice of your broker or other professional advisor for details of the settlement arrangement as such arrangements may affect your rights and interests.

G. PERSONAL DATA

The following Personal Information Collection Statement applies to any personal data collected and held by our Company, the Hong Kong Share Registrar, the receiving bank and the Relevant Persons about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. This personal data may include client identifier(s) and your identification information. By giving application instructions to HKSCC, you acknowledge that you have read, understood and agree to all of the terms of the Personal Information Collection Statement below.

1. Personal Information Collection Statement

This Personal Information Collection Statement informs the applicant for, and holder of, Hong Kong Offer Shares, of the policies and practices of our Company and the Hong Kong Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

2. Reasons for the collection of your personal data

It is necessary for applicants and registered holders of Hong Kong Offer Shares to ensure that personal data supplied to our Company or its agents and the Hong Kong Share Registrar is accurate and up-to-date when applying for Hong Kong Offer Shares or transferring Hong Kong Offer Shares into or out of their names or in procuring the services of the Hong Kong Share Registrar.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Failure to supply the requested data or supplying inaccurate data may result in your application for Hong Kong Offer Shares being rejected, or in the delay or the inability of our Company or the Hong Kong Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of Hong Kong Offer Shares which you have successfully applied for and/or the dispatch of Share certificate(s) to which you are entitled.

It is important that applicants for and holders of Hong Kong Offer Shares inform our Company and the Hong Kong Share Registrar immediately of any inaccuracies in the personal data supplied.

3. Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund cheque and **HK eIPO White Form** e-Auto Refund payment instruction(s), where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of Hong Kong Offer Shares;
- compliance with applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the names of the holders of the Shares including, where applicable, HKSCC Nominees;
- maintaining or updating the register of members of our Company;
- verifying identities of applicants for and holders of the Shares and identifying any duplicate applications for the Shares;
- facilitating Hong Kong Offer Shares balloting;
- establishing benefit entitlements of holders of the Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from our Company and our subsidiaries;
- compiling statistical information and profiles of the holder of the Shares;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable our Company and the Hong Kong Share Registrar to discharge their obligations to applicants and holders of the Shares and/or regulators and/or any other purposes to which applicants and holders of the Shares may from time to time agree.

HOW TO APPLY FOR HONG KONG OFFER SHARES

4. Transfer of personal data

Personal data held by our Company and the Hong Kong Share Registrar relating to the applicants for and holders of Hong Kong Offer Shares will be kept confidential but our Company and the Hong Kong Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- our Company's appointed agents such as financial advisers, receiving bank and overseas principal share registrar;
- HKSCC or HKSCC Nominees, who will use the personal data and may transfer the personal data to the Hong Kong Share Registrar, in each case for the purposes of providing its services or facilities or performing its functions in accordance with its rules or procedures and operating FINI and CCASS (including where applicants for the Hong Kong Offer Shares request a deposit into CCASS);
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to our Company or the Hong Kong Share Registrar in connection with their respective business operation;
- the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, including for the purpose of the Stock Exchange's administration of the Listing Rules and the SFC's performance of its statutory functions; and
- any persons or institutions with which the holders of Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or brokers etc.

5. Retention of personal data

Our Company and the Hong Kong Share Registrar will keep the personal data of the applicants and holders of Hong Kong Offer Shares for as long as necessary to fulfil the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

6. Access to and correction of personal data

Applicants for and holders of Hong Kong Offer Shares have the right to ascertain whether our Company or the Hong Kong Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. Our Company and the Hong Kong Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to our Company and the Hong Kong Share Registrar, at their registered address disclosed in the section headed "Corporate information" in this prospectus or as notified from time to time, for the attention of our joint company secretaries, or the Hong Kong Share Registrar for the attention of the privacy compliance officer.

The following is the text of a report set out on pages I – 1 to I – 60, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CHANGJIU HOLDINGS LIMITED AND CITIC SECURITIES (HONG KONG) LIMITED AND ICBC INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of Changjiu Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-60, which comprises the consolidated statements of financial position of the Group as of December 31, 2020, 2021 and 2022 and June 30, 2023, and the statements of financial position of the Company as of December 31, 2021 and 2022 and June 30, 2023, and the consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows, for each of the years ended December 31, 2020, 2021 and 2022 and for the six months ended June 30, 2023 (the "Track Record Period"), and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-60 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated December 29, 2023 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance

with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Group's financial position as of December 31, 2020, 2021 and 2022 and June 30, 2023 and the Company's financial position as of December 31, 2021 and 2022 and June 30, 2023 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Review of stub period corresponding financial information

We have reviewed the stub period corresponding financial information of the Group which comprises the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended June 30, 2022 and other explanatory information (the "Stub Period Corresponding Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Corresponding Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 24(c) to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

No historical financial statements for the Company

No financial statements have been prepared for the Company since its incorporation.

KPMG

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

December 29, 2023

HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except where otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Expressed in RMB

	Note	Year ended December 31,			Six months ended June 30,	
		2020	2021	2022	2022	2023
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)	
Revenue	4(a)(i)	430,587	477,697	547,867	258,652	309,431
Cost of sales		<u>(261,629)</u>	<u>(295,401)</u>	<u>(322,828)</u>	<u>(152,404)</u>	<u>(176,028)</u>
Gross profit		168,958	182,296	225,039	106,248	133,403
Net other income	5	554	441	1,552	545	823
Impairment (losses)/reversals		(770)	110	(2,555)	(2,011)	(3,650)
Research and development expenses		(10,296)	(9,413)	(9,027)	(4,379)	(6,721)
General and administrative expenses		(42,579)	(71,101)	(76,984)	(33,608)	(63,400)
Sales and marketing expenses		<u>(5,069)</u>	<u>(6,130)</u>	<u>(7,126)</u>	<u>(2,674)</u>	<u>(3,497)</u>
Profit from operations		110,798	96,203	130,899	64,121	56,958
Net finance expense	6(a)	<u>(964)</u>	<u>(3,054)</u>	<u>(3,273)</u>	<u>(1,237)</u>	<u>(1,486)</u>
Profit before taxation	6	109,834	93,149	127,626	62,884	55,472
Income tax benefit/(expense)	7	<u>4,271</u>	<u>(9,418)</u>	<u>(31,714)</u>	<u>(14,796)</u>	<u>(20,181)</u>
Profit for the year/period		<u>114,105</u>	<u>83,731</u>	<u>95,912</u>	<u>48,088</u>	<u>35,291</u>
Attributable to:						
Equity shareholders of the Company		114,105	83,731	95,877	48,053	35,291
Non-controlling interests		–	–	35	35	–
Profit for the year/period		<u>114,105</u>	<u>83,731</u>	<u>95,912</u>	<u>48,088</u>	<u>35,291</u>
Earnings per share						
Basic and diluted (RMB)	10	<u>0.76</u>	<u>0.56</u>	<u>0.64</u>	<u>0.32</u>	<u>0.23</u>

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Expressed in RMB

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Profit for the year/period	114,105	83,731	95,912	48,088	35,291
Other comprehensive income for the year/period	—	—	—	—	—
Total comprehensive income for the year/period	<u>114,105</u>	<u>83,731</u>	<u>95,912</u>	<u>48,088</u>	<u>35,291</u>
Attributable to:					
Equity shareholders of the Company	114,105	83,731	95,877	48,053	35,291
Non-controlling interests	—	—	35	35	—
Total comprehensive income for the year/period	<u>114,105</u>	<u>83,731</u>	<u>95,912</u>	<u>48,088</u>	<u>35,291</u>

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Expressed in RMB

	Note	As of December 31,			As of
		2020	2021	2022	June 30,
		RMB'000	RMB'000	RMB'000	2023
					RMB'000
Non-current assets					
Property, plant and equipment	11	3,743	3,042	2,790	2,428
Intangible assets	12	5,064	4,204	3,412	8,586
Right-of-use assets	13	664	4,640	5,829	10,180
Deferred tax assets	22(b)	4,393	331	1,512	4,655
		<u>13,864</u>	<u>12,217</u>	<u>13,543</u>	<u>25,849</u>
Current assets					
Trade receivables	15	39,964	59,861	101,311	179,783
Prepaid expenses and other current assets	16	148,750	145,308	26,969	11,661
Cash and cash equivalents	17(a)	89	1,533	119,341	72,395
		<u>188,803</u>	<u>206,702</u>	<u>247,621</u>	<u>263,839</u>
Current liabilities					
Bank loans	18	50,000	50,000	75,000	35,000
Trade payables	19	25,741	25,469	28,507	26,488
Accrued expenses and other current liabilities	20	40,518	49,406	58,012	71,800
Contract liabilities	4(a)(ii)	52,657	69,426	58,923	50,668
Lease liabilities	21	218	2,334	6,353	7,120
Current tax liability	22(a)	–	3,712	22,180	30,234
		<u>169,134</u>	<u>200,347</u>	<u>248,975</u>	<u>221,310</u>
Net current assets/(liabilities)		<u>19,669</u>	<u>6,355</u>	<u>(1,354)</u>	<u>42,529</u>
Total assets less current liabilities		<u>33,533</u>	<u>18,572</u>	<u>12,189</u>	<u>68,378</u>
Non-current liabilities					
Lease liabilities	21	397	2,359	64	7,308
		<u>397</u>	<u>2,359</u>	<u>64</u>	<u>7,308</u>
NET ASSETS		<u>33,136</u>	<u>16,213</u>	<u>12,125</u>	<u>61,070</u>
Equity					
Share capital	24(a)	–	1	1	1
Treasury shares	23	–	–	–	(4,325)
Reserves	24(b)	33,136	16,212	12,124	65,394
Total equity attributable to shareholders of the Company		<u>33,136</u>	<u>16,213</u>	<u>12,125</u>	<u>61,070</u>
Non-controlling interests		<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
TOTAL EQUITY		<u>33,136</u>	<u>16,213</u>	<u>12,125</u>	<u>61,070</u>

The accompanying notes form part of the Historical Financial Information.

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

Expressed in RMB

	<i>Note</i>	As of December 31,		As of
		2021	2022	June 30,
		<i>RMB'000</i>	<i>RMB'000</i>	2023
				<i>RMB'000</i>
Non-current assets				
Investment in subsidiaries	<i>14</i>	—	—	13,654
Current assets				
Prepaid expenses and other current assets	<i>16</i>	1	525	2,866
Cash and cash equivalents	<i>17(a)</i>	—	—	4,536
		1	525	7,402
Current liabilities				
Accrued expenses and other current liabilities	<i>20</i>	—	2,656	21,333
Net current assets/(liabilities)		1	(2,131)	(13,931)
Total assets less current liabilities		1	(2,131)	(277)
NET ASSETS/(LIABILITIES)		1	(2,131)	(277)
Equity				
Share capital	<i>24(a)</i>	1	1	1
Treasure shares	<i>23</i>	—	—	(4,325)
Reserves		—	(2,132)	4,047
TOTAL EQUITY/(DEFICIT)		1	(2,131)	(277)

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Expressed in RMB

	Note	Attributable to equity shareholders of the Company					Total RMB'000	Non- controlling interest RMB'000	Total equity RMB'000
		Share capital RMB'000 Note 24(a)	Treasury shares RMB'000 Note 23	Capital reserves RMB'000 Note 24(b)	PRC Statutory reserves RMB'000 Note 24(b)	Accumulated (loss)/ earnings RMB'000 Note 24(c)			
Balance as of January 1, 2020		-	-	100,000	-	(65,736)	34,264	-	34,264
Net profit		-	-	-	-	114,105	114,105	-	114,105
Deemed distribution	1	-	-	-	-	(115,233)	(115,233)	-	(115,233)
Balance as of December 31, 2020 and January 1, 2021		-	-	100,000	-	(66,864)	33,136	-	33,136
Net profit		-	-	-	-	83,731	83,731	-	83,731
Issue of ordinary shares		1	-	-	-	-	1	-	1
Impact of the Reorganization	1	-	-	-	-	(45,510)	(45,510)	-	(45,510)
Distribution to shareholders	24(c)	-	-	-	-	(22,000)	(22,000)	-	(22,000)
Deemed distribution	1	-	-	-	-	(33,145)	(33,145)	-	(33,145)
Balance as of December 31, 2021 and January 1, 2022		1	-	100,000	-	(83,788)	16,213	-	16,213
Net profit		-	-	-	-	95,877	95,877	35	95,912
Capital injection from non-controlling shareholder		-	-	49	-	-	49	961	1,010
Impact of the Reorganization	1	-	-	(100,014)	-	-	(100,014)	(996)	(101,010)
Appropriation to statutory reserves		-	-	-	1,868	(1,868)	-	-	-
Balance as of December 31, 2022 and January 1, 2023		1	-	35	1,868	10,221	12,125	-	12,125
Net profit		-	-	-	-	35,291	35,291	-	35,291
Shares issued under Pre-IPO Restricted Share Plan	23	*	(4,325)	4,325	-	-	-	-	-
Share-based compensation	23	-	-	13,654	-	-	13,654	-	13,654
Balance as of June 30, 2023		1	(4,325)	18,014	1,868	45,512	61,070	-	61,070
(Unaudited)									
Balance as of December 31, 2021 and January 1, 2022		1	-	100,000	-	(83,788)	16,213	-	16,213
Net profit		-	-	-	-	48,053	48,053	35	48,088
Capital injection from non-controlling shareholder		-	-	49	-	-	49	961	1,010
Impact of the Reorganization	1	-	-	(100,014)	-	-	(100,014)	(996)	(101,010)
Balance as of June 30, 2022		1	-	35	-	(35,735)	(35,699)	-	(35,699)

* less than RMB500.

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Expressed in RMB

	Note	Year ended December 31,			Six months ended June 30,	
		2020 RMB'000	2021 RMB'000	2022 RMB'000	2022 RMB'000 (unaudited)	2023 RMB'000
Cash flows from operating activities						
Net cash generated from/(used in) operations	17(b)	124,227	116,376	97,355	(6,446)	(5,485)
Income taxes paid		–	(1,644)	(15,325)	(2,681)	(15,270)
Net cash generated from/(used in) operating activities		<u>124,227</u>	<u>114,732</u>	<u>82,030</u>	<u>(9,127)</u>	<u>(20,755)</u>
Cash flows from investing activities						
Purchase of property, plant and equipment		(959)	(1,113)	(1,024)	(293)	(147)
Net (payment)/receipt from related parties		(73,549)	(37,022)	114,634	(24,717)	14,251
Prepayment for acquisition of intangible assets		–	–	–	–	(1,698)
Loan to a third party		–	(4,800)	–	–	–
Receipt of loan to a third party		–	–	4,800	4,800	–
Interest received		–	–	174	174	–
Payment for non-refundable earnest money for an unconsummated investment		–	(10,000)	–	–	–
Net cash (used in)/generated from investing activities		<u>(74,508)</u>	<u>(52,935)</u>	<u>118,584</u>	<u>(20,036)</u>	<u>12,406</u>
Cash flows from financing activities						
Proceed from bank loans	17(c)	50,000	50,000	75,000	38,699	35,000
Repayment of bank loans	17(c)	–	(50,000)	(50,000)	–	(75,000)
Interest paid	17(c)	(817)	(2,712)	(3,174)	(1,274)	(1,219)
Issuance of restricted shares	23	–	–	–	–	4,325
Payment of lease liabilities	17(c)	(1,931)	(2,496)	(4,108)	(98)	(92)
Capital injection from non-controlling shareholder		–	–	1,010	1,010	–
Cash paid in connection with the Reorganization		–	–	(101,010)	–	–
Deemed distribution to shareholders (Note i)		(115,233)	(33,145)	–	–	–
Dividend paid to shareholders		–	(22,000)	–	–	–
Listing expenses paid		–	–	(524)	–	(1,782)
Net cash (used in)/generated from financing activities		<u>(67,981)</u>	<u>(60,353)</u>	<u>(82,806)</u>	<u>38,337</u>	<u>(38,768)</u>
Net (decrease)/increase in cash and cash equivalents		<u>(18,262)</u>	<u>1,444</u>	<u>117,808</u>	<u>9,174</u>	<u>(47,117)</u>
Cash and cash equivalents at the beginning of the year/period		<u>18,351</u>	<u>89</u>	<u>1,533</u>	<u>1,533</u>	<u>119,341</u>
Effect of foreign exchange rate changes		–	–	–	–	171
Cash and cash equivalents at the end of the year/period		<u>89</u>	<u>1,533</u>	<u>119,341</u>	<u>10,707</u>	<u>72,395</u>

Note (i): Deemed distribution represents the cash transferred to Jilin Changjiu Industrial Group Co., Ltd. for the periods ended December 31, 2020 and November 30, 2021. Further details of the basis of preparation of Historical Financial Information are set out in Note 1.

The accompanying notes form part of the Historical Financial Information.

NOTE TO THE HISTORICAL FINANCIAL INFORMATION

Expressed in RMB unless otherwise indicated

1 BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

Changjiu Holdings Limited (the “Company”), formerly known as Changjiu Digital Technology Limited, was incorporated in the Cayman Islands on June 16, 2021 as an exempted company with limited liability under the Companies Act (Revised) of the Cayman Islands. On September 19, 2023, the Company changed its name from Changjiu Digital Technology Limited to Changjiu Holdings Limited.

The Company and its subsidiaries (together as the “Group”) are principally engaged in the provision of pledged vehicle monitoring service and automobile dealership operation management service (the “Listing Businesses”) across Mainland China.

To rationalize the corporate structure in preparation of the listing of the Company’s shares on The Stock Exchange of Hong Kong Limited (the “Listing”), the Group underwent a reorganization, as detailed in the section headed “History, Reorganization and Corporate Structure” in the Prospectus (the “Reorganization”).

Throughout the Track Record Period, the above-mentioned principal activities were carried out by Jilin Changjiu Industrial Group Co., Ltd (“Changjiu Industrial”) and its subsidiaries, Changjiu Jinfu Enterprise Management Consultation (Shenzhen) Co., Ltd (“Changjiu Jinfu”) and Shanghai Bozhong Digital Technology Co., Ltd (“Shanghai Bozhong”). In particular, the pledged vehicle monitoring services business was initially carried out by a separate division of Changjiu Industrial (the “Division”) and then later transferred to Changjiu Jinfu as part of the Reorganization. On November 30, 2021, Changjiu Jinfu purchased the portion of pledged vehicle monitoring services business carried out by the Division (the “Relevant Business”) from Changjiu Industrial to complete the transfer at a consideration of RMB45.5 million. Since then, the pledged vehicle monitoring services business is solely carried out by Changjiu Jinfu.

Historically, the Division maintained separate accounting records for the Relevant Business and was managed separately from the other businesses of Changjiu Industrial. In preparing the Historical Financial Information, transactions and balances relating to the Relevant Business have been identified from such separate accounting records of the Division and are included in the Historical Financial Information. As cash and bank accounts were centrally managed and controlled by Changjiu Industrial, the net amount of cash transactions relating to the Relevant Business amounting to RMB115.2 million and RMB33.1 million for the years ended December 31, 2020 and 2021, respectively, are presented as deemed distribution in the consolidated statements of changes in equity and statements of cash flows. Income tax charges have been allocated to the Relevant Business to reflect the proportion of the overall Changjiu Industrial tax charges attributable to the Relevant Business. The consideration RMB45.5 million payable to Changjiu Industrial for the acquisition of the Relevant Business has been adjusted directly in retained earnings in the consolidated statements of changes in equity.

The directors of the Company believe the basis of preparation described above results in a faithful representation of the assets, liabilities and economic activities associated with the pledged vehicle monitoring services business that has been under common control during the Track Record Period. However, as the Relevant Business did not operate as a stand-alone entity during certain periods within the Track Record Period, the Historical Financial Information may not necessarily reflect what its results of operations, financial position, and cash flows would have been had the Relevant Business operated as a separate entity throughout the Track Record Period.

As part of the Reorganization, in May 2022, Shanghai Bozhong acquired the pledged vehicle monitoring service business through the purchase of the 100% shares of Changjiu Jinfu at a cash consideration of RMB101.0 million. Since then, Shanghai Bozhong becomes the sole shareholder of Changjiu Jinfu.

Upon completion of the Reorganization on May 30, 2022, the Company became the holding company of the subsidiaries now comprising the Group.

The Listing Businesses are under the common control of Mr. Bo Shijiu and his spouse, Ms. Li Guiping (together, the “Ultimate Controlling Shareholders”) before and after the Reorganization and the control is not transitory. As such, there has been a continuation of risks and benefits to the Ultimate Controlling Shareholders that existed prior to the Reorganization. Accordingly, the Reorganization has been accounted for as business combination involving entities under common control. The Historical Financial Information has been prepared and presented using the merger accounting principles.

The Historical Financial Information has been prepared by including the historical financial information of companies now comprising the Group as if the current group structure had been in existence throughout the Track Record Period, or since the date when the combining companies first came under the control of the Ultimate Controlling Shareholders, whichever is a shorter period. The assets and liabilities of the companies taking part in the Reorganization are combined using the existing book values from the Ultimate Controlling Shareholders' perspective. There is no recognition of any additional goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of the Reorganization to the extent of the continuation of the Ultimate Controlling Shareholders' interests. Intra-group balances, transactions and unrealised gains/losses on intra-group transactions are eliminated in full in preparing the Historical Financial Information.

Upon the completion of the Reorganization and as of the date of this report, the Company has direct or indirect interest in the following principal subsidiaries, all of which are private companies:

Company names	Place and date of incorporation	Particulars of issued and Registered Capital	Proportion of ownership interest		Principal activities
			Held by the Company	Held by the Subsidiary	
Directly held					
Hong Kong Changjiu Digital Technology Limited (Note (ii))	Hong Kong July 15, 2021	1 ordinary share USD1	100%	–	Investing holding company
Indirectly held					
Shanghai Bozhong (上海鉑中數字科技有限公司) (Note (i)(iii))	Shanghai, PRC September 6, 2021	RMB 3,000,000	–	100%	Automobile dealership operation management service
Changjiu Jinfu (長久金孚企業管理諮詢(深圳)有限公司) (Note (i)(iv))	Shenzhen, PRC September 9, 2016	RMB 101,010,100	–	100%	Pledged vehicle monitoring services

Notes:

- (i) The official names of these entities are in Chinese. The English names are for identification purpose only.
- (ii) The entity prepared the financial statements for the period from the date of incorporation to December 31, 2022 in accordance with the Hong Kong Small and Medium-sized Entity Financial Reporting Standard issued by the HKICPA and have been properly prepared in compliance with the Hong Kong Companies Ordinance. The financial statements were audited by LINKERS CPA LIMITED.
- (iii) No statutory audited financial statements have been prepared for the period from the date of incorporation to December 31, 2021. The statutory financial statements for the year ended December 31, 2022 was audited by Beijing Dongshen Certified Public Accountants LLP (北京東審會計師事務所(特殊普通合夥)).
- (iv) The entity prepared the financial statements in accordance with the Accounting Standards for Business Enterprises applicable to the enterprises in the PRC. The financial statements for the year ended December 31, 2020, 2021 and 2022 were audited by Beijing Dongshen Dingli International Certified Public Accountants Co., Ltd (北京東審鼎立國際會計師事務所有限責任公司), Shenzhen Nanshen Certified Public Accountants (General Partnership) (深圳南審會計師事務所(普通合夥)), and Beijing Dongshen Certified Public Accountants LLP (北京東審會計師事務所(特殊普通合夥)), respectively.

All companies now comprising the Group have adopted December 31 as their financial year end date.

The Historical Financial Information has been prepared in accordance with all applicable International Financial Reporting Standards (“IFRSs”) which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board (“IASB”). Further details of the material accounting policies adopted are set out in Note 2.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing and presenting Historical Financial Information, the Group has consistently applied all applicable new and revised IFRSs, which are effective for the accounting period beginning on January 1, 2023 throughout the Track Record Period, including *Amendments to IAS 12, Income taxes: Deferred tax related to assets and liabilities arising from a single transaction* but except for any new standards or interpretations that are not yet effective for an annual period beginning on January 1, 2023. The revised and new accounting standards and interpretations issued but not yet effective for an annual period beginning on January 1, 2023 are set out in Note 29.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

The Stub Period Corresponding Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Historical Financial Information.

2 MATERIAL ACCOUNTING POLICY INFORMATION

(a) Basis of measurement

The Historical Financial Information is presented in RMB, rounded to the nearest thousands, except for earnings per share information. RMB is the functional currency of the Group.

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis.

(b) Use of estimates and judgements

The preparation of the Historical Financial Information in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in Note 3.

(c) Consolidation

(i) *Business combination involving entities under common control*

A business combination involving entities under common control is a business combination in which all the combining entities are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The assets acquired and liabilities assumed are measured based on their carrying amounts in the consolidated financial statements of the ultimate controlling party at the combination date. The difference between the carrying amounts of the net assets acquired and the consideration paid for the combination is adjusted to equity. Any costs directly attributable to the combination are recognized in profit or loss when incurred. The combination date is the date on which one combining entity obtains control of other combining entities.

(ii) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the Historical Financial Information from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealized profits arising from intra-group transactions are eliminated in full in preparing the Historical Financial Information. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognized.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(g)(ii)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(d) Property, plant, and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 2(g)(ii)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant, and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives are as follows:

– Office equipment	1-5 years
– Electronic equipment	1-5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(e) Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortization (where the estimated useful life is finite) and impairment losses (see Note 2(g)(ii)). Expenditure on internally generated goodwill and brands is recognized as an expense in the period in which it is incurred.

Amortization of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful life are amortized from the date they are available for use and their estimated useful lives are as follows:

– Software	3-10 years
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The estimates and associated assumptions of useful life determined by the Group are based on technical and commercial obsolescence, legal or contractual limits on the use of the asset and other relevant factors. Based on the current functionalities equipped by the software and the daily operation needs, the Group considers a useful life of 3-10 years to be their best estimation.

Both the period and method of amortization are reviewed annually.

Expenditure on research activities is recognized as an expense in the period in which it is incurred. Expenditure on development activities is capitalized if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalized includes the costs of materials, direct labor, and an appropriate proportion of overheads and borrowing costs, where applicable. Capitalized development costs are stated at cost less accumulated amortization and impairment losses (see Note 2(g)(ii)). Other development expenditure is recognized as an expense in the period in which it is incurred. There were no development expenditure capitalized as intangible assets as of December 31, 2020, 2021, 2022 and June 30, 2023.

(f) Lease

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all the economic benefits from that use.

As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognizes a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalize the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalized are recognized as an expense on a systematic basis over the lease term.

Where the lease is capitalized, the lease liability is initially recognized at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortized cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognized when a lease is capitalized is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Note 2(g)(ii)). The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use asset are determined on the same basis as those of property, plant and equipment.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension, or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

The Group presents right-of-use assets that do not meet the definition of investment property and lease liabilities separately in the statement of financial position. In the consolidated statements of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(g) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognizes a loss allowance for expected credit losses (ECLs) on financial assets measured at amortized cost (including trade receivables and other receivables).

Other financial assets measured at fair value are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate;

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions, and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognizes a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognized as an impairment gain or loss in profit or loss. The Group recognizes an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognized in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income

Interest income recognized is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortized cost (i.e., the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganization;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognized as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognized no longer exists or may have decreased:

- property, plant and equipment;
- intangible assets;
- right-of-use assets;
- other non-current assets;

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest Group of assets that generates cash inflows independently (i.e., a cash-generating unit).

– *Recognition of impairment losses*

An impairment loss is recognized in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or Group of units) and then, to reduce the carrying amount of the other assets in the unit (or Group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognized.

(h) Contract assets and contract liabilities

A contract asset is recognized when the Group recognizes revenue (see Note 2(p)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (ECLs) in accordance with the policy set out in Note 2(g)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see Note 2(i)).

A contract liability is recognized when the customer pays non-refundable consideration before the Group recognizes the related revenue (see Note 2(p)). A contract liability would also be recognized if the Group has an unconditional right to receive non-refundable consideration before the Group recognizes the related revenue. In such cases, a corresponding receivable would also be recognized (see Note 2(i)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see Note 2(p)(ii)).

(i) Trade and other receivables

A receivable is recognized when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognized before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see Note 2(h)).

Receivables are stated at amortized cost using the effective interest method less allowance for credit losses (see Note 2(g)(i)).

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses (ECLs) in accordance with the policy set out in Note 2(g)(i).

(k) Trade and other payables

Trade and other payables are initially recognized at fair value. Subsequent to initial recognition, trade and other payables are stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(l) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost using the effective interest method. Interest expense is recognized in accordance with the Group's accounting policy for borrowing costs (see Note 2(r)).

(m) Employee benefits**(i) Short-term employee benefits and contributions to defined contribution retirement plans**

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Termination benefits

Termination benefits are recognized at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognizes restructuring costs involving the payment of termination benefits.

(iii) Share-based compensation

The Company adopts share incentive plan, under which it receives services from director and employees as consideration for equity instruments (including share options and restricted shares) of the Company. The fair value of the services received in exchange for the grant of the equity instruments (share options and restricted shares) is recognized as an expense in the consolidated statements of profit or loss.

Share options

For grant of share options, the total amount to be expensed is determined by reference to the fair value of the options granted by using option-pricing models:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Restricted shares

For grant of restricted shares, the total amount to be expensed is determined by reference to the fair value of the Company's shares at the grant date.

The total expense is recognized over the lock-up period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of restricted shares that are expected to unlock based on service condition. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Share-based compensation transaction among group entities

The grant by the Company of share incentive plan over its equity instruments to the employees of subsidiaries undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognized over the vesting period as an increase to investment in subsidiaries undertakings, with a corresponding credit to equity in separate financial statements of the Company.

Modifications and Cancellations

The Group may modify the terms and conditions on which share incentive awards were granted. If a modification increases the fair value of the equity instruments granted, the incremental fair value granted is included in the measurement of the amount recognized for the services received over the remainder of the vesting period.

A grant of share incentive awards, that is cancelled or settled during the vesting period, is treated as an acceleration of vesting. The Group immediately recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period.

(n) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax assets can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credit, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of reporting period. Deferred tax assets and liabilities are not discounted.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 "Income Taxes" requirements to recognize a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with the lease liabilities and the right-of-use assets.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognized when the liability to pay the related dividends is recognized.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company and the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company and the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

(o) Provisions and contingent liabilities

Provisions are recognized when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(p) Revenue and other income

Income is classified by the Group as revenue when it arises from the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognized when control over a product or service is transferred to the customer, at the amount of operations promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value-added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The Group transfers control of goods or services and recognizes revenue over time, if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the goods or services.

The Group principally generates its revenue from rendering of pledged vehicle monitoring service and automobile dealership operation management service.

(a) Pledged vehicle monitoring service

The Group provides pledged vehicle monitoring services to its customers, primarily monitoring of pledged vehicles and keeping vehicle conformity certificates and car keys, to protect the interest of financial institutions that have entered into financing credit arrangements with automobile dealerships. The Group recognizes revenue from pledged vehicle monitoring services on a straight-line basis over time as the customers simultaneously receives and consumes the benefits throughout the period during the services are provided. Additionally, the Group provides on-site supervision services, such as vehicles sales invoices check and physical check, such revenue is recognized at point in time when the service is rendered.

(b) Automobile dealership operation management service

The Group provides operation management service to automobile dealerships that seek more optimal business and financial performance and receives management service fee which is determined based on a percentage of operation income or operation profit generated by automobile dealerships during the services period. The percentage is based on the terms specific in the service contract with automobile dealerships. As a result, the management service fee includes variable consideration. The Group estimates variable consideration based on the Group's current and future performance expectations and all information that is reasonably available. This estimated amount is included in the transaction price to the extent it is highly probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. The Group recognized revenue from operation management services over time as the customers simultaneously receives and consumes the benefits throughout the period during the services are provided.

(ii) Interest income

Interest income is recognized as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortized cost are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortized cost (i.e., gross carrying amount net of loss allowance) of the asset (see Note 2(g)(i)).

(iii) Government grants

Government grants are recognized in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognized in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(q) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognized in profit or loss except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognized in other comprehensive income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognizes such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognized in other comprehensive income and accumulated separately in equity in the exchange reserve.

(r) Borrowing costs

Borrowing costs are expensed in the period in which they are incurred.

(s) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (iii) Both entities are joint ventures of the same third party;
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) The entity is controlled or jointly controlled by a person identified in (a);
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(t) Segment reporting

Operating segments, and the amounts of each segment item reported in the Historical Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENT AND ESTIMATES

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

(a) Recognition of deferred tax assets

Deferred tax assets in respect of tax losses carried forward and deductible temporary differences are recognized and measured based on the expected manner of realization or settlement of the carrying amount of the relevant assets and liabilities, using tax rates enacted or substantively enacted at the end of each reporting date. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgement exercised by the directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognized and hence the net profit in future years.

(b) Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on ageing of trade receivables. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information.

The assessment of the correlation among historical observed default rates and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

(c) Fair value of share-based payments

As mentioned in Note 23, the Group has granted restricted shares and shares options to one director and certain employees. The Group has used discounted cash flow method to determine underlying equity value of the Group, then discount for lack of marketability is estimated to determine the fair value of restricted shares. The Group has used binomial option-pricing model to determine the total fair value of the options granted to one director and certain employees. Significant estimate on assumptions, such as the underlying equity value, risk-free interest rate, expected volatility and dividend yield, is required to be made by the Group in applying the binomial option-pricing model.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are providing pledged vehicle monitoring service and automobile dealership operation management service in Mainland China.

(i) *The amount of each significant category of revenue is as follows:*

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Revenue from contracts with customers within the scope of IFRS 15					
Pledged vehicle monitoring service	430,587	477,697	505,049	245,760	279,067
Automobile dealership operation management service	—	—	42,818	12,892	30,364
	<u>430,587</u>	<u>477,697</u>	<u>547,867</u>	<u>258,652</u>	<u>309,431</u>

During the Track Record Period, the Group's customers with whom transactions have exceeded 10% of the Group's revenue in the respective year/period are set out below:

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Customer A	*	62,195	89,801	40,636	56,483
Customer B	*	*	81,147	33,884	49,522
Customer C	*	*	61,483	27,299	34,228

* Transactions with these customers did not exceed 10% of the Group's revenue in the respective year/period.

Disaggregation of the Group's revenue from contracts with customers by the timing of revenue recognition is set out below:

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Point-in-time	12,647	20,875	16,317	8,933	6,648
Over-time	417,940	456,822	531,550	249,719	302,783
	<u>430,587</u>	<u>477,697</u>	<u>547,867</u>	<u>258,652</u>	<u>309,431</u>

Remaining Performance Obligation

The Group has elected the practical expedient not to disclose the value of remaining performance obligations for contracts in which the Group recognizes revenue at the amount to which the Group has the right to invoice.

(ii) Contract Liabilities

The Group collected payments in advance from customers primarily for providing pledged vehicle monitoring services and automobile dealership operation management services. The Group has recognized the following liabilities related to contracts with customers under "contract liabilities":

	Note	As of December 31,			As of
		2020	2021	2022	June 30,
		RMB'000	RMB'000	RMB'000	2023
Contract Liabilities					RMB'000
– third parties		52,657	62,703	53,191	46,637
– related parties	26(d)	–	6,723	5,732	4,031
		<u>52,657</u>	<u>69,426</u>	<u>58,923</u>	<u>50,668</u>

As of January 1, 2020, contract liabilities amounted to RMB50.0 million.

The balance of contract liabilities with related parties is trade in nature.

Movements in contract liabilities

	Year ended December 31,			Six months ended
	2020 RMB'000	2021 RMB'000	2022 RMB'000	June 30, 2023 RMB'000
Balance at January 1	49,962	52,657	69,426	58,923
Decrease in contract liabilities as a result of recognising revenue during the year/period that were included in the contract liabilities at the beginning of the year/period	(46,216)	(47,791)	(54,978)	(46,912)
Increase in contract liabilities during the year/period	55,043	75,332	59,337	49,551
Decrease in contract liabilities as a result of transfer to other payables to customers	(6,132)	(10,772)	(14,862)	(10,894)
Balance at December 31/June 30	<u>52,657</u>	<u>69,426</u>	<u>58,923</u>	<u>50,668</u>

(b) Segment reporting

The Group manage its businesses by business line. In a manner consistent with the way in the purpose of resource allocation and performance assessment, the Group has presented the following two reportable segments: pledged vehicle monitoring service and automobile dealership operation management service.

For the purpose of assessing segment performance and allocating between segments, the Group's senior executive management monitors the revenue and gross profit attributable to each reportable segment. Other items in profit or loss are not allocated to reportable segment.

Revenue and cost are allocated to the reportable segment with reference to sales generated by those segments and the cost incurred by those segments.

Other information, together with the segment information, provided to the Group's senior executive management, is measured in a manner consistent with that applied in these financial statements. There were no separate segment assets and segment liabilities information provided to the Group's senior executive management, as they do not use this information to allocate resources to or evaluate the performance of the operating segments.

The amount of each significant category of revenue recognized during the Track Record Period is as follows:

	Year ended December 31, 2020		
	Pledged vehicle monitoring service RMB'000	Automobile dealership operation management service RMB'000	Total RMB'000
Segment revenue	430,587	–	430,587
Segment cost	(261,629)	–	(261,629)
Gross profit	<u>168,958</u>	<u>–</u>	<u>168,958</u>

	Year ended December 31, 2021		
	Pledged vehicle monitoring service <i>RMB'000</i>	Automobile dealership operation management service <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue	477,697	–	477,697
Segment cost	(295,401)	–	(295,401)
Gross profit	<u>182,296</u>	<u>–</u>	<u>182,296</u>

	Year ended December 31, 2022		
	Pledged vehicle monitoring service <i>RMB'000</i>	Automobile dealership operation management service <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue	505,049	42,818	547,867
Segment cost	(295,359)	(27,469)	(322,828)
Gross profit	<u>209,690</u>	<u>15,349</u>	<u>225,039</u>

	Six months ended June 30, 2023		
	Pledged vehicle monitoring service <i>RMB'000</i>	Automobile dealership operation management service <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue	279,067	30,364	309,431
Segment cost	(157,603)	(18,425)	(176,028)
Gross profit	<u>121,464</u>	<u>11,939</u>	<u>133,403</u>

	Six months ended June 30, 2022 (unaudited)		
	Pledged vehicle monitoring service <i>RMB'000</i>	Automobile dealership operation management service <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue	245,760	12,892	258,652
Segment cost	(146,588)	(5,816)	(152,404)
Gross profit	<u>99,172</u>	<u>7,076</u>	<u>106,248</u>

All of the Group's operating assets are located in Mainland China and all of the Company's revenue and operating profits are derived from Mainland China during the Track Record Period. Accordingly, no segment analysis based on geographical locations is provided.

The reconciliation of segment gross profit to profit before taxation for the years ended December 31, 2020, 2021 and 2022 and for the six months ended June 30, 2022 and 2023 are presented in the consolidated statements of profit or loss of the Group.

5 NET OTHER INCOME

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Government grants	191	34	416	256	13
Extra deduction of input VAT	210	192	843	62	504
Net exchange gains	–	–	–	–	171
Others	153	215	293	227	135
	<u>554</u>	<u>441</u>	<u>1,552</u>	<u>545</u>	<u>823</u>

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Net finance expense

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Interest expense on bank loan	817	2,712	3,174	1,274	1,219
Interest expense on lease liabilities	79	271	298	117	321
Other financial expenses/(income)	68	71	(199)	(154)	(54)
Subtotal	<u>964</u>	<u>3,054</u>	<u>3,273</u>	<u>1,237</u>	<u>1,486</u>

(b) Staff cost

	Note	Year ended December 31,			Six months ended	
		2020	2021	2022	June 30,	2023
		RMB'000	RMB'000	RMB'000	2022	2023
					RMB'000	RMB'000
					(unaudited)	
Salaries, wages, and other benefits		34,403	46,694	64,912	28,717	43,559
Contributions to defined contribution retirement plan	(i)	287	4,093	8,615	2,624	5,120
Share-based compensation expenses		–	–	–	–	13,654
Termination benefits		181	19	364	–	1,122
Subtotal		34,871	50,806	73,891	31,341	63,455

Note (i): Employees of the Group's subsidiaries in the Mainland China are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group's subsidiaries in Mainland China contribute funds which are calculated on certain percentages of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

(c) Other items

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Subcontracting costs	252,783	285,455	290,239	143,886	155,373
Technology and professional service fees	6,210	7,856	20,360	6,752	4,350
Depreciation and amortization charges					
– property, plant, and equipment	2,626	1,814	1,276	611	509
– right-of-use assets	1,803	2,327	4,439	1,517	3,431
– intangible assets	810	860	792	396	489
Impairment losses/(reversals)					
– trade receivables	330	(92)	2,213	2,036	3,950
– other receivables	440	(18)	342	(25)	(300)
Auditors' remuneration	7	13	7	7	31
Listing expenses	–	–	2,132	–	11,966

7 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

(a) Taxation in the consolidated statements of profit or loss:

	Note	Year ended December 31,			Six months ended	
		2020	2021	2022	2022	2023
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)	
Current tax						
– PRC Enterprise Income Tax (“EIT”) Provision for the year/period	22(a)	–	5,356	32,895	15,672	23,324
Deferred tax						
– (Origination)/ Reversal of temporary differences	22(b)	(4,271)	4,062	(1,181)	(876)	(3,143)
		<u>(4,271)</u>	<u>9,418</u>	<u>31,714</u>	<u>14,796</u>	<u>20,181</u>

(b) Reconciliation between tax (benefit)/expense and accounting profit at applicable tax rates:

	Note	Year ended December 31,			Six months ended	
		2020	2021	2022	2022	2023
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)	
Profit before taxation						
		<u>109,834</u>	<u>93,149</u>	<u>127,626</u>	<u>62,884</u>	<u>55,472</u>
Tax calculated at statutory tax rates applicable to profits in the respective jurisdictions						
		27,459	23,287	31,906	15,721	16,819
Tax effect of:						
Income not subject to tax	(i)	(30,453)	(13,442)	–	–	–
Non-deductible other expenses and loss		239	1,241	1,601	44	717
Super deduction for research and development expenses		(1,516)	(1,668)	(1,793)	(969)	(768)
Non-deductible share-based compensation expenses		–	–	–	–	3,413
		<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>3,413</u>
Actual income tax (benefit)/expense						
		<u>(4,271)</u>	<u>9,418</u>	<u>31,714</u>	<u>14,796</u>	<u>20,181</u>

Note:

- (i) Prior to the completion of the Reorganization within the Track Record Period, which is the year ended December 31, 2020 and the eleven months ended November 30, 2021, pledged vehicle monitoring service was operated by both the Division of Changjiu Industrial and Changjiu Jinfu. Regarding the portion of income arising from services operated by the Division of Changjiu Industrial, income tax liability was determined with respect to Changjiu Industrial as a whole. During such periods, Changjiu Industrial as a whole was loss-making after tax adjustments and therefore the relevant income generated by the Division of Changjiu industrial is “not subject to tax.”

Notes:

Cayman Islands

Under the current laws of the Cayman Islands, the Company is not subject to tax on either income or capital gain, the Cayman Islands does not impose a withholding tax on payments of dividends to shareholders.

Hong Kong

The Company's Hong Kong subsidiary, incorporated in July 2021, is subject to a profits tax rate of 8.25% for the first HKD2,000,000 of assessable profit and 16.5% for profit exceeding HKD2,000,000. No provision for Hong Kong profits tax was made as the Group had no estimated assessable profit that was subject to Hong Kong profits tax for the period from date of incorporation to December 31, 2021, the year ended December 31, 2022 and for the six months ended June 30, 2022 and 2023.

Mainland China

All subsidiaries established in Mainland China are subject to an income tax rate of 25%, according to the PRC Enterprise Income Tax Law (the “EIT Law”) for the years ended December 31, 2020, 2021 and 2022 and for the six months ended June 30, 2022 and 2023.

Withholding tax on undistributed dividends

The EIT law also imposes a withholding income tax of 10% on dividends distributed by a foreign investment enterprise (“FIE”) to its immediate holding company outside of Mainland China, if such immediate holding company is considered as a non-resident enterprise without any establishment or place within Mainland China or if the received dividends have no connection with the establishment or place of such immediate holding company within Mainland China, unless such immediate holding company's jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement. According to the arrangement between Mainland China and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion in August 2006, dividends paid by an FIE in Mainland China to its immediate holding company in Hong Kong will be subject to withholding tax at a rate of no more than 5% (if the foreign investor owns directly at least 25% of the shares of the FIE). The Company has not declared or paid, or planned to declare, any dividend to its shareholders from the profits generated during the years ended December 31, 2020, 2021 and 2022 and for the six months ended June 30, 2022 and 2023. Therefore, the Company has not recorded any withholding tax on any profits generated by the PRC Operation Entities.

8 DIRECTORS' EMOLUMENTS

Directors' emoluments during the Track Record Period are as follows:

	Year ended December 31, 2020					Total RMB'000
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Share-based compensation expenses RMB'000	
Executive directors						
Bo Shijiu	–	–	–	–	–	–
Li Guiping	–	–	–	–	–	–
Jia Hui	–	570	144	3	–	717
	–	570	144	3	–	717

Year ended December 31, 2021

	Directors' fees <i>RMB'000</i>	Salaries, allowances and benefits in kind <i>RMB'000</i>	Discretionary bonuses <i>RMB'000</i>	Retirement scheme contributions <i>RMB'000</i>	Share-based compensation expenses <i>RMB'000</i>	Total <i>RMB'000</i>
Executive directors						
Bo Shijiu	–	–	–	–	–	–
Li Guiping	–	–	–	–	–	–
Jia Hui	–	934	412	48	–	1,394
	–	934	412	48	–	1,394

Year ended December 31, 2022

	Directors' fees <i>RMB'000</i>	Salaries, allowances and benefits in kind <i>RMB'000</i>	Discretionary bonuses <i>RMB'000</i>	Retirement scheme contributions <i>RMB'000</i>	Share-based compensation expenses <i>RMB'000</i>	Total <i>RMB'000</i>
Executive directors						
Bo Shijiu	–	–	–	–	–	–
Li Guiping	–	–	–	–	–	–
Jia Hui	–	900	560	58	–	1,518
	–	900	560	58	–	1,518

Six months ended June 30, 2023

	Directors' fees <i>RMB'000</i>	Salaries, allowances and benefits in kind <i>RMB'000</i>	Discretionary bonuses <i>RMB'000</i>	Retirement scheme contributions <i>RMB'000</i>	Share-based compensation expenses <i>RMB'000</i>	Total <i>RMB'000</i>
Executive directors						
Bo Shijiu	–	1,025	–	26	–	1,051
Li Guiping	–	211	–	20	–	231
Jia Hui	–	447	280	31	1,605	2,363
Non-executive directors						
Jin Ting	–	–	–	–	–	–
	–	1,683	280	77	1,605	3,645

	Six months ended June 30, 2022 (unaudited)					Total RMB'000
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Share-based compensation expenses RMB'000	
Executive directors						
Bo Shijiu	–	–	–	–	–	–
Li Guiping	–	–	–	–	–	–
Jia Hui	–	449	280	27	–	756
	–	449	280	27	–	756

Notes:

- (i) Mr. Bo Shijiu and Ms. Li Guiping are the founders and key management personnel of the Group during the Track Record Period and were appointed as directors of the Company in June 2021. No remuneration had been paid to them for the periods from January 1, 2020 to December 31, 2022.
- (ii) Ms. Jia Hui is a key management personnel of the Group during the Track Record Period and was appointed as a director of the Company in April 2023. The remuneration disclosed above represented the compensation for her services as key management personnel.
- (iii) Jin Ting was appointed as non-executive director of the Company in April 2023. During the Track Record Period, no remuneration had been paid to her.
- (iv) During the Track Record Period, no emoluments were paid by the Group to the director as an inducement to join or upon joining the Group or as compensation for loss of office. No director of the Group waived or agreed to waive any emoluments during the Track Record Period.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The number of directors and non-directors included in the five highest paid individuals for the years ended December 31, 2020, 2021 and 2022 and for the six months ended June 30, 2022 and 2023 are set forth below:

	Years ended December 31,			Six months ended June 30	
	2020	2021	2022	2022 (unaudited)	2023
Director	1	1	1	1	1
Non-directors	4	4	4	4	4
	5	5	5	5	5

The emoluments of the directors are disclosed in Note 8. The aggregate of the emoluments in respect of the remaining highest paid individuals are as follows:

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Salaries, allowances, and benefits in kind	1,404	2,214	3,090	1,545	1,462
Discretionary bonuses	768	623	175	88	124
Share-based compensation expenses	–	–	–	–	3,448
Retirement scheme contributions	15	186	191	95	112
Total	<u>2,187</u>	<u>3,023</u>	<u>3,456</u>	<u>1,728</u>	<u>5,146</u>

The emoluments of the other individuals with the highest emoluments are all within the following bands:

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	Number of individuals	Number of individuals	Number of individuals	Number of individuals	Number of individuals
				(unaudited)	
Nil – HKD1,000,000	4	3	2	4	–
HKD1,000,001 – HKD1,500,000	–	1	2	–	3
HKD1,500,001 – HKD2,000,000	–	–	–	–	1

10 EARNINGS PER SHARE

(a) Basic earnings per share

The basic earnings per share is calculated by dividing the profit attributable to ordinary equity shareholders of the Company by the weighted average number of ordinary shares in issue or deemed to be in issue during the Track Record Period. The profit attributable to restricted shares held for the Pre-IPO Restricted Share Plan (see Note 23) and the number of such shares have been excluded from the calculation of basic earnings per share.

For the purpose of calculating earnings per share, the weighted average number of ordinary shares in issue or deemed to be in issue were determined as if the Reorganization as described in Note 1 and share subdivision on February 15, 2023 whereby each ordinary share was subdivided into 1,500,000 ordinary shares as described in Note 24(a) had occurred on January 1, 2020.

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
				<i>(unaudited)</i>	
Profit attributable to equity shareholders of the Company (RMB'000)	114,105	83,731	95,877	48,053	35,291
Less: profit attributable to grantees of the Pre-IPO Restricted Share Plan	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(242)</u>
Profit attributable to ordinary equity shareholders of the Company (RMB'000)	114,105	83,731	95,877	48,053	35,049
Weighted average number of ordinary shares in issue or deemed to be in issue <i>(Note 24(a))</i>	<u>150,000,000</u>	<u>150,000,000</u>	<u>150,000,000</u>	<u>150,000,000</u>	<u>150,000,000</u>
Basic earnings per share attributable to ordinary equity shareholders of the Company (in RMB per share)	<u>0.76</u>	<u>0.56</u>	<u>0.64</u>	<u>0.32</u>	<u>0.23</u>

(b) Diluted earnings per share

There were no dilutive potential ordinary shares in issue during the Track Record Period. Therefore, diluted earnings per share for the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023 were the same as basic earnings per share of the respective periods.

11 PROPERTY, PLANT AND EQUIPMENT

	Electronic equipment <i>RMB'000</i>	Office equipment <i>RMB'000</i>	Total <i>RMB'000</i>
Cost:			
As of January 1, 2020	16,506	8,082	24,588
Additions	516	443	959
Disposals	(1,303)	(122)	(1,425)
	<u>15,719</u>	<u>8,403</u>	<u>24,122</u>
As of December 31, 2020/January 1, 2021	15,719	8,403	24,122
Additions	784	329	1,113
Disposals	(2)	–	(2)
	<u>16,501</u>	<u>8,732</u>	<u>25,233</u>
As of December 31, 2021/January 1, 2022	16,501	8,732	25,233
Additions	419	605	1,024
	<u>16,920</u>	<u>9,337</u>	<u>26,257</u>
As of December 31, 2022/January 1, 2023	16,920	9,337	26,257
Additions	146	1	147
	<u>17,066</u>	<u>9,338</u>	<u>26,404</u>
As of June 30, 2023	----- 17,066	----- 9,338	----- 26,404
Accumulated depreciation:			
As of January 1, 2020	(13,525)	(5,595)	(19,120)
Charge for the year	(1,694)	(932)	(2,626)
Disposals	1,263	104	1,367
	<u>(13,956)</u>	<u>(6,423)</u>	<u>(20,379)</u>
As of December 31, 2020/January 1, 2021	(13,956)	(6,423)	(20,379)
Charge for the year	(993)	(821)	(1,814)
Disposals	2	–	2
	<u>(14,947)</u>	<u>(7,244)</u>	<u>(22,191)</u>
As of December 31, 2021/January 1, 2022	(14,947)	(7,244)	(22,191)
Charge for the year	(717)	(559)	(1,276)
	<u>(15,664)</u>	<u>(7,803)</u>	<u>(23,467)</u>
As of December 31, 2022/January 1, 2023	(15,664)	(7,803)	(23,467)
Charge for the period	(295)	(214)	(509)
	<u>(15,959)</u>	<u>(8,017)</u>	<u>(23,976)</u>
As of June 30, 2023	----- (15,959)	----- (8,017)	----- (23,976)
Net book value:			
As of December 31, 2020	<u>1,763</u>	<u>1,980</u>	<u>3,743</u>
As of December 31, 2021	<u>1,554</u>	<u>1,488</u>	<u>3,042</u>
As of December 31, 2022	<u>1,256</u>	<u>1,534</u>	<u>2,790</u>
As of June 30, 2023	<u>1,107</u>	<u>1,321</u>	<u>2,428</u>

12 INTANGIBLE ASSETS

	<i>Note</i>	Software <i>RMB'000</i>
Cost:		
As of January 1, 2020		7,459
Additions		<u>—</u>
As of December 31, 2020/January 1, 2021		7,459
Additions		<u>—</u>
As of December 31, 2021/January 1, 2022		7,459
Additions		<u>—</u>
As of December 31, 2022/January 1, 2023		7,459
Additions	<i>(i)</i>	<u>5,663</u>
As of June 30, 2023		<u><u>13,122</u></u>
Accumulated amortization:		
As of January 1, 2020		(1,585)
Charge for the year		<u>(810)</u>
As of December 31, 2020/January 1, 2021		(2,395)
Charge for the year		<u>(860)</u>
As of December 31, 2021/January 1, 2022		(3,255)
Charge for the year		<u>(792)</u>
As of December 31, 2022/January 1, 2023		(4,047)
Charge for the period		<u>(489)</u>
As of June 30, 2023		<u><u>(4,536)</u></u>
Net book value:		
As of December 31, 2020		<u><u>5,064</u></u>
As of December 31, 2021		<u><u>4,204</u></u>
As of December 31, 2022		<u><u>3,412</u></u>
As of June 30, 2023		<u><u>8,586</u></u>

Note (i): The addition of intangible asset with amount of RMB5.7 million is purchased from a related party and settled by offsetting the amount due from the related party.

13 RIGHT-OF-USE ASSETS

	As of December 31			As of
	2020	2021	2022	June 30,
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Cost:				
As of January 1,	2,067	2,467	8,770	12,297
Inception of leases	400	6,303	9,830	7,844
Expiration of leases	—	—	(6,303)	(62)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
As of December 31/June 30,	2,467	8,770	12,297	20,079
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Accumulated depreciation:				
As of January 1,	—	(1,803)	(4,130)	(6,468)
Charge for year/period	(1,803)	(2,327)	(4,439)	(3,431)
Expiration of leases	—	—	2,101	—
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
As of December 31/June 30,	(1,803)	(4,130)	(6,468)	(9,899)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net book value:				
As of December 31/June 30,	<u> 664</u>	<u> 4,640</u>	<u> 5,829</u>	<u> 10,180</u>

14 INVESTMENT IN SUBSIDIARIES

	Note	As of December 31,		As of
		2021	2022	June 30,
		RMB'000	RMB'000	2023
				RMB'000
Investment in a subsidiary	(i)	—	—	—
Deemed investment arising from share-based compensation	(ii)	—	—	13,654
		<u> </u>	<u> </u>	<u> </u>
Total		<u> </u>	<u> </u>	<u> 13,654</u>

Note:

- (i): The share capital of the subsidiary directly held by the Company was not paid up as of June 30, 2023.
- (ii): The amount represents share-based compensation expenses arising from the grant of share options and restricted shares of the Company to certain employees of the subsidiaries in exchange for their services provided to these subsidiaries, which were deemed to be investments made by the Company into these subsidiaries.

15 TRADE RECEIVABLES

	Note	As of December 31,			As of
		2020	2021	2022	June 30,
		RMB'000	RMB'000	RMB'000	2023
					RMB'000
Trade receivables					
– third parties		40,714	56,902	94,948	170,319
– related parties	26(d)	243	3,860	9,284	16,335
Less: loss allowance		(993)	(901)	(2,921)	(6,871)
Trade receivables, net		39,964	59,861	101,311	179,783

The balance of trade receivables with related parties is trade in nature.

The Group's trade receivable from financial institutions with carrying values of approximately RMB165.1 million as of June 30, 2023 were pledged to secure certain bank loans granted to the Group (Note 18).

Ageing analysis

As of the end of each reporting period, the ageing analysis of trade receivables, based on the transaction date and net of loss allowance, is as follows:

	As of December 31,			As of
	2020	2021	2022	June 30,
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Within 3 months (inclusive)	33,122	53,055	82,032	98,566
3 months to 6 months (inclusive)	4,202	4,558	11,190	57,382
6 months to 1 year (inclusive)	1,656	1,625	7,862	22,251
Over 1 year	1,977	1,524	3,148	8,455
Less: loss allowance	(993)	(901)	(2,921)	(6,871)
Trade receivables, net	39,964	59,861	101,311	179,783

Further details on the Group's credit policy and credit risk arising from trade receivables are set out in Note 25(a).

16 PREPAID EXPENSES AND OTHER CURRENT ASSETS

The Group

	Note	As of December 31,			As of
		2020	2021	2022	June 30,
		RMB'000	RMB'000	RMB'000	2023
					RMB'000
Amounts due from related parties	26(d)	148,303	139,813	25,179	5,265
Prepaid expenses		96	14	605	5,191
Deposits		791	1,103	287	307
Prepaid income tax		–	–	898	898
Loan to a third party	(i)	–	4,800	–	–
Less: loss allowance		(440)	(422)	–	–
Total		148,750	145,308	26,969	11,661

Note (i): Represents a loan to a third party with interest rate of 6.000% per annum in 2021, and the loan was fully repaid in June 2022.

The balance of amount due from related parties is non-trade in nature and was settled in November 2023.

Movement in the loss allowance account in respect of financial assets measured at amortized cost during the year/period is as follows:

	Year ended December 31,			Six months ended
	2020	2021	2022	June 30, 2023
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1,	–	440	422	–
Loss allowance recognized/(reversed) during the year/period	440	(18)	342	(300)
Written off	–	–	(764)	–
Recovery	–	–	–	300
	<u>–</u>	<u>–</u>	<u>–</u>	<u>300</u>
Balance as of December 31/June 30	<u>440</u>	<u>422</u>	<u>–</u>	<u>–</u>

The Company

As of June 30, 2023, the prepaid expenses and other current assets primarily consists of capitalized amount of the listing expenses and will be deducted from equity upon the Listing.

17 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

The Group

	As of December 31,			As of
	2020	2021	2022	June 30, 2023
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at banks	<u>89</u>	<u>1,533</u>	<u>119,341</u>	<u>72,395</u>

The Company

	As of December 31,		As of
	2021	2022	June 30, 2023
	RMB'000	RMB'000	RMB'000
Cash at banks	<u>–</u>	<u>–</u>	<u>4,536</u>

(b) Reconciliation of profit before taxation to cash generated from operations:

	Note	Year ended December 31,			Six months ended June 30,	
		2020	2021	2022	2022	2023
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit before taxation		109,834	93,149	127,626	62,884	55,472
<i>Adjustments for:</i>						
Depreciation of property, plant, and equipment		2,626	1,814	1,276	611	509
Depreciation of right-of-use assets		1,803	2,327	4,439	1,517	3,431
Amortization of intangible assets		810	860	792	396	489
Net exchange gains		–	–	–	–	(171)
Impairment losses/(reversals)		770	(110)	2,555	2,011	3,650
Finance cost		896	2,983	3,298	1,217	1,540
Non-refundable earnest money for an unconsummated investment	(i)	–	10,000	–	–	–
Share-based compensation expenses	23	–	–	–	–	13,654
Operating profit before changes in working capital		116,739	111,023	139,986	68,636	78,574
Changes in working capital						
Decrease/(increase) in trade receivables		3,254	(19,805)	(43,663)	(68,805)	(82,422)
Decrease/(increase) in prepaid expenses and other current assets		1,229	(227)	(109)	(537)	(826)
Increase/(decrease) in trade payables		2,204	(272)	3,038	602	(2,019)
Increase/(decrease) in contract liabilities		2,695	16,769	(10,503)	(16,436)	(8,255)
(Decrease)/increase in accrued expenses and other liabilities		(1,894)	8,888	8,606	10,094	9,463
Net cash generated from/(used in) operations		124,227	116,376	97,355	(6,446)	(5,485)

Note (i): Changjiu Jinfu entered an investment contract with third parties in 2021 and paid RMB10.0 million as performance deposit. The transaction was subsequently cancelled by Changjiu Jinfu and the performance deposit was non-refundable according to the contract.

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

	Bank loans <i>RMB'000</i>	Lease liabilities <i>RMB'000</i>	Total <i>RMB'000</i>
As of January 1, 2020	–	2,067	2,067
Changes from financing cash flows:			
Proceed from bank loans	50,000	–	50,000
Interest paid	(817)	–	(817)
Payment of lease liabilities	–	(1,931)	(1,931)
Other changes:			
Increase in lease liabilities	–	400	400
Interest expenses	817	79	896
As of December 31, 2020/January 1, 2021	50,000	615	50,615
Changes from financing cash flows:			
Proceed from bank loans	50,000	–	50,000
Repayment of bank loans	(50,000)	–	(50,000)
Interest paid	(2,712)	–	(2,712)
Payment of lease liabilities	–	(2,496)	(2,496)
Other changes:			
Increase in lease liabilities	–	6,303	6,303
Interest expenses	2,712	271	2,983
As of December 31, 2021/January 1, 2022	50,000	4,693	54,693
Changes from financing cash flows:			
Proceed from bank loans	75,000	–	75,000
Repayment of bank loans	(50,000)	–	(50,000)
Interest paid	(3,174)	–	(3,174)
Payment of lease liabilities	–	(4,108)	(4,108)
Other changes:			
Increase in lease liabilities	–	9,830	9,830
Expiration of leases	–	(4,296)	(4,296)
Interest expenses	3,174	298	3,472
As of December 31, 2022	<u>75,000</u>	<u>6,417</u>	<u>81,417</u>
As of January 1, 2023	75,000	6,417	81,417
Changes from financing cash flows:			
Proceed from bank loans	35,000	–	35,000
Repayment of bank loans	(75,000)	–	(75,000)
Interest paid	(1,219)	–	(1,219)
Payment of lease liabilities	–	(92)	(92)
Other changes:			
Increase in lease liabilities	–	7,844	7,844
Expiration of leases	–	(62)	(62)
Interest expenses	1,219	321	1,540
As of June 30, 2023	<u>35,000</u>	<u>14,428</u>	<u>49,428</u>

(Unaudited)	Bank loans <i>RMB'000</i>	Lease liabilities <i>RMB'000</i>	Total <i>RMB'000</i>
As of January 1, 2022	50,000	4,693	54,693
Changes from financing cash flows:			
Proceed from bank loans	38,699	–	38,699
Interest paid	(1,274)	–	(1,274)
Payment of lease liabilities	–	(98)	(98)
Other changes:			
Increase in lease liabilities	–	9,830	9,830
Expiration of leases	–	(4,296)	(4,296)
Interest expenses	1,274	117	1,391
As of June 30, 2022	<u>88,699</u>	<u>10,246</u>	<u>98,945</u>

18 BANK LOANS

	As of December 31,			As of
	2020 <i>RMB'000</i>	2021 <i>RMB'000</i>	2022 <i>RMB'000</i>	June 30, 2023 <i>RMB'000</i>
Bank loans	<u>50,000</u>	<u>50,000</u>	<u>75,000</u>	<u>35,000</u>

The Group borrowed short-term loans of RMB50.0 million, RMB50.0 million and RMB75.0 million under facility agreements at the interest rate of 5.655% per annum, 4.600% per annum and 4.600% per annum, respectively as of December 31, 2020, 2021 and 2022. The loans are all guaranteed by Ultimate Controlling Shareholders and Changjiu Industrial, which are related parties of the Group. The bank loans as of December 31, 2022 were fully repaid and guarantee was released in April 2023.

The Group entered into a new facility agreement with a commercial bank in the PRC for a line of credit of RMB60.0 million for one year in April 2023. The agreement is pledged by the Group's trade receivables from financial institutions with an initial amount of RMB89.2 million and changed from time to time. The Group borrowed RMB35.0 million under the agreement at the interest rate of 4.600% per annum as of June 30, 2023.

19 TRADE PAYABLES

	<i>Note</i>	As of December 31,			As of
		2020 <i>RMB'000</i>	2021 <i>RMB'000</i>	2022 <i>RMB'000</i>	June 30, 2023 <i>RMB'000</i>
Trade payables					
– third parties		25,071	25,469	28,507	26,488
– related party	26(d)	670	–	–	–
		<u>25,741</u>	<u>25,469</u>	<u>28,507</u>	<u>26,488</u>

The balance of trade payables with related parties is trade in nature.

As of the end of each reporting period, the ageing analysis of trade payables based on the invoice date, is as follows:

	As of December 31,			As of
	2020	2021	2022	June 30,
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Within 6 months	25,728	25,469	28,507	26,488
6 months to 1 year	13	–	–	–
	<u>25,741</u>	<u>25,469</u>	<u>28,507</u>	<u>26,488</u>

All of the trade payables are expected to be settled within one year or are repayable on demand.

20 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

The Group

	Note	As of December 31,			As of
		2020	2021	2022	June 30,
		RMB'000	RMB'000	RMB'000	2023
					RMB'000
Other payables to customers	(i)	13,983	20,167	26,634	34,880
Accrued payroll and welfare		5,838	9,152	15,209	12,429
Value-Added Tax and surcharges payable		15,757	13,837	10,168	10,174
Deposit received from third parties		3,179	2,933	2,603	2,535
Amounts due to related parties	26(d)	1,301	1,301	1,301	2,391
Restricted shares repurchase liability	23	–	–	–	4,325
Accrued listing expenses		–	–	–	4,043
Others		460	2,016	2,097	1,023
Total		<u>40,518</u>	<u>49,406</u>	<u>58,012</u>	<u>71,800</u>

Note (i): Other payables to customers primarily represent advance payment of pledged vehicle monitoring service received from automobile dealerships which had terminated their financing relationship with financial institutions or automobile dealerships whose obligation to pay service fee has been transferred to financial institutions during the service period. The Group is obligated to refund the amounts when demanded.

The balance of amounts due to related parties is trade in nature.

All of the accrued expenses and other current liabilities are expected to be settled within one year or are repayable on demand.

The Company

	<i>Note</i>	As of December 31,		As of
		2021	2022	June 30,
		<i>RMB'000</i>	<i>RMB'000</i>	2023
				<i>RMB'000</i>
Amounts due to subsidiaries		–	2,656	12,965
Restricted shares repurchase liability	23	–	–	4,325
Accrued listing expenses		–	–	4,043
		<u>–</u>	<u>2,656</u>	<u>4,043</u>
Total		<u>–</u>	<u>2,656</u>	<u>21,333</u>

The amounts due to subsidiaries are non-trade nature, which are unsecured and repayable on demand.

21 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of each reporting period:

	As of December 31,			As of
	2020	2021	2022	June 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2023
				<i>RMB'000</i>
Maturity analysis-contractual undiscounted cash flows				
Within 1 year or on demand	247	2,500	6,515	7,609
More than 1 year but less than 2 years	250	2,356	65	7,475
More than 2 years but less than 5 years	171	65	–	–
	<u>668</u>	<u>4,921</u>	<u>6,580</u>	<u>15,084</u>
Total undiscounted lease liabilities	668	4,921	6,580	15,084
Less: total future interest expenses	(53)	(228)	(163)	(656)
	<u>615</u>	<u>4,693</u>	<u>6,417</u>	<u>14,428</u>
Present value of lease liabilities				
Lease liabilities included in the consolidated statements of financial position				
Current	218	2,334	6,353	7,120
Non-current	397	2,359	64	7,308
	<u>615</u>	<u>4,693</u>	<u>6,417</u>	<u>14,428</u>
Present value of lease liabilities	<u>615</u>	<u>4,693</u>	<u>6,417</u>	<u>14,428</u>

	Year ended December 31,			Six months ended June 30,	
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2022 RMB'000	2023 RMB'000
Amounts recognized in profit or loss					
Interest on lease liabilities	79	271	298	117	321
Amounts recognized in the consolidated statements of cash flows					
Total cash flow for leases	1,931	2,496	4,108	98	92

22 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(a) Current taxation in the consolidated statements of financial position represents:

Reconciliation to the consolidated statements of financial position:

	Note	Year ended December 31,			Six months ended
		2020 RMB'000	2021 RMB'000	2022 RMB'000	June 30, 2023 RMB'000
Balance as of January 1		–	–	3,712	22,180
Provision for current income tax for the year/period	7(a)	–	5,356	32,895	23,324
Payment during the year/period		–	(1,644)	(14,427)	(15,270)
Balance as of December 31/June 30		–	3,712	22,180	30,234

(b) Deferred tax assets and liabilities recognized

(i) Movement of each component of deferred tax assets and liabilities

The components of deferred tax assets/(liabilities) recognized in the consolidated statements of financial position and the movements during the year/period are as follows:

Deferred tax arising from:	Deductible accumulative losses RMB'000	Impairment losses RMB'000	Lease liabilities and others RMB'000	Total deferred tax assets RMB'000	Depreciation of right of use assets RMB'000	Total deferred tax liabilities RMB'000	Net RMB'000
As of January 1, 2020	–	122	–	122	–	–	122
Credited/(charged) to profit or loss (Note 7(a))	4,146	137	154	4,437	(166)	(166)	4,271
As of December 31, 2020 and January 1, 2021	4,146	259	154	4,559	(166)	(166)	4,393

	Deductible accumulative losses RMB'000	Impairment losses RMB'000	Lease liabilities and others RMB'000	Total deferred tax assets RMB'000	Depreciation of right of use assets RMB'000	Total deferred tax liabilities RMB'000	Net RMB'000
Deferred tax arising from:							
Credited/(charged) to profit or loss (Note 7(a))	(4,146)	71	1,007	(3,068)	(994)	(994)	(4,062)
As of December 31, 2021 and January 1, 2022	–	330	1,161	1,491	(1,160)	(1,160)	331
Credited/(charged) to profit or loss (Note 7(a))	668	366	444	1,478	(297)	(297)	1,181
As of December 31, 2022 and January 1, 2023	668	696	1,605	2,969	(1,457)	(1,457)	1,512
Credited/(charged) to profit or loss (Note 7(a))	1,364	864	2,003	4,231	(1,088)	(1,088)	3,143
As of June 30, 2023	2,032	1,560	3,608	7,200	(2,545)	(2,545)	4,655

(ii) *Reconciliation to the consolidated statements of financial position*

	As of December 31,			As of June 30,
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Total deferred tax assets	4,559	1,491	2,969	7,200
Total deferred tax liabilities	(166)	(1,160)	(1,457)	(2,545)
Net deferred tax assets recognized in the consolidated statement of financial position	4,393	331	1,512	4,655

23 Share-based compensation

During the Track Record Period, the Group has the following share-based compensation arrangements:

(i) Pre-IPO Restricted Share Plan

The Company adopted a restricted share plan (“Pre-IPO Restricted Share Plan”) and granted a total number of 1,620,000 restricted shares to one director and certain employees at a purchase price of RMB2.67 per share on March 7, 2023 through issuing shares to Yuanshenghe (Shanghai) Enterprise Management Partnership (Limited Partnership) (“the Restricted Share SPV”), which is a limited partnership with the grantees of the Pre-IPO Restricted Share Plan as the limited partners. The restricted shares would become unlocked in tranches from the grant date on specific service condition that the grantees remain in service and scheduled to be unlocked over four years without any performance condition requirements. Based on the schedules of the Pre-IPO Restricted Share Plan, 25% of restricted shares shall become unlocked upon each anniversary from the grant date thereafter of completed service.

For the locked restricted shares, if the service conditions are not fulfilled and the corresponding tranche of restricted shares granted cannot be unlocked, unlocked restricted shares will be repurchased at the initial purchase price paid by the grantees, or plus interest in an amount equal to 6% of the initial purchase price in certain condition. For the unlocked restricted shares, if the grantee's employment is terminated by the Group, the unlocked restricted shares held prior to the listing of the Company will be repurchased at the initial purchase price paid by the grantees. Movements in the number of restricted shares granted and the weighted average grant date fair value as follows:

	Number of restricted shares	Weighted average grant date fair value per share <i>RMB</i>	Remaining lock-up periods <i>Year</i>
Outstanding as of January 1, 2023	–	–	–
Granted during the period	1,620,000	10.17	
Outstanding as of June 30, 2023	1,620,000	10.17	2.19

Share-based compensation expenses related to Pre-IPO Restricted Share Plan is based on the grant date fair value of the restricted shares, and is recognized on a straight-line basis over the lock-up period of each tranches. The fair value of restricted shares at the grant date are determined by reference to the fair value of the underlying ordinary shares of the Company on the grant date, taking into account of the discount for lack of marketability and the purchase price. Discounted cash flow method was applied to determine the underlying equity value of the Company and the fair value of underlying ordinary shares. The grant date fair value of the restricted shares was determined with the assistance of an independent valuation firm.

(ii) Pre-IPO Share Option Plan

The Company adopted a share option plan ("Pre-IPO Share Option Plan") and granted a total number of 10,199,730 options to one director and certain employees with an exercise price of RMB6.67 pursuant to the Pre-IPO Share Option Plan on March 7, 2023. The grantees of the Pre-IPO Share Option Plan are required to satisfy certain vesting service and non-market performance conditions for the entitlements, and a maximum of 25% of the granted options are vested on each anniversary from the grant date subject to fulfilment of the respective vesting criteria.

Options granted typically expire in 10 years from the grant date. The options may be exercised at any time after they have vested subject to the terms of the award agreement and are exercisable for a maximum period of 10 years after the date of grant.

Share-based compensation expenses related Pre-IPO Share Option Plan is based on the grant date fair value of the share options and awards ultimately expected to vest, and is recognized on a straight-line basis over the vesting period of each tranches.

A summary of activities of the share options is presented as follows:

	Number of share options	Weighted average exercise price <i>RMB</i>	Weighted average remaining contractual term <i>Year</i>
Outstanding as of January 1, 2023	–	–	–
Granted during the period	10,199,730	6.67	
Forfeited during the period	(96,075)	6.67	
Outstanding as of June 30, 2023	10,103,655	6.67	9.69
Exercisable as of June 30, 2023	–	–	–

Fair value of share options

The fair value of share options was estimated using the binomial option-pricing model. The determination of estimated fair value of share options on the grant date is affected by the fair value of the Company's ordinary shares as well as assumptions regarding a number of complex and subjective variables. These variables include the expected volatility of the shares of the Company over the expected term of the awards, projected employee share option exercise behaviors, a risk-free interest rate and expected dividends, if any. The grant date fair values of the share options were determined with the assistance of an independent valuation firm.

Based on fair value of the underlying ordinary shares, the Group has used binomial option-pricing model to determine the fair value of the share options as of the grant date. Key assumptions are set as below:

As of grant date

Risk-free interest rates	2.9%
Expected term – years	10
Expected volatility	43.4%
Exercise multiple	2.2-2.8
Fair value of ordinary shares (RMB)	12.84
Exercise price (RMB)	6.67
Expected dividend yield	0.00%

The expected volatility was referenced to the average of daily historical share price volatility of comparable companies operating in similar industry of the Company. The valuation was based on the assumption that no dividends will be distributed.

The table below sets forth share-based compensation expenses recognized as staff costs in the consolidated statements of profit or loss for the Track Record Period:

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Pre-IPO Restricted Share Plan	–	–	–	–	2,568
Pre-IPO Share Option Plan	–	–	–	–	11,086
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>13,654</u>
Total	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>13,654</u>

As of June 30, 2023, the Company had received a total cash consideration of RMB4,325,400 of capital contribution from the grantees of Pre-IPO Restricted Share Plan, including RMB7 of new share capital and RMB4,325,393 of capital reserve. As the Company has the obligation to repurchase the granted restricted shares under above mentioned conditions, the Company recognizes a liability in full for the repurchase obligation and treats such restricted shares as treasury shares, recorded under the items of “Accrued expenses and other current liabilities” and “Treasury Shares” in the statements of financial position, respectively.

24 CAPITAL AND RESERVES

Movements in components of equity

The changes of each component of the Group's consolidated equity during the Track Record Period is set out in the consolidated statements of changes in equity. Details of changes in the Company's individual components of equity since its date of incorporation to June 30, 2023 are set out below:

	Share capital <i>RMB'000</i>	Treasury shares <i>RMB'000</i> <i>Note 23</i>	Capital reserve <i>RMB'000</i>	Accumulated loss <i>RMB'000</i>	Total <i>RMB'000</i>
Balance as of June 16, 2021 (Date of incorporation), December 31, 2021 and January 1, 2022	1	–	–	–	1
Net loss	–	–	–	(2,132)	(2,132)
Balance as of December 31, 2022 and January 1, 2023	1	–	–	(2,132)	(2,131)
Net loss	–	–	–	(11,800)	(11,800)
Share-based compensation	–	–	13,654	–	13,654
Shares issued under Pre-IPO Restricted Share Plan	*	(4,325)	4,325	–	–
Balance as of June 30, 2023	1	(4,325)	17,979	(13,932)	(277)

* less than RMB500.

(a) Share capital

The Company was incorporated in the Cayman Islands in June 2021 with an authorized share capital of USD50,000 divided into 50,000 shares with a par value of USD1.0 each. Upon incorporation, the Company issued 100 ordinary shares.

On February 15, 2023, the Company's issued and unissued 50,000 shares of a par value of USD1.0 each were subdivided into 75,000,000,000 shares with a par value of USD0.00000066667 each. As a result, the issued share capital of the Company became 150,000,000 shares of USD0.00000066667 par value each.

On March 7, 2023, the Company adopted the Pre-IPO Restricted Share Plan and granted a total number of 1,620,000 restricted shares with a par value of USD0.00000066667 each to one director and certain employees. As of June 30, 2023, the Company had received the capital contributions.

*(b) Nature and purpose of Reserves**(i) Capital reserves*

The capital reserves as of January 1, 2020, December 31, 2020 and 2021 represents the paid-in capital of Changjiu Jinfu prior to the completion of Reorganization. As of June 30, 2023, it primarily consisted of share-based compensation and capital premium arising from issuance of restricted shares (see Note 23).

(ii) *PRC statutory reserves*

According to the PRC Company Law, the PRC subsidiaries of the Group are required to transfer 10% of their profit after taxation (after offsetting the losses in the previous years), as determined under the People's Republic of China Generally Accepted Accounting Principles (PRC GAAP), to the statutory reserves until the reserve balance reaches 50% of their registered capital.

The transfer to this reserve must be made before distribution of a dividend to shareholders.

Statutory reserves fund can be used to cover previous years' losses, if any, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholdings, provided that the balance after such issue is not less than 25% of the registered capital.

(c) *Dividends*

No dividends have been declared or paid by the Company during the Track Record Period.

During the years ended December 31, 2020, 2021 and 2022 and six months ended June 30, 2023, Nil, RMB22.0 million, nil and nil were declared and paid by Changjiu Jinfu to its shareholders.

As described in Note 1, deemed distribution amounted to RMB115.2 million and RMB33.1 million for the year ended December 31, 2020 and 2021, respectively, represents the cash transferred to Changjiu Industrial.

(d) *Capital management*

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position and makes adjustments to the capital structure in light of changes in economic conditions.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

25 FINANCIAL RISK MANAGEMENT

Exposure to credit risk, liquidity risk, interest rate risk and foreign exchange risk arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practice used by the Group to manage these risks are described below.

(a) *Credit risk*

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks for which the Group considers having low credit risk.

The Group does not provide any guarantees which would expose the Group to credit risk.

Trade receivables

For trade receivables, the Group has policies in place to ensure that provision of service are made to customers with an appropriate credit history. The Group performs credit evaluation on individual customer based on various factors, including but not limited to: duration of business relationship with the customer, its past history of making payment, its current ability to pay and its financial position. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts, such as holding periodic meetings to discuss the status of trade receivables and timely communicating with relevant parties, and taking actions to collect due payments through various ways. Trade receivables collection ratio is also taken into account in the performance review of relevant staffs. In addition, the Group reviews regularly the recoverable amount of trade receivables to ensure that adequate impairment losses are made for irrecoverable amounts.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As of December 31, 2020, 2021 and 2022 and June 30, 2023, 34%, 34%, 32% and 34% of the total trade receivables was due from the Group's five largest customers.

To measure the expected credit losses ("ECLs") of trade receivables, trade receivables have been grouped based on shared credit risk characteristics and the aging. The directors of the Company consider the probability of default upon initial recognition of asset and whether there has been significant increase in credit risk on an ongoing basis during the Track Record Period. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as of December 31, 2020, 2021 and 2022 and June 30, 2023:

	As of December 31, 2020		
	Weighted average loss rate	Gross carrying amount RMB'000	Loss allowance RMB'000
Up to 3 months	0.44%	33,122	145
3 to 6 months	2.02%	4,202	85
6 to 12 months	10.81%	1,656	179
Over 1 year	29.54%	1,977	584
		<u>40,957</u>	<u>993</u>

	As of December 31, 2021		
	Weighted average loss rate	Gross carrying amount RMB'000	Loss allowance RMB'000
Up to 3 months	0.32%	53,055	172
3 to 6 months	1.43%	4,558	65
6 to 12 months	13.05%	1,625	212
Over 1 year	29.66%	1,524	452
		<u>60,762</u>	<u>901</u>

	As of December 31, 2022		
	Weighted average loss rate	Gross carrying amount RMB'000	Loss allowance RMB'000
Up to 3 months	0.47%	82,032	384
3 to 6 months	1.84%	11,190	206
6 to 12 months	9.91%	7,862	779
Over 1 year	49.30% ⁽ⁱ⁾	3,148	1,552
		<u>104,232</u>	<u>2,921</u>

	As of June 30, 2023		
	Weighted average loss rate	Gross carrying amount <i>RMB'000</i>	Loss allowance <i>RMB'000</i>
Up to 3 months	0.66%	98,566	654
3 to 6 months	1.85%	57,382	1,060
6 to 12 months	6.92%	22,251	1,539
Over 1 year	42.79%	8,455	3,618
		186,654	6,871
		186,654	6,871

Expected loss rates are based on actual loss experience over the past recent years since January 1, 2020. These rates are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Note (i): Since the credit risk of one customer increased significantly in 2022, the trade receivables due from such customer aged over 1 year as of December 31, 2022 with amount of RMB 0.7 million was individually assessed to be fully impaired. The impairment was made based on the Group's assessment on the deteriorated business and operation performance of such customer.

Movement in the loss allowance account in respect of trade receivables during the year/period is as follows:

	Year ended December 31,			Six months ended
	2020 <i>RMB'000</i>	2021 <i>RMB'000</i>	2022 <i>RMB'000</i>	June 30, 2023 <i>RMB'000</i>
Balance as of January 1,	663	993	901	2,921
Losses allowance recognized/(reversed) during the year/period	330	(92)	2,213	3,950
Written off	–	–	(193)	–
Balance as of December 31/June 30	993	901	2,921	6,871

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirement and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of each of the reporting period of the Group's financial liabilities and lease liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of each of the reporting period) and the earliest date the Group can be required to pay:

As of December 31, 2020 contractual undiscounted cash outflow						
	Within 1 year or on demand <i>RMB'000</i>	More than 1 year but less than 2 years <i>RMB'000</i>	More than 2 years but less than 5 years <i>RMB'000</i>	More than 5 years <i>RMB'000</i>	Total <i>RMB'000</i>	Carrying amounts in the consolidated statement of financial position <i>RMB'000</i>
Bank loans	51,932	–	–	–	51,932	50,000
Trade payables	25,741	–	–	–	25,741	25,741
Financial liability included in accrued expenses and other current liabilities	18,923	–	–	–	18,923	18,923
Lease liabilities	247	250	171	–	668	615
	<u>96,843</u>	<u>250</u>	<u>171</u>	<u>–</u>	<u>97,264</u>	<u>95,279</u>
As of December 31, 2021 contractual undiscounted cash outflow						
	Within 1 year or on demand <i>RMB'000</i>	More than 1 year but less than 2 years <i>RMB'000</i>	More than 2 years but less than 5 years <i>RMB'000</i>	More than 5 years <i>RMB'000</i>	Total <i>RMB'000</i>	Carrying amounts in the consolidated statement of financial position <i>RMB'000</i>
Bank loans	51,559	–	–	–	51,559	50,000
Trade payables	25,469	–	–	–	25,469	25,469
Financial liability included in accrued expenses and other current liabilities	26,417	–	–	–	26,417	26,417
Lease liabilities	2,500	2,356	65	–	4,921	4,693
	<u>105,945</u>	<u>2,356</u>	<u>65</u>	<u>–</u>	<u>108,366</u>	<u>106,579</u>

As of December 31, 2022 contractual undiscounted cash outflow

	Within 1 year or on demand <i>RMB'000</i>	More than 1 year but less than 2 years <i>RMB'000</i>	More than 2 years but less than 5 years <i>RMB'000</i>	More than 5 years <i>RMB'000</i>	Total <i>RMB'000</i>	Carrying amounts in the consolidated statement of financial position <i>RMB'000</i>
Bank loans	76,751	–	–	–	76,751	75,000
Trade payables	28,507	–	–	–	28,507	28,507
Financial liability included in accrued expenses and other current liabilities	32,635	–	–	–	32,635	32,635
Lease liabilities	6,515	65	–	–	6,580	6,417
	<u>144,408</u>	<u>65</u>	<u>–</u>	<u>–</u>	<u>144,473</u>	<u>142,559</u>

As of June 30, 2023 contractual undiscounted cash outflow

	Within 1 year or on demand <i>RMB'000</i>	More than 1 year but less than 2 years <i>RMB'000</i>	More than 2 years but less than 5 years <i>RMB'000</i>	More than 5 years <i>RMB'000</i>	Total <i>RMB'000</i>	Carrying amounts in the consolidated statement of financial position <i>RMB'000</i>
Bank loans	36,377	–	–	–	36,377	35,000
Trade payables	26,488	–	–	–	26,488	26,488
Financial liability included in accrued expenses and other current liabilities	49,197	–	–	–	49,197	49,197
Lease liabilities	7,609	7,475	–	–	15,084	14,428
	<u>119,671</u>	<u>7,475</u>	<u>–</u>	<u>–</u>	<u>127,146</u>	<u>125,113</u>

(c) Interest rate risk

The Group's interest-bearing financial instruments at variable rates as of December 31, 2020, 2021 and 2022 and June 30, 2023 are the cash at banks, and the cash flow interest risk arising from the change of market interest rate on these balances of relatively short maturity is not considered significant. The Group's majority interest-bearing financial instruments at fixed interest rates as of December 31, 2020, 2021 and 2022 and June 30, 2023 are bank loans and lease liabilities that are measured at amortized cost, and the change of market interest rate does not expose the Group to significant interest risk.

Overall speaking, the Group's exposure to interest rate risk is not significant.

(d) Foreign exchange risk

As of December 31, 2020, 2021 and 2022, the Group is not exposed to significant foreign exchange risk since the Group doesn't have any financial assets or liabilities denominated in currencies other than the functional currencies.

As of June 30, 2023, the Group is exposed to foreign exchange risk primarily from cash and cash equivalents denominated in Hong Kong dollars ("HKD") with amount of RMB4.6 million. The following table indicates the instantaneous change in the Group's profit before taxation that would arise if foreign exchange rates which the Group has significant exposure at the end of each reporting period had changed at that date, assuming all other risk variables remained constant.

	Six months ended June 30, 2023
	<i>RMB'000</i>
5% appreciation of RMB (Decrease)/increase in profit before taxation for the period	(228)
5% depreciation of RMB Increase/(decrease) in profit before taxation for the period	228
	<u>228</u>

(e) Fair value measurement

The Group does not have any financial instruments measured at fair value as of December 31, 2020, 2021 and 2022 and June 30, 2023.

The carrying amounts of the Group's financial instruments carried at cost or amortized cost are not materially different from their fair values as of December 31, 2020, 2021 and 2022 and June 30, 2023.

26 RELATED PARTY TRANSACTIONS

The following significant transactions are carried out between the Group and its related parties during the Track Record Period.

(a) Names and relationships with related parties

The following individuals/companies are significant related parties of the Group that had transactions and/or balances with the Group during the Track Record Period.

Name of related parties	Relationship
Mr. Bo Shijiu and Ms. Li Guiping Changjiu Industrial (吉林省長久實業集團有限公司)	Ultimate Controlling Shareholders of the Company Entity controlled by Ultimate Controlling Shareholders
Jinjiu Yawei (Tianjin) Financial Leasing Co., Ltd (津久亞威(天津)融資租賃有限公司)	Entity controlled by Ultimate Controlling Shareholders
Derong International Finance Leasing Co., Ltd (德融國際融資租賃有限公司)	Entity controlled by Ultimate Controlling Shareholders
Guangxi Changjiu Vehicle Investment Co., Ltd. and its subsidiaries (廣西長久汽車投資有限公司)	Entities controlled by Ultimate Controlling Shareholders
Lingdong Qiheng Data Technology (Beijing) Co., Ltd (領動啟恒數據科技(北京)有限公司)	Entity controlled by Ms. Li Guiping
Xunruida Technology (Beijing) Co., Ltd (迅睿達科技(北京)有限公司)	Entity controlled by Ultimate Controlling Shareholders

The official names of all entities above are in Chinese. The English names are for identification purpose only.

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 8 and certain of the highest paid employees as disclosed in Note 9, is as follows:

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Salaries, allowances, and benefits in kind	570	934	2,201	1,099	3,145
Discretionary bonuses	144	412	728	364	364
Retirement scheme contributions	3	48	195	96	189
Share-based compensation expenses	—	—	—	—	5,053
Key management personnel remuneration	<u>717</u>	<u>1,394</u>	<u>3,124</u>	<u>1,559</u>	<u>8,751</u>

Total remuneration are included in “staff costs” (see Note 6(b)).

(c) Related parties' transactions

	Note	Year ended December 31,			Six months ended June 30,	
		2020	2021	2022	2022	2023
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)	
Technology service received from related parties		4,603	222	18,647	5,952	—
Operation service received from related parties		1,686	2,217	1,463	589	1,090
Automobile dealership operation management service provided to related parties		—	—	42,785	12,892	30,281
Pledged vehicle monitoring service provided to related parties	<i>i</i>	1,729	9,342	39,033	21,601	19,240
Impairment losses		—	—	1,085	—	—
Lease payment		1,942	2,453	4,205	—	—
Purchase intangible asset from a related party	<i>ii</i>	—	—	—	—	5,663
Net change of non-trade related amounts due from related parties		73,549	(8,490)	(114,634)	24,717	(19,914)

Notes

(i): As the rights and obligations under some agreements with some counterparties of the Relevant Business as described in Note 1 have not been transferred to the Group, then Changjiu Industrial entirely and exclusively entrusted such required service under all the above mentioned outstanding agreements with these counterparties to Changjiu Jinfu. Therefore, the related revenue was disclosed as related parties transactions.

(ii): Such purchase is settled by offsetting the amount due from the related party.

(d) Balance with Related parties:

	Note	As of December 31,			As of
		2020	2021	2022	June 30,
		RMB'000	RMB'000	RMB'000	2023
					RMB'000
Amounts due from related parties		148,546	143,673	33,378	20,515
– Trade related	15	243	3,860	8,199	15,250
– Non-trade related	16	148,303	139,813	25,179	5,265
Amounts due to related parties		1,971	1,301	1,301	2,391
– Trade related	19, 20	1,971	1,301	1,301	2,391
Contract Liabilities		–	6,723	5,732	4,031
– Trade related	4(a)(ii)	–	6,723	5,732	4,031

The non-trade related amounts due from related parties as of June 30, 2023, which are non-interest bearing and repayable on demand and was settled in November 2023.

(e) Guarantee provided by related party

As disclosed in Note 18, the bank loan of RMB50.0 million, RMB50.0 million and RMB75.0 million as of December 31, 2020, 2021 and 2022, respectively, were guaranteed by Mr. Bo Shijiu, Ms. Li Guiping and Changjiu Industrial. The guarantee was released in April 2023.

27 CAPITAL COMMITMENTS

	As of June 30, 2023 RMB'000
Contracted but not provided for in the Historical Financial Information	
Commitments in respect of	
– development/acquisition of intangible assets	14,750

28 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

As of June 30, 2023, the directors consider the immediate parent of the Company to be Advanced Limited, which is incorporated in the British Virgin Islands, and the ultimate controlling parties of the Company to be Mr. Bo Shijiu and Ms. Li Guiping.

29 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR AN ANNUAL PERIOD BEGINNING ON JANUARY 1, 2023

Up to the date of issue of the Historical Financial Information, the IASB has issued a number of amendments, new standards and interpretations which are not yet for an annual period beginning on January 1, 2023 and which have not been adopted in the Historical Financial Information. These include the following:

	Effective for accounting periods beginning on or after
Amendments to IAS 1, <i>Non-current Liabilities with Covenants</i>	1 January 2024
Amendments to IAS 1, <i>Classification Of Liabilities as Current or Non-current</i>	1 January 2024
Amendments IFRS 16, <i>Lease Liability a Sale and Leaseback</i>	1 January 2024
Amendments to IAS 7, <i>Statement of cash flows</i> and IFRS 7, <i>Financial instruments: disclosures “Supplier finance arrangements”</i>	1 January 2024
Amendments to IAS 21, <i>Lack of Exchangeability</i>	1 January 2025
Amendments to IFRS 10 and IAS 28, <i>Sales and contribution of Assets between an investor and its Associate or Joint Venture</i>	To be determined

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far the Group has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

30 SUBSEQUENT EVENTS

No significant subsequent events have occurred subsequent to June 30, 2023.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of its subsidiaries comprising the Group in respect of any period subsequent to June 30, 2023.

The information set out in this Appendix does not form part of the Accountants' Report from KPMG, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set out in Appendix I in this prospectus, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group is prepared in accordance with paragraph 4.29 of the Listing Rules and is set out below for the purpose of illustrating the effect of the Global Offering on the consolidated net tangible assets attributable to shareholders of the Company as if it had taken place on June 30, 2023. This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of our Group had the Global Offering been completed as of June 30, 2023 or at any future dates.

	Consolidated net tangible assets attributable to shareholders of the Company as of June 30, 2023	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted net tangible assets attributable to shareholders of the Company	Unaudited pro forma adjusted net tangible assets attributable to shareholders of the Company per Share	
	<i>RMB'000</i> <i>(Note 1)</i>	<i>RMB'000</i> <i>(Note 2)</i>	<i>RMB'000</i>	<i>RMB</i> <i>(Note 3)</i>	<i>HK\$</i> <i>(Note 4)</i>
Based on an Offer Price of HK\$5.95 per Share	52,484	242,564	295,048	1.47	1.62
Based on an Offer Price of HK\$7.90 per Share	52,484	329,055	381,539	1.90	2.09

Notes:

- The consolidated net tangible assets attributable to shareholders of the Company as of June 30, 2023 is based on the total equity attributable to shareholders of the Company of RMB61,070,000 as of June 30, 2023, after deduction of intangible assets of RMB8,586,000, as shown in the Accountants' Report as set out in Appendix I to this prospectus.

2. The estimated net proceeds from the Global Offering are based on the estimated Offer Prices of HK\$5.95 per Share or HK\$7.90 per Share, being the lower end price and higher end price of the indicative Offer Price range respectively, and the issuance of 50,540,000 Shares, after deduction of the underwriting fees and related listing expenses paid or payable by the Group (excluding the listing expenses charged to consolidated statements of profit or loss during the Track Record Period).

The estimated net proceeds from the Global Offering are converted into Renminbi at an exchange rate of HK\$1.00 to RMB0.90999 published by PBOC prevailing on December 20, 2023. No representation is made that Hong Kong dollar amounts have been, could have been or may be converted to Renminbi, or vice versa, at that rate or at any other rate or at all.

3. The unaudited pro forma adjusted net tangible assets attributable to shareholders of the Company per Share is arrived at after adjustments as described in note (2), and on the basis that 200,540,000 Shares were in issue (being 150,000,000 Shares in issue and outstanding as of June 30, 2023 and 50,540,000 Shares to be issued pursuant to the Global Offering), and does not take into account of: (i) the 1,620,000 restricted shares issued under the Pre-IPO Restricted Share Plan, which is accounted as treasury shares as shown in Note 23 to the Accountants' Report set out in Appendix I to this prospectus; and (ii) any Shares which may be issued upon exercise of the options granted under the Pre-IPO Share Option Plan, and any Shares that may be issued or bought back by the Company pursuant to the general mandates.
4. The unaudited pro forma adjusted net tangible assets attributable to shareholders of the Company per Share is converted into Hong Kong dollars at an exchange rate of HK\$1.00 to RMB0.90999 published by PBOC prevailing on December 20, 2023. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or at any other rate at all.
5. No adjustment has been made to reflect any trading results or other transactions of the Group subsequent to June 30, 2023.

B. REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this prospectus.

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF PRO FORMA FINANCIAL INFORMATION****TO THE DIRECTORS OF CHANGJIU HOLDINGS LIMITED**

We have completed our assurance engagement to report on the compilation of pro forma financial information of Changjiu Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as of June 30, 2023 and related notes as set out in Part A of Appendix II to the prospectus dated December 29, 2023 (the "Prospectus") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of the ordinary shares of the Company (the "Global Offering") on the Group's financial position as of June 30, 2023 as if the Global Offering had taken place at June 30, 2023. As part of this process, information about the Group's financial position as of June 30, 2023 has been extracted by the Directors from the Group's historical financial information included in the Accountants' Report as set out in Appendix I to the Prospectus.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Management 1 “Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements”, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements (“HKSAE”) 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as of June 30, 2023 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our procedures on the pro forma financial information have not been carried out in accordance with attestation standards or other standards and practices generally accepted in the United States of America, auditing standards of the Public Company Accounting Oversight Board (United States) or any overseas standards and accordingly should not be relied upon as if they had been carried out in accordance with those standards and practices.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

Opinion

In our opinion:

- (a) the pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group, and
- (c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG

Certified Public Accountants

Hong Kong

December 29, 2023

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 16 June 2021 under the Companies Act (As Revised) of the Cayman Islands (the “Companies Act”). The Company’s constitutional documents consist of its Memorandum of Association (the “Memorandum”) and its Articles of Association (the “Articles”).

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Act and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on December 11, 2023 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Act, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions

of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (including at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Companies Act in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant Share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year. The period of thirty (30) days may be extended for a further period or periods not exceeding thirty (30) days in respect of any year if approved by members by ordinary resolution.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Act and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

The board may accept the surrender for no consideration of any fully paid share.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director so appointed shall hold office only until the first annual general meeting of the Company after his appointment and shall then be eligible for re-election.

A Director (including a managing or other executive Director) may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

(aa) he resigns by notice in writing delivered to the Company;

(bb) he becomes of unsound mind or dies;

- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or
- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Act and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Act and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Act to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Act, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing

director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or past Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

The board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the

nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) the giving of any security or indemnity either:-
 - (aaa) to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries; or
 - (bbb) to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (bb) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (cc) any proposal or arrangement concerning the benefit of employees of the Company or its subsidiaries including:-
 - (aaa) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or
 - (bbb) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates to the Directors, his close associate(s) and employee(s) of the Company or any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates;

- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but

so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands. Votes (whether on a show of hands or by way of poll) may be cast by such means, electronic or otherwise, as the Directors or the chairman of the meeting may determine.

Any corporation which is a member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any general meeting of the Company or at any meeting of any class of members.

The person so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual member and such corporation shall for the purposes of the Articles be deemed to be present in person at any such meeting if a person so authorised is present thereat.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, the right to speak and to vote, and where a show of hands is allowed, the right to vote individually on a show of hands.

All members have the right to speak and vote at a general meeting except where a member is required, by the rules of the Stock Exchange, to abstain from voting to approve the matter under consideration.

Where the Company has any knowledge that any member is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings and extraordinary general meetings

The Company must hold an annual general meeting of the Company for each financial year and such general meeting must be held within six (6) months after the end of the Company's financial year unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more members holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings, on a one vote per share basis. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business or resolution specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

Notwithstanding any provisions in the Articles, any general meeting or any class meeting may be held by means of such telephone, electronic or other communication facilities as to permit all persons participating in the meeting to communicate with each other, and participation in such a meeting shall constitute presence at such meeting.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days. All other general meetings must be called by notice of at least fourteen (14) clear days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
 - (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
 - (cc) the election of directors in place of those retiring;
 - (dd) the appointment of auditors and other officers; and
 - (ee) the fixing of the remuneration of the directors and of the auditors.
- (v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy or, for quorum purposes only, two persons appointed by the clearing house as authorized representative or proxy, and entitled to vote. In respect of a separate class meeting (including an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy

as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Act or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall by ordinary resolution appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by ordinary resolution remove the auditor at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed and approved by the Company by an ordinary resolution passed at a general meeting or in such manner as the members may by ordinary resolution determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Act.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed

to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members maintained in Hong Kong shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Act or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to members of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

Unless otherwise provided by the Companies Act, a resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Act divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Act and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Act provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Act); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Act expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not to be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Act.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Act permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder

petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Act contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Act prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

The notice of registered office is a matter of public record. A list of the names of the current directors and alternate directors (if applicable) is made available by the Registrar of Companies of the Cayman Islands for inspection by any person on payment of a fee. The register of mortgages is open to inspection by creditors and members.

Members of the Company have no general right under the Companies Act to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. The register of members shall contain such particulars as required by Section 40 of the Companies Act. A branch register must be kept in the same manner in which a principal register is by the Companies Act required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar of Companies of the Cayman Islands within thirty (30) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, 25% or more of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by (i) a majority in number representing seventy-five per cent. (75%) in value of creditors, or (ii) seventy-five per cent. (75%) in value of shareholders or class of shareholders, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

The Companies Act also contains statutory provisions which provide that a company may present a petition to the Court for the appointment of a restructuring officer on the grounds that the company (a) is or is likely to become unable to pay its debts within the meaning of section 93 of the Companies Act; and (b) intends to present a compromise or arrangement to its creditors (or classes thereof) either, pursuant to the Companies Act, the law of a foreign country or by way of a consensual restructuring. The petition may be presented by a company

acting by its directors, without a resolution of its shareholders or an express power in its articles of association. On hearing such a petition, the Court may, among other things, make an order appointing a restructuring officer or make any other order as the Court thinks fit.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

(u) Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Act of the Cayman Islands ("ES Act") that came into force on 1 January 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Act. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Act.

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Act, is available for inspection as referred to in the paragraph headed "Documents Available on Display" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES**1. Incorporation**

Our Company was incorporated in the Cayman Islands under the Cayman Companies Act as an exempted company with limited liability on June 16, 2021. Our Company has established a place of business in Hong Kong at 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong, and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on March 30, 2023. Ms. TANG King Yin (鄧景賢) has been appointed as the authorized representative of our Company for the acceptance of service of process in Hong Kong. The address for service of process is 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong.

As our Company was incorporated in the Cayman Islands, it operates subject to the Cayman Companies Act and its constitution comprises the Memorandum and Articles of Association. A summary of the Memorandum and Articles of Association and relevant aspects of the company law of the Cayman Islands is set forth in “Appendix III—Summary of the Constitution of the Company and Cayman Islands Company Law.”

2. Changes in the Share Capital of Our Company

For the details of changes in the share capital of our Company, see “History, Reorganization and Corporate Structure.”

Immediately following the completion of the Global Offering (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Pre-IPO Share Options), the issued share capital of the Company will be US\$134.7740072 divided into 202,160,000 Shares, all fully paid or credited as fully paid.

Save as disclosed above, there has been no alteration in the share capital of our Company since its incorporation.

3. Resolutions in Writing of Our Shareholders Passed on December 11, 2023

Pursuant to the written resolutions passed by our Shareholders on December 11, 2023, it was resolved, among others:

- (a) our Company approved and adopted the Memorandum and Articles of Association, conditional upon and with effect from the Listing;

- (b) conditional on (i) the Stock Exchange granting the approval for the listing of, and permission to deal in, the Shares in issue and Shares to be issued (pursuant to the Global Offering and the exercise of the Pre-IPO Share Options) and such listing and permission not having been subsequently revoked prior to the commencement of dealings in the Shares on the Stock Exchange, (ii) the Offer Price being determined, (iii) the execution and delivery of the Underwriting Agreements and (iv) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Joint Sponsors and the Overall Coordinators (for themselves and on behalf of the Underwriters)) and remaining unconditional and the Underwriting Agreements not being terminated in accordance with their terms or otherwise:
- (i) the Global Offering was approved and our Directors were authorized to effect the same (including but not limited to, to agree the structure of the Global Offering, to increase or reduce the number of Shares initially offered for subscription in the Global Offering and to determine the Offer Price) and to allot and issue new Shares pursuant to the Global Offering; and
- (ii) the proposed Listing was approved and our Directors were authorized to implement the Listing.
- (c) a general unconditional mandate was granted to our Directors to, *inter alia*, allot, issue and deal with Shares, securities convertible into Shares (the “Convertible Securities”) or options, warrants or similar rights to subscribe for any Shares or such Convertible Securities (the “Options and Warrants”) and to make or grant offers, agreements or options which might require such Shares, the Convertible Securities or the Options and Warrants to be allotted and issued or dealt with at any time subject to the requirement that the aggregate number of the Shares or the underlying Shares relating to the Convertible Securities or the Options and Warrants so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, shall not exceed 20% of the aggregate number of Shares of our Company in issue immediately following the completion of the Global Offering (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Pre-IPO Share Options);

This mandate does not cover Shares to be allotted, issued or dealt with under a rights issue or scrip dividend scheme or similar arrangements or a specific authority granted by our Shareholders. Such mandate will remain in effect until the earliest of:

- (i) the conclusion of the next annual general meeting of our Company;
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws or the Memorandum and Articles of Associations; or
 - (iii) it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting,
- (d) a general unconditional mandate was granted to our Directors to exercise all powers of our Company to repurchase Shares with an aggregate number not exceeding 10% of the aggregate number of Shares of our Company in issue immediately following completion of the Global Offering (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Pre-IPO Share Options).

This mandate only relates to repurchase made on the Stock Exchange or on any other stock exchange on which the Shares may be listed (and which is recognized by the SFC and the Stock Exchange for this purpose) and which are in accordance with all applicable laws and regulations. Such mandate will remain in effect until the earliest of:

- (i) the conclusion of the next annual general meeting of our Company;
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws or the Memorandum and Articles of Association; or
 - (iii) it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting,
- (e) the general unconditional mandate as mentioned in paragraph (c) above was extended by the addition to the aggregate number of the Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of a number representing the aggregate number of the Shares purchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (d) above (up to 10% of the aggregate number of the Shares in issue immediately following the completion of the Global Offering (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Pre-IPO Share Options)).

4. Corporate Reorganization

The companies comprising our Group underwent the Reorganization in preparation for the Listing. See “History, Reorganization and Corporate Structure—Reorganization” for further details.

5. Changes in the Share Capital of Our Subsidiaries

A summary of the corporate information and the particulars of our subsidiaries are set out in the Accountants’ Report in Appendix I to this prospectus.

Save as disclosed in “History, Reorganization and Corporate Structure” and below, there has been no alteration in the share capital or the registered capital of any of our subsidiaries within the two years immediately preceding the date of this prospectus:

Shanghai Bozhong

On September 6, 2021, Shanghai Bozhong was established in the PRC with a registered capital of RMB3,000,000.

Changjiu Jinfu

On May 20, 2022, the registered capital of Changjiu Jinfu was increased from RMB100,000,000 to RMB101,010,100.

6. Repurchase of Shares by our Company

(a) Provisions of the Listing Rules

The Listing Rules permit companies whose primary listings are on the Main Board of the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

(i) Shareholders’ approval

All proposed repurchases of securities on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of shareholders, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to the resolutions in writing of our Shareholders passed on December 11, 2023, a general unconditional mandate (the “Repurchase Mandate”) was granted to our Directors authorizing the repurchase by our Company on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose,

of Shares with an aggregate number not exceeding 10% of the aggregate number of Shares of our Company in issue immediately following the completion of the Global Offering (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Pre-IPO Share Options), at any time until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by any applicable laws or the Memorandum and Articles of Association to be held or when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever is the earliest.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles of Association and the laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange as amended from time to time.

(iii) Trading restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of the company's shares in issue on the date the repurchase mandate is granted. A listed company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

The Listing Rules also prohibit a listed company from repurchasing its securities on the Stock Exchange if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange.

A listed company is required to procure that the broker appointed by it to effect a repurchase of securities disclose to the Stock Exchange such information with respect to the repurchase made on behalf of the listed company as the Stock Exchange may require.

(iv) Status of repurchased securities

The listing of all purchased securities (whether on the Stock Exchange or, otherwise) is automatically cancelled and the relative certificates must be cancelled and destroyed. Under the laws of the Cayman Islands, unless, prior to the purchase the directors of the company resolve to hold the shares purchased by the company as treasury shares, shares purchased by the company shall be treated as cancelled and the amount of the company's issued share capital shall be diminished by the nominal value of those shares. However, the purchase of shares will not be taken as reducing the amount of the authorised share capital under Cayman Companies Act.

(v) Suspension of Repurchase

A listed company may not make any repurchase of securities after inside information has come to its knowledge until the information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for a listed company to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement, the listed company may not repurchase its securities on the Stock Exchange other than in exceptional circumstances.

(vi) Reporting requirements

Certain information relating to the repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following Business Day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year reviewed, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate prices paid.

(vii) Core connected persons

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "core connected person," that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their respective close associates and a core connected person is prohibited from knowingly selling his securities to the company, on the Stock Exchange.

(b) *Reasons for repurchases*

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to receive the general authority from our Shareholders to repurchase Shares in the market. Repurchases of Shares will only be made when our Directors believe that such repurchases will be in the interest of our Company and our Shareholders. Such repurchases may, depending on market conditions, funding arrangements and other circumstances at the time, lead to an enhancement of the net value of our Company and its assets and/or its earnings per Share.

(c) *Funding of repurchases*

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Memorandum and Articles of Association and the applicable laws of the Cayman Islands.

Any payment for the repurchase of Shares will be drawn from the profits or share premium of our Company or from the proceeds of a fresh issue of shares made for the purpose of the repurchase and, in the case of any premium payable on the purchase over the par value of the Shares to be repurchased must be provided for, out of either or both of the profits of our Company or from sums standing to the credit of the share premium account of our Company. Subject to the Cayman Companies Act, a repurchase of Shares may also be paid out of capital.

Our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, under the circumstances, have a material adverse effect in the opinion of our Directors on the working capital requirements of our Company or its gearing levels. However, there might be a material adverse impact on the working capital or gearing position of our Company as compared with the position disclosed in this prospectus in the event that the Repurchase Mandate is exercised in full.

(d) *Share capital*

Exercise in full of the Repurchase Mandate, on the basis of 202,160,000 Shares in issue immediately after the listing of the Shares, could accordingly result in up to 20,216,000 Shares being repurchased by our Company during the period until the earlier of:

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws or the Memorandum and Articles of Association; or
- (iii) it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting.

(e) *General*

None of our Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their respective close associates (as defined in the Listing Rules), has any present intention to sell any Shares to our Company or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If as a result of a securities repurchase pursuant to the Repurchase Mandate, a Shareholders' proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder, or a group of Shareholders acting in concert, depending on the level of the increase of our Shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result. Save as aforesaid, our Directors are not aware of any consequences which may arise under the Takeovers Code if the Repurchase Mandate is exercised. Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than 25% of our Shares then in issue could only be implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances. No core connected person (as defined in the Listing Rules) of our Company has notified our Company that he/she or it has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts















The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by us within the two years preceding the date of this prospectus and are or may be material:

- (a) the Deed of Non-competition; and
- (b) the Hong Kong Underwriting Agreement.

2. Intellectual Property Rights of our Group

(a) Trademarks

As of the Latest Practicable Date, we were the registered owner of and had the right to use the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Place of registration	Registration number	Registered owner	Class	Registration date	Expiry date
1.		Hong Kong	305828437	Our Company	42	2021.12.10	2031.12.09
2.	长久数科	Hong Kong	305730750	Our Company	42	2021.08.27	2031.08.26
3.		PRC	43730880	Changjiu Jinfu	12	2020.11.14	2030.11.13
4.		PRC	43703248	Changjiu Jinfu	42	2020.11.07	2030.11.06
5.		PRC	43699657	Changjiu Jinfu	41	2020.11.07	2030.11.06
6.		PRC	43697731	Changjiu Jinfu	9	2020.11.07	2030.11.06
7.		PRC	43694991	Changjiu Jinfu	36	2020.10.28	2030.10.27
8.		PRC	43694708	Changjiu Jinfu	41	2021.01.14	2031.01.13
9.		PRC	43694037	Changjiu Jinfu	45	2020.11.07	2030.11.06
10.		PRC	43690986	Changjiu Jinfu	35	2020.11.07	2030.11.06
11.		PRC	43687723	Changjiu Jinfu	16	2020.11.07	2030.11.06
12.		PRC	43687679	Changjiu Jinfu	9	2020.11.07	2030.11.06
13.		PRC	43683026	Changjiu Jinfu	38	2020.11.07	2030.11.06
14.		PRC	43682699	Changjiu Jinfu	38	2020.11.07	2030.11.06
15.		PRC	43682695	Changjiu Jinfu	39	2020.11.07	2030.11.06
16.		PRC	43681457	Changjiu Jinfu	42	2020.11.07	2030.11.06

No.	Trademark	Place of registration	Registration number	Registered owner	Class	Registration date	Expiry date
17.	长久金孚	PRC	34561923	Changjiu Jinfu	36	2019.07.07	2029.07.06
18.	长久金孚	PRC	34554164	Changjiu Jinfu	42	2019.06.28	2029.06.27
19.	长久金孚	PRC	34539101	Changjiu Jinfu	35	2019.07.07	2029.07.06

(b) Patents

As of the Latest Practicable Date, we had registered the following patents which we consider to be or may be material to our business:

No.	Patent	Class	Registered owner	Patent number	Place of registration	Granted date	Expiry date
1.	OBD monitoring devices and systems (一種OBD監控裝置及系統)	Utility model	Changjiu Jinfu	ZL201820063928.8	PRC	2018.08.07	2028.01.15
2.	OBD bluetooth devices and systems of inventory taking (一種OBD藍牙盤庫裝置及系統)	Utility model	Changjiu Jinfu	ZL201820064172.9	PRC	2018.08.07	2028.01.15
3.	Bluetooth RFID UHF readers (一種藍牙RFID超高頻讀寫器)	Utility model	Changjiu Jinfu	ZL201820064020.9	PRC	2018.08.07	2028.01.15
4.	Custodial equipment (一種保管設備)	Utility model	Changjiu Jinfu	ZL202120500036.1	PRC	2021.12.24	2031.03.09
5.	Custodial equipment (一種保管設備)	Utility model	Changjiu Jinfu	ZL202120504298.5	PRC	2021.12.24	2031.03.09
6.	Access device (一種存取裝置)	Utility model	Changjiu Jinfu	ZL202120505220.5	PRC	2021.12.24	2031.03.09
7.	Rotary storage unit (一種回轉倉儲裝置)	Utility model	Changjiu Jinfu	ZL202120502009.8	PRC	2021.12.24	2031.03.09
8.	Custodial equipment (一種保管設備)	Utility model	Changjiu Jinfu	ZL202120505219.2	PRC	2021.12.24	2031.03.09
9.	Automatic vehicle VIN number reading system (一種車輛VIN碼自動讀取系統)	Utility model	Changjiu Jinfu	ZL202220081109.2	PRC	2022.07.01	2032.01.12

No.	Patent	Class	Registered owner	Patent number	Place of registration	Granted date	Expiry date
10.	Method and apparatus for generating passwords in batches (一種批量生成密碼的方法及裝置)	Invention	Changjiu Jinfu (as transferee)	ZL201310260471.1	PRC	2016.08.24	2033.06.26
11.	Remote controlled document storage cabinet (遠程可控檔案保管櫃)	Appearance design	Changjiu Jinfu (as transferee)	ZL201330291748.8	PRC	2014.01.29	2028.06.28

(c) *Copyrights*

As of the Latest Practicable Date, we had registered the following copyrights which we consider to be or may be material to our business:

(i) *Software copyrights*

No.	Copyright	Registered owner	Registration number	Place of registration	Registration date
1.	Equipment monitoring platform V1.0 (設備監控平台V1.0)	Changjiu Jinfu	2020SR1736384	PRC	2020.12.04
2.	Financial direct link management system V1.0 (金融直連管理系統V1.0)	Changjiu Jinfu	2020SR1736205	PRC	2020.12.04
3.	Business rules management system V1.0 (業務規則管理系統V1.0)	Changjiu Jinfu	2020SR1736204	PRC	2020.12.04
4.	Financial information management system V1.0 (金融資訊管理系統V1.0)	Changjiu Jinfu	2020SR1736206	PRC	2020.12.04
5.	VFS financial business platform (abbreviation: VFS) V1.0 (VFS金融業務平台 (簡稱:VFS) V1.0)	Changjiu Jinfu	2020SR1733595	PRC	2020.12.04
6.	Core warehouse inspection management platform V1.0 (巡核庫管理平台 V1.0)	Changjiu Jinfu	2020SR1706636	PRC	2020.12.02

No.	Copyright	Registered owner	Registration number	Place of registration	Registration date
7.	Business channel management system V1.0 (業務管道管理系統V1.0)	Changjiu Jinfu	2020SR1706642	PRC	2020.12.02
8.	Jiuchetong software V1.0 (久車通軟件V1.0)	Changjiu Jinfu	2020SR1706658	PRC	2020.12.02
9.	Changjiu inventory examination software V1.0 (長久庫審軟件V1.0)	Changjiu Jinfu	2020SR1706660	PRC	2020.12.02
10.	Business process management system V1.0 (業務流程管理系統V1.0)	Changjiu Jinfu	2020SR1706785	PRC	2020.12.02
11.	Supervisor management system V1.0 (監管員管理系統V1.0)	Changjiu Jinfu	2020SR1706661	PRC	2020.12.02
12.	Knowledge management platform V1.0 (知識管理平台V1.0)	Changjiu Jinfu	2020SR1706786	PRC	2020.12.02
13.	Project management platform V1.0 (專案管理平台V1.0)	Changjiu Jinfu	2020SR1706637	PRC	2020.12.02
14.	Pankubao software V1.0 (盤庫寶軟件V1.0)	Changjiu Jinfu	2020SR1706638	PRC	2020.12.02
15.	Shixianyuan training platform V1.0 (識賢院培訓平台V1.0)	Changjiu Jinfu	2020SR1706776	PRC	2020.12.02
16.	Jiuchetong software (Bank version) V1.0 (久車通銀行版軟件V1.0)	Changjiu Jinfu	2020SR1706803	PRC	2020.12.02
17.	Business operation management system V1.0 (業務操作管理系統V1.0)	Changjiu Jinfu	2020SR1706659	PRC	2020.12.02
18.	Distributor's inventory taking management system V1.0 (經銷商盤庫管理系統V1.0)	Changjiu Jinfu	2020SR1706632	PRC	2020.12.02
19.	Inventory taking management system V1.0 (盤庫管理系統V1.0)	Changjiu Jinfu	2020SR1706872	PRC	2020.12.02

<u>No.</u>	<u>Copyright</u>	<u>Registered owner</u>	<u>Registration number</u>	<u>Place of registration</u>	<u>Registration date</u>
20.	Document classification management system (abbreviation: JF-FMS) V1.0 (文件分類管理系統 (簡稱: JF-FMS) V1.0)	Changjiu Jinfu	2020SR1706802	PRC	2020.12.02

(ii) Artwork copyrights

<u>No.</u>	<u>Copyright</u>	<u>Registered owner</u>	<u>Registration number</u>	<u>Place of registration</u>	<u>Publication date</u>	<u>Registration date</u>
1.	Changjiu Jinfu (長久金孚)	Changjiu Jinfu	Guozuodengzi-2019-F-00711809	PRC	2018.02.13	2019.01.18

(d) Domain name

As of the Latest Practicable Date, we had registered the following domain name which we consider to be or may be material to our business:

<u>No.</u>	<u>Domain name</u>	<u>Registrant</u>	<u>Date of registration</u>	<u>Expiry date</u>
1.	cj-sxy.com	Changjiu Jinfu	2019.11.05	2026.11.05
2.	99digtech.com	Shanghai Bozhong	2023.03.07	2024.03.07 ⁽¹⁾

Note:

- (1) We plan to renew such domain name upon its expiry. Our PRC Legal Advisors are of the view that there is no material legal impediment in renewing such domain name upon its expiry in the future as long as we are in compliance with applicable PRC laws and regulations.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) Disclosure of interests – interests and short positions of our Directors and the chief executive of our Company in the Shares, underlying Shares and debentures of our Company and its associated corporations

Immediately following the completion of the Global Offering (without taking into account the Shares which may be allotted and issued pursuant to the exercise of the Pre-IPO Share Options), the interests or short positions of our Directors or chief executive of our Company in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to our Company and the Stock Exchange, once the Shares are listed, will be as follows:

(i) Interests in the Shares of our Company

Name of Director/ chief executive	Nature of interest	Number of Shares ⁽¹⁾	Approximate percentage of shareholding ⁽¹⁾
Ms. Li	Interest in controlled corporation ⁽²⁾	60,000,000	29.68%
	Interest of spouse/Interest of concert parties ⁽³⁾⁽⁴⁾	90,000,000	44.52%
Mr. Bo	Interest in controlled corporation ⁽⁵⁾	90,000,000	44.52%
	Interest of spouse/Interest of concert parties ⁽³⁾⁽⁴⁾	60,000,000	29.68%
Ms. Jia Hui (賈惠)	Interest in a controlled corporation ⁽⁶⁾	1,620,000	0.80%

Notes:

- (1) The percentage is for illustrative purpose only and is calculated based on the number of Shares in issue immediately following the completion of the Global Offering (without taking into account the Shares which may be allotted and issued upon the exercise of the Pre-IPO Share Options).

- (2) Ms. Li wholly owns Brightio Limited, which in turn wholly owns Bright Limited, therefore Ms. Li is deemed to be interested in the Shares directly held by Bright Limited by virtue of the SFO.
- (3) Ms. Li and Mr. Bo are the spouse of one another. Therefore, each of them is deemed to be interested in all the Shares the other party is interested in by virtue of the SFO.
- (4) Pursuant to a concert party confirmation dated March 1, 2023 entered into between Ms. Li and Mr. Bo, they have confirmed that they had and would continue to, for so long as they remain interested in the Shares, directly or indirectly, act in concert by aligning their votes at the shareholders' meetings of the Company. See "History, Reorganization and Corporation Structure—Concert Party Confirmation" for details. As such, Ms. Li and Mr. Bo, together with their wholly-owned companies, are all deemed to be interested in the total Shares directly held by Bright Limited, Advance Limited and Creation Limited by virtue of the SFO.
- (5) Mr. Bo wholly owns Advance Limited and CreateCube Limited, which in turn wholly own Advance Limited and Creation Limited, respectively, therefore Mr. Bo is deemed to be interested in the Shares directly held by Advance Limited and Creation Limited by virtue of the SFO.
- (6) Ms. Jia Hui is a limited partner of the Restricted Share SPV, in which she holds more than one-third of the partnership interest, therefore Ms. Jia Hui is deemed to be interested in the Shares directly held by the Restricted Share SPV by virtue of the SFO.

(ii) *Interest in underlying Shares of our Company*

<u>Name of Director</u>	<u>Nature of interest</u>	Number of underlying Shares subject to the Pre-IPO Share Options	Approximate percentage shareholding⁽¹⁾
Ms. Jia Hui	Beneficial interest	500,000	0.25%

Note:

- (1) The percentage is for illustrative purpose only and is calculated based on the number of Shares in issue immediately following the completion of the Global Offering (without taking into account the Shares which may be allotted and issued upon the exercise of the Pre-IPO Share Options).

(b) *Disclosure of interests – interests and short positions discloseable under Divisions 2 and 3 of the Part XV of the SFO*

Save as disclosed in "Substantial Shareholders," our Directors are not aware of any other person who will, immediately following the completion of the Global Offering (without taking into account the Shares which may be allotted and issued pursuant to the exercise of the Pre-IPO Share Options), have an interest or short position in the Shares or underlying Shares of our Company which are required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at the general meetings of our Company.

2. Particulars of Directors' Service Contracts and Letters of Appointment

Each of Ms. Li, Mr. Bo and Ms. Jia Hui (賈惠), being our executive Directors, has entered into a service contract with our Company, under which they agreed to act as executive Directors for an initial term of three years commencing from the Listing Date. The service contracts may be renewed in accordance with our Memorandum and Articles of Association and the applicable laws, rules and regulations.

Ms. Jin Ting (靳婷), being our non-executive Director, has entered into a letter of appointment with our Company, under which she agreed to act as a non-executive Director for an initial term of three years commencing from the Listing Date. The letter of appointment may be renewed in accordance with our Memorandum and Articles of Association and the applicable laws, rules and regulations.

Each of Mr. Dong Yang (董揚), Mr. Shen Jinjun (沈進軍) and Mr. Wang Fukuan (王福寬), being our independent non-executive Directors, has entered into a letter of appointment with our Company, under which they agreed to act as independent non-executive Directors for an initial term of three years commencing from the Listing Date. The letters of appointment may be renewed in accordance with our Memorandum and Articles of Association and the applicable laws, rules and regulations.

3. Directors' Remuneration

The aggregate amounts of remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses) for our Directors for the three years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023 were RMB0.7 million, RMB1.4 million, RMB1.5 million and RMB3.6 million, respectively. A share-based payment expense of RMB1.6 million relating to the Restricted Shares and the Pre-IPO Share Options granted to Ms. Jia Hui on March 7, 2023 was recognized in our Group's profit or loss for the six months ended June 30, 2023.

None of our Directors has waived or agreed to waive any emoluments for each of the three financial years immediately preceding the issue of this prospectus.

Save as disclosed above, no other payments were made or payable for the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023 by any member of our Group to any of our Directors.

During the Track Record Period, no remuneration was paid by us to, or receivable by, our Directors or the five highest paid individuals as an inducement to join or upon joining our Company. No compensation was paid by us to, or receivable by, our Directors, former Directors, or the five highest-paid individuals for each of the Track Record Period for the loss of any office in connection with the management of the affairs of any member of our Group.

The aggregate remuneration (inclusive of benefits in kind and estimated share-based payment expense in relation to the Restricted Shares and Pre-IPO Share Options granted to our Director to be recognized in our Group's profit or loss for the year ending December 31, 2023, but exclusive of any discretionary bonuses) of our Directors for the year ending December 31, 2023 is estimated to be approximately RMB9.4 million, based on the arrangements currently in force.

4. Personal Guarantees

Save as disclosed in Note 18 "Bank Loans" to the Accountants' Report in Appendix I to this prospectus, our Directors have not provided personal guarantees in favour of lenders in connection with banking facilities granted or to be granted to any member of our Group.

5. Agency Fees or Commissions Received

Save as disclosed in the section headed "Underwriting" in this prospectus, no commissions, discounts, brokerages or other special terms were granted within the two years preceding the date of this prospectus in connection with the issue or sale of any capital of any member of our Group.

6. Disclaimers

- (a) Save as disclosed in "—1. Disclosure of Interests," none of our Directors or chief executive of our Company has any interest or short position in the Shares, underlying Shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers once the Shares are listed.
- (b) Save as disclosed in "—1. Disclosure of Interests," taking no account of any Shares which may be taken up under the Global Offering, so far as is known to our Directors or chief executive of our Company, no person (not being a Director or chief executive of our Company) who will, immediately following the completion of the Global Offering, have an interest or short position in the Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group.

- (c) Save as disclosed in “—2. Particulars of Directors’ Service Contracts and Letters of Appointment,” none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).
- (d) None of our Directors or any of the experts referred to under “—E. Other Information—7. Qualification of Experts” has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group.
- (e) None of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group.
- (f) So far as is known to our Directors, none of our Directors, their respective close associates (as defined under the Listing Rules) or our Shareholders who are interested in more than 5% of the issued share capital of our Company has any interest in the five largest customers or the five largest suppliers of our Group.

D. PRE-IPO SHARE INCENTIVE PLANS

1. Pre-IPO Restricted Share Plan

The following is a summary of the principal terms of the Pre-IPO Restricted Share Plan (the “Restricted Share Plan”) approved and adopted by our Company on March 7, 2023. The Pre-IPO Restricted Share Plan is not subject to the provisions of Chapter 17 of the Listing Rules as it does not involve the grant of restricted shares by our Company after the Listing.

(a) Purposes

The purpose of this Restricted Share Plan is to enable our Company to attract and retain highly qualified personnel who had and will contribute to our Company’s success and to provide incentives to participants that are linked directly to increases in shareholder value and will therefore inure to the benefit of all shareholders of our Company.

(b) Eligible Participants

Persons eligible to receive the restricted shares (the “Restricted Share(s)”) under the Restricted Share Plan are officers, directors, employees or consultants of our Group selected by the Board, in its sole discretion.

Each selected participant has entered into a restricted share subscription agreement (the “Restricted Share Agreement(s)”) with our Company for issue and subscription of the Restricted Shares under the Restricted Share Plan.

(c) Administration

The Restricted Share Plan shall be administered by the Board. Pursuant to the terms of the Restricted Share Plan, the Board shall have the power and authority:

- (i) to select eligible participants;
- (ii) to determine whether and to what extent the Restricted Shares are to be issued;
- (iii) to determine the number of the Restricted Shares to be purchased by each participant;
- (iv) to determine the terms and conditions of each Restricted Share purchased by participants;
- (v) to determine the terms and conditions of all written instruments evidencing the Restricted Shares purchased by participants; and
- (vi) to determine the purchase of the Restricted Share according to the provisions of the Restricted Share Plan and the Restricted Share Agreement.

Subject to provisions of the effective Articles, the Board shall have the authority, in its sole discretion, to adopt, alter and repeal such administrative rules, guidelines and practices governing the Restricted Share Plan as it shall from time to time deem advisable, to interpret the terms and provisions of the Restricted Share Plan and any Restricted Shares issued under the Restricted Share Plan (and any Restricted Share Agreement relating thereto), and to otherwise supervise the administration of the Restricted Share Plan.

All decisions made by the Board pursuant to the provisions of the Restricted Share Plan shall be final, conclusive and binding on all persons, including our Company and the participants.

(d) Restrictions on the Restricted Shares

The Restricted Shares are subject to the following terms and conditions:

- (a) Purchase price: The purchase price of Restricted Shares shall be determined by the Board and set forth in the Restricted Share Agreement.

- (b) Non-transferability of Restricted Share: Except permitted by the Board, the participant shall not be permitted to sell, transfer, pledge or assign of any Restricted Share that are not unlocked, however, the participant shall be permitted to transfer one or more Restricted Share to a trust controlled by the participant for estate planning purposes.
- (c) Unlock schedule: 25% of the aggregate number of Restricted Shares upon each anniversary of the date on which the Restricted Share is purchased by the participant, as set forth in the Restricted Share Agreement (“Commencement Date”) shall be unlocked, such that the Restricted Shares the participant has purchased will unlock in its entirety over a period of four years since the Commencement Date.
- (d) Effects of termination of employment or service: Termination of employment or service shall have the following effects on Restricted Share purchased by the participants:

For the purpose of the Restricted Share Plan, the “Cause” means any act involving one or more of the following: (i) disclosure of any trade secret or confidential information of our Group by the participant, including without limitation, any term and condition of the Restricted Share Plan and the Restricted Share under the Restricted Share Plan without authorization by our Company; (ii) the commission of an act by any participant which constitutes competition with our Group or which induces any customer or supplier to breach a contract with our Group; (iii) the commission of an act by any participant which damages the interests or reputation of our Group; (iv) the participant’s deliberation or gross negligence which result in material loss or damage on our Group; or (v) the commission of any felony by the participant.

- (i) If the participant’s employment by or service to our Group is terminated by our Group for Cause, the Restricted Shares held by such participant will be repurchased by our Company upon such termination pursuant to the following terms and conditions:
 - (1) Restricted Share that has not been unlocked: Regardless our Company is listed on the Stock Exchange or not, our Company shall repurchase such Restricted Share(s) at the initial purchase price paid by the participant.
 - (2) Restricted Share that has been unlocked: Prior to the Listing of our Company, our Company shall repurchase such Restricted Share(s) at the initial purchase price paid by the participant. After the Listing, the participant shall retain such Restricted Shares, but any sell, transfer, pledge or assign of any Restricted Share by the participant need to comply with the applicable laws and regulations.

- (ii) If a participant's employment by or service to our Group is terminated for any reason other than termination by our Group for Cause, the Restricted Shares held by such participant will be repurchased by our Company upon such termination pursuant to the following terms and conditions:
- (1) Restricted Share that has not been unlocked: Regardless our Company is listed on the Stock Exchange or not, our Company shall repurchase such Restricted Share(s) at the initial purchase price paid by the participant plus simple interest in an amount equal to 6% of the initial purchase price that shall be deemed to have accrued per annum from the respective Commencement Date until the date of the termination of the participant's employment or service.
 - (2) Restricted Share that has been unlocked: Regardless our Company is listed on the Stock Exchange or not, the participant shall retain such Restricted Shares, but any sell, transfer, pledge or assign of any Restricted Share by the participant need to comply with the applicable laws and regulations.

The Restricted Shares repurchased by the Company pursuant to the sub-paragraph (d) above will be cancelled by our Company in accordance with the Articles.

(e) Rights attached to the Restricted Shares

The selected participants own the Restricted Shares through the Restricted Share SPV and are entitled to the economic interests of the Restricted Shares, including the rights to receive dividends and other economic benefits. Voting rights of the Restricted Shares held by the Restricted Share SPV can only be exercised by the general partner of the Restricted Share SPV.

(f) Adjustments

In the event of any merger, reorganization, consolidation, recapitalization, stock dividend or other change in corporate structure affecting the share capital of our Company, subject to provisions of the Articles, an equitable substitution or proportionate adjustment shall be made in the class, number and purchase price of Shares subject to outstanding Restricted Share issuable under the Restricted Share Plan, in each case as may be determined by the Board. Such other substitutions or adjustments shall be made as may be determined by the Board, in its sole discretion, subject to provisions of the Articles.

(g) Tax

Each participant shall, no later than the date as of which the value of the Restricted Share first becomes includible in the gross income of the participant for income tax purposes, pay to our Company, or make arrangements satisfactory to the Board regarding payment of, any taxes of any kind required by law to be withheld with respect to such Restricted Share. The obligations of our Company under the Restricted Share Plan shall be conditional on the making of such payments or arrangements, and our Company shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the participant.

(h) Amendment and termination

Subject to provisions of the Articles, the Board may amend, alter or discontinue the Restricted Share Plan, but no amendment, alteration, or discontinuation shall be made that would impair the rights of a participant under any Restricted Share theretofore purchased without such participant's consent.

(i) Subscription of the Restricted Shares

As of the Latest Practicable Date, an aggregate of 1,620,000 Restricted Shares, representing approximately 1.07% of the total issued share capital of our Company, were issued to the Restricted Share SPV, the limited partners of which are the five participants of the Restricted Share Plan, including one Director, three senior management members and one of our joint company secretaries. The Restricted Shares have been issued on a one-off basis and no Shares will be issued under the Restricted Share Plan after the Listing. As all Restricted Shares under the Pre-IPO Restricted Share Plan have already been issued to the Restricted Share SPV, the Restricted Shares will not have any dilution effect on the shareholding of the Company upon Listing. From accounting aspects, the Restricted Shares are recognized as treasury shares in the statements of financial position considering the specific service conditions and the respective repurchase obligations. For details, see Note 23 to the Accountants' Report in Appendix I to this prospectus. Assuming full unlock of the Restricted Shares at the same time, the dilution impact on the earnings per share of the Company would be 0.80%.

Immediately following completion of the Global Offering, the number of Restricted Shares issued pursuant to the Restricted Share Plan amounts to 1,620,000 Shares, representing 0.80% of the total issued share capital of our Company (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Pre-IPO Share Options). Particulars of the Restricted Shares issued to our Director and senior management members are set forth below:

Name of participants	Position held within our Group	Number of Restricted Shares	Approximate shareholding percentage⁽¹⁾
<i>Director of our Company</i>			
Jia Hui (賈惠) ⁽²⁾	Executive Director and vice president	600,000	0.30%
<i>Senior management of our Company (excluding that who is also Director)</i>			
Xu Zhengran (徐征然) ⁽²⁾	Vice president	300,000	0.15%
Wang Yuanbin (王元彬) ⁽²⁾	Vice president	240,000	0.12%
Tan Zhengyang (談正陽) ⁽²⁾	Vice president and financial controller	240,000	0.12%
<i>Other participant</i>			
Zhang Yexi (張燁茜) ⁽²⁾	Company secretary	240,000	0.12%
Total		1,620,000	0.80%

Notes:

- (1) The percentage is for illustrative purpose only and is calculated based on the number of Shares in issue immediately following the completion of the Global Offering (without taking into account the Shares which may be allotted and issued upon the exercise of the Pre-IPO Share Options).
- (2) The Restricted Shares issued to the participants were held by the Restricted Share SPV, the limited partners of which are the participants of our Pre-IPO Restricted Share Plan.

2. Pre-IPO Share Option Plan

The following is a summary of the principal terms of the Pre-IPO Share Option Plan (the “Share Option Plan”) approved and adopted by our Company on March 7, 2023. The terms of the Pre-IPO Share Option Plan are not subject to the provisions of Chapter 17 of the Listing Rules as the Pre-IPO Share Option Plan will not involve the grant of options by us to subscribe for Shares after the Listing.

(a) *Purposes*

The purpose of the Share Option Plan is to enable our Company to attract and retain highly qualified personnel who had and will contribute to our Company’s success and to provide incentives to participants that are linked directly to increases in shareholder value and will therefore inure to the benefit of all shareholders of our Company.

(b) *Eligible Participants*

Persons eligible to receive grants of options (the “Option(s)”) under the Share Option Plan are officers, directors, employees or consultants of our Group selected by the Board, in its sole discretion.

Each selected participant has entered into a share option subscription agreement (the “Share Option Agreement(s)”) with our Company, in such form as the Board shall determine, which Share Option Agreement shall set forth, among other things, the exercise price of the Option, the term of the Option and exercisability of the option granted.

(c) *Administration*

The Share Option Plan shall be administered by the Board. Pursuant to the terms of the Share Option Plan, the Board shall have the power and authority:

- (i) to select eligible participants;
- (ii) to determine whether and to what extent Options are to be granted to participants;
- (iii) to determine the number of Options to be granted;
- (iv) to determine the terms and conditions of Options granted;
- (v) to determine the terms and conditions of all written instruments evidencing Options granted.

Subject to provisions of the Articles, the Board shall have the authority, in its sole discretion, to adopt, alter and repeal such administrative rules, guidelines and practices governing the Share Option Plan as it shall from time to time deem advisable, to interpret the terms and provisions of the Share Option Plan and any Option issued under the Share Option Plan (and any Share Option Agreement relating thereto), and to otherwise supervise the administration of the Share Option Plan.

All decisions made by the Board pursuant to the provisions of the Share Option Plan shall be final, conclusive and binding on all persons, including our Company and the participants.

(d) Maximum number of Shares

The overall limit on the number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Plan at any time shall not exceed 10,199,730 Shares, representing 5.05% of the total issued Shares immediately following the completion of the Global Offering (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Pre-IPO Share Options).

(e) Vesting Schedule and Conditions

The Options shall become vested at such time or times and subject to fulfilment of the performance target and other terms and conditions set by the Board and reflected in the Share Option Agreement provided that the maximum percentage of the Options which shall become vested upon each anniversary of the date on which the participant is granted, as set forth on the Share Option Agreement is 25%.

(f) Exercise of option

To any given participant, the per share exercise price of shares purchasable under an Option shall be such price as determined by the Board and set forth in the Share Option Agreement, subject to adjustments that might be made by the Board at its sole discretion.

Unless otherwise provided in the Share Option Plan or otherwise determined by the Board, vested options may be exercised in whole or in part at any time after the Listing, by giving written notice of exercise to our Company specifying the number of Shares to be purchased, accompanied by payment in full of the aggregate exercise price of the Shares.

(g) Effects of Termination of Employment or Service

Termination of employment or service shall have the following effects on Options granted to the participants: (for the Share Option Plan, the "Cause" means any act involving one or more of the following: (i) the participant's unauthorized disclosure of any trade secret or confidential information of our Group, including without limitation, any term and condition of the Share Option Plan and any Option under the Share Option Plan; (ii) the commission of an

act by any participant which constitutes competition with our Group or which induces any customer or supplier to breach a contract with our Group; (iii) the participant's damage of the interests or reputation of our Group; (iv) our Group's suffering from material loss or damage due to the participant's deliberation or gross negligence; or (v) the commission of any felony by the participant.)

- (i) Dismissal for Cause: If a Participant's employment by or service to our Group is terminated by our Group for Cause, the Options and Shares underlying such Options will be revoked, retained or sold upon such termination as follows:
 - (1) Options that have not been vested: Regardless our Company is listed on the Stock Exchange or not, the Options granted shall be forfeited upon the participant's termination of employment or service. The Shares underlying the terminated portion of the Options will be revoked;
 - (2) Options that have been vested: Regardless our Company is listed on the Stock Exchange or not, the participant's vested Options shall be forfeited upon the participant's termination of employment or service. The Shares underlying the terminated portion of the Options will be revoked;
 - (3) Options that have been exercised: The participant can choose to retain the Shares underlying the vested Options or gain the profit by selling the Shares.
- (ii) Other terminations of employment or service: If a participant's employment by or service to our Group is terminated for any reason other than termination by our Group for Cause, the Options and Shares underlying the Options will be revoked, retained or sold upon such termination as follows:
 - (1) Options that have not been vested: Regardless our Company is listed on the Stock Exchange or not, the Options granted shall be forfeited upon the participant's termination of employment or service. The Shares underlying the terminated portion of the Options will be revoked;
 - (2) Options that have been vested: Regardless our Company is listed on the Stock Exchange or not, the participant will have the right to retain such Options. Upon the Listing of our Company, the participant can exercise the Options and choose to retain or sell the Shares;
 - (3) Options that have been exercised: The participant can choose to retain the Shares underlying the vested option or sell the Shares.

(h) Term of the Share Option Plan

No Option shall be granted pursuant to the Share Option Plan on or after the Latest Practicable Date prior to the printing of the prospectus, but Options granted may remain effective beyond that date. The term of each Option shall be fixed by the Board, but no Option shall be exercisable more than ten years after the date such Option is granted.

(i) Adjustments

In the event of any merger, reorganization, consolidation, recapitalization, stock dividend or other change in corporate structure affecting the share capital of our Company, subject to provisions of the Articles, an equitable substitution or proportionate adjustment shall be made in the class, number and exercise price of Shares subject to outstanding Options granted under the Share Option Plan, in each case as may be determined by the Board. Such other substitutions or adjustments shall be made as may be determined by the Board, in its sole discretion, subject to provisions of the Articles. In connection with any event described in this paragraph, the Board may provide, in its sole discretion, for the cancellation of any outstanding Option and payment in cash or other property therefor.

(j) Tax

Each participant shall, no later than the date as of which the value of the Options and the underlying Shares (if applicable) first become includible in the gross income of the participant for income tax purposes, pay to our Company, or make arrangements satisfactory to the Board regarding payment of, any taxes of any kind required by law to be withheld with respect to such Option and the underlying Shares (if applicable). The obligations of our Company under the Share Option Plan shall be conditional on the making of such payments or arrangements, and our Company shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the participant.

(k) Outstanding options granted

The grant of Options under the Pre-IPO Share Option Plan to the participants as set out below was approved by the Board on March 7, 2023. The overall limit on the number of underlying Shares pursuant to the Pre-IPO Share Option Plan is 10,199,730 Shares. The number of underlying Shares pursuant to the Pre-IPO Share Options amounts to 10,199,730 Shares, representing 5.05% of the total issued Shares immediately following the completion of the Global Offering (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Pre-IPO Share Options).

The table below sets out the details of Options granted to all participants under the Pre-IPO Share Option Plan:

Name	Address	Number of Shares under the Options granted ⁽¹⁾	Date of grant	Option period	Approximate percentage of issued Shares immediately after completion of the Global Offering ⁽²⁾
<i>Director</i>					
Jia Hui (賈惠)	Changjiu Building, No. 99 Shigezhuang Road, Chaoyang District, Beijing	500,000	March 7, 2023	10 years from the date of the grant	0.25%
<i>Senior management (excluding that who is also Director)</i>					
Xu Zhengran (徐征然)	Changjiu Building, No. 99 Shigezhuang Road, Chaoyang District, Beijing	430,000	March 7, 2023	10 years from the date of the grant	0.21%
Wang Yuanbin (王元彬)	Changjiu Building, No. 99 Shigezhuang Road, Chaoyang District, Beijing	360,000	March 7, 2023	10 years from the date of the grant	0.18%
Tan Zhengyang (談正陽)	Changjiu Building, No. 99 Shigezhuang Road, Chaoyang District, Beijing	360,000	March 7, 2023	10 years from the date of the grant	0.18%

Name	Address	Number of Shares under the Options granted ⁽¹⁾	Date of grant	Option period	Approximate percentage of issued Shares immediately after completion of the Global Offering ⁽²⁾
<i>Other grantees</i>					
Zeng Weihai (曾維海)	Changjiu Building, No. 99 Shigezhuang Road, Chaoyang District, Beijing	600,000	March 7, 2023	10 years from the date of the grant	0.30%
Wang Cong (王聰)	Room 102, Unit 3, Building 515, Jinsong Fifth Zone, Chaoyang District, Beijing	384,300	March 7, 2023	10 years from the date of the grant	0.19%
Dou Dayong (竇大勇)	No. 35, Dahongmen West Road, Fengtai District, Beijing	363,000	March 7, 2023	10 years from the date of the grant	0.18%
Zhang Yexi (張燁茜)	Changjiu Building, No. 99 Shigezhuang Road, Chaoyang District, Beijing	360,000	March 7, 2023	10 years from the date of the grant	0.18%
Feng Lanhui (馮蘭惠)	Qianyanzi Village, Niulanshan Town, Shunyi District, Beijing	300,000	March 7, 2023	10 years from the date of the grant	0.15%
Cao Guoqing (曹國慶)	No. 237, Xiuying District, Haikou, Hainan Province	299,475	March 7, 2023	10 years from the date of the grant	0.15%
Li Linkai (李林凱)	Room 7, Unit 17, Building 1, Qinggangwan Community, Banan District, Chongqing	299,475	March 7, 2023	10 years from the date of the grant	0.15%
Zhao Wenchao (趙文超)	Baoli Shanjianqing Community, No. 20, Yongwu Road, Nanning, Guangxi Province	299,475	March 7, 2023	10 years from the date of the grant	0.15%

Name	Address	Number of Shares under the Options granted ⁽¹⁾	Date of grant	Option period	Approximate percentage of issued Shares immediately after completion of the Global Offering ⁽²⁾
Yang Liao (楊遼)	Room 402, Building 11, East Area 1, Chaoxin Jiayuan, Chaoyang District, Beijing	299,475	March 7, 2023	10 years from the date of the grant	0.15%
Li Chengzhi (李成志)	Qiuluyuan Community, Xibeiwang, Haidian District, Beijing	299,475	March 7, 2023	10 years from the date of the grant	0.15%
Li Cao (李操)	Room 901, Unit 2, Building 312, Area C, Jinze Homestead, Dongba, Chaoyang District, Beijing	288,225	March 7, 2023	10 years from the date of the grant	0.14%
Guo Weiye (郭焯燁)	No. 81, 12/F, Hanzhuangzi Erli, Fengtai District, Beijing	288,225	March 7, 2023	10 years from the date of the grant	0.14%
Zhang Mo (張茉)	Room 203, Unit 2, Building 36, Songyuli, Chaoyang District, Beijing	288,225	March 7, 2023	10 years from the date of the grant	0.14%
Jiang Lixiang (姜立祥)	Bowangyuan, Bali Street, Guilin, Guangxi Province	272,250	March 7, 2023	10 years from the date of the grant	0.13%
Wang Shunjiang (王順江)	Room 101, Building 68, No. 4 Ruijin Road, Qinhuai District, Nanjing, Jiangsu Province	272,250	March 7, 2023	10 years from the date of the grant	0.13%

Name	Address	Number of Shares under the Options granted ⁽¹⁾	Date of grant	Option period	Approximate percentage of issued Shares immediately after completion of the Global Offering ⁽²⁾
Zheng Hao (鄭豪)	Room 102, Unit 1, Building 4, Beichenxianglu Guanluyuan, Wenquan Town, Haidian District, Beijing	270,000	March 7, 2023	10 years from the date of the grant	0.13%
Gao Ying (高英)	Dongguan Guotong Homestead, Changping District, Beijing	236,250	March 7, 2023	10 years from the date of the grant	0.12%
Kong Min (孔敏)	No. 1, 8/F, Building 7, Fuxingmenwai Street, Xicheng District, Beijing	225,000	March 7, 2023	10 years from the date of the grant	0.11%
Wang Qiang (王強)	Room 401, Unit 1, No. 32, Cujin West Street, Ganjingzi District, Dalian	190,575	March 7, 2023	10 years from the date of the grant	0.09%
Peng Chao (彭超)	Room 702, Unit 2, Building 11, Caizhen Homestead, Qinghe Xiaoying, Haidian District, Beijing	189,000	March 7, 2023	10 years from the date of the grant	0.09%
Yuan Chi (苑馳)	Room 602, Unit 3, Building 39, Yard 11, Dongba Middle Street, Chaoyang District, Beijing	189,000	March 7, 2023	10 years from the date of the grant	0.09%
Zhang Pei (張佩)	Xixin North Zone, Shunyi District, Beijing	120,780	March 7, 2023	10 years from the date of the grant	0.06%

Name	Address	Number of Shares under the Options granted ⁽¹⁾	Date of grant	Option period	Approximate percentage of issued Shares immediately after completion of the Global Offering ⁽²⁾
Liu Mengmeng (劉夢夢)	Room 1304, Unit 2, Building 3, Area A, Jinze Homestead, Chaoyang District, Beijing	120,780	March 7, 2023	10 years from the date of the grant	0.06%
Yuan Yu (袁宇)	Room 1002, Building 3, Huafa Yiyuan Community, No. 18 Beiyuan Road, Chaoyang District, Beijing	120,780	March 7, 2023	10 years from the date of the grant	0.06%
Liang Xuebin (梁學斌)	Room 1601, Tower D, Nanxi Building, South Third Ring Middle Road, Fengtai District, Beijing	115,290	March 7, 2023	10 years from the date of the grant	0.06%
Wen Xianyi (文賢毅)	Room 602, Unit 1, Building 11, Area 2, Zhaoshang Duhuiwan, Nanshao Town, Changping District, Beijing	108,000	March 7, 2023	10 years from the date of the grant	0.05%
Chen Guang (陳光)	Room 202, Unit 1, Building 3, Yard 12, Tayuan Hutong Deshengmenwai, Xicheng District, Beijing	108,000	March 7, 2023	10 years from the date of the grant	0.05%

Name	Address	Number of Shares under the Options granted ⁽¹⁾	Date of grant	Option period	Approximate percentage of issued Shares immediately after completion of the Global Offering ⁽²⁾
Liu Chuntao (劉春濤)	Section A, Guiyuan Nanli, Yizhuang Development Zone, Daxing District, Beijing	100,650	March 7, 2023	10 years from the date of the grant	0.05%
Zhang Mei (張梅)	Room 809, Unit 3, Building 2, Upper East Street Area, No. 2811 Dongsheng Street, Erdao District, Changchun, Jilin Province	100,650	March 7, 2023	10 years from the date of the grant	0.05%
Wang Sheng (王勝)	Room 10, Unit 2, Building 5, Meihao Homestead, No. 180 Airport Road, Shuangliu District, Chengdu, Sichuan Province	100,650	March 7, 2023	10 years from the date of the grant	0.05%
Zhang Shuqin (張淑琴)	Room 502, Unit 2, Building 35, Lianxinyuan, Changying Town, Chaoyang District, Beijing	100,650	March 7, 2023	10 years from the date of the grant	0.05%
Zang Yanyan (臧延彥)	Room 302, Building 9, Area 1, Mingjia Garden, Beiqijia Town, Changping District, Beijing	100,650	March 7, 2023	10 years from the date of the grant	0.05%

Name	Address	Number of Shares under the Options granted ⁽¹⁾	Date of grant	Option period	Approximate percentage of issued Shares immediately after completion of the Global Offering ⁽²⁾
Dong Xiao (董瀟)	Room 202, Unit 2, Building 34, East Area, Jinshui Homestead, Liulihe Cement Factory, Fangshan District, Beijing	96,075	March 7, 2023	10 years from the date of the grant	0.05%
Cui Ronghua (崔榮花)	Room 70, Building 12, Yard 1, Yulin South Road, Zhengdong New District, Zhengzhou, Henan Province	96,075	March 7, 2023	10 years from the date of the grant	0.05%
Wang Si (王嗣)	Room 501, Unit 3, Building 8, Chaijiawan, Chaoyang District, Beijing	96,075	March 7, 2023	10 years from the date of the grant	0.05%
Na Weihai (那巍瀚)	Room 2, Unit 1, Building 4, No. 21 Binhe Xili, Huangcun Town, Daxing District, Beijing	96,075	March 7, 2023	10 years from the date of the grant	0.05%
Pang Xiaopeng (龐筱鵬)	Room 502, Building 2, Huangtingzi Community, Beijing	96,075	March 7, 2023	10 years from the date of the grant	0.05%
Li Yanming (李豔銘)	Room 219, Area C, Beipiao Art Base, Fifth Ring Road, Chaoyang District, Beijing	96,075	March 7, 2023	10 years from the date of the grant	0.05%

Name	Address	Number of Shares under the Options granted ⁽¹⁾	Date of grant	Option period	Approximate percentage of issued Shares immediately after completion of the Global Offering ⁽²⁾
Ran Maojun (冉茂君)	Jinju Homestead, Beijing	96,075	March 7, 2023	10 years from the date of the grant	0.05%
Shi Dagang (史大剛)	Room 801, Unit 3, Building 27, Phase 1, Shouzuoyuan, No. 7 Guanghe Street, Daxing District, Beijing	96,075	March 7, 2023	10 years from the date of the grant	0.05%
Wang Shuai (王帥)	Room 1602, Unit 1, Building 24, Tianlang Lanhushu Community, Yanta District, Xi'an, Shanxi Province	96,075	March 7, 2023	10 years from the date of the grant	0.05%
Hou Li (侯力)	Room 301, Unit 3, Building 2, Hongyan Road Community, Chaoyang District, Beijing	91,500	March 7, 2023	10 years from the date of the grant	0.05%
Li Yan (李燕)	Room 1402, Unit 2, Building 3, Phase 1, Haitian Xingfu Tiandi, Dunkou Community, Caidian District, Wuhan	91,500	March 7, 2023	10 years from the date of the grant	0.05%
Wang Yunfeng (王雲鋒)	No. 1, Northwest Building, No. 42 Picai Hutong, Xicheng District, Beijing	91,500	March 7, 2023	10 years from the date of the grant	0.05%

Notes:

- (1) The Options were granted to the participants at nil consideration, and the per share exercise price of the Options granted was RMB6.67.
- (2) The above table assumes that the Pre-IPO Share Options are not exercised. On every vesting date, the underlying Shares in respect of the Options may be vested in the participants in accordance with the vesting schedule as disclosed in sub-paragraph (e) above, subject to fulfilment of the performance target set by the Board and terms and conditions as determined by the Board and reflected in the Share Option Agreement.

Save and except as set out above, no other Options have been granted or agreed to be granted by our Company under the Pre-IPO Share Option Plan. No further Options may be granted by our Company under the Pre-IPO Share Option Plan after the Listing.

As of the Latest Practicable Date, save as the Options to subscribe for 600,000 Shares granted to Zeng Weihai, 96,075 Shares granted to Li Yanming, 225,000 Shares granted to Kong Min and 120,780 Shares granted to Liu Mengmeng had been forfeited following their resignation, the remaining Options to subscribe for 9,157,875 Shares were not exercised and remained outstanding. Assuming full vesting and exercise of the outstanding Pre-IPO Share Options, the shareholding percentage of our Shareholders immediately following the Listing would be diluted by approximately 4.33% as calculated based on 211,317,875 Shares then in issue and the dilution effect on our earnings per Share would be 4.33%.

(l) Ranking of Shares

The Shares to be allotted and issued upon the exercise of an Option shall be identical to the then existing issued shares of our Company and subject to all the provisions of the Memorandum and Articles for the time being in force and will rank *pari passu* with the other fully paid Shares in issue on the date the name of the participant is registered on the register of members of our Company or if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members, save that the participant shall not have any voting rights, or rights to participate in any dividends or distributions (including those arising on a liquidation of our Company) declared or recommended or resolved to be paid to the Shareholders on the register on a date prior to such registration.

(m) Amendment and Termination

Subject to provisions of the Articles, the Board may amend, alter or discontinue the Share Option Plan, but no amendment, alteration, or discontinuation shall be made that would impair the rights of a participant under any Option theretofore granted without such participant's consent.

The Board may amend the terms of any Option theretofore granted, prospectively or retroactively, but no such amendment shall impair the rights of any participant without his or her consent.

E. OTHER INFORMATION**1. Estate Duty**

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Litigation

During the Track Record Period and up to the Latest Practicable Date, save as disclosed in “Business—Legal Proceedings and Compliance—Legal Proceedings” in this prospectus and so far as our Directors are aware, no litigation or claim of material importance (to our Group’s financial condition or results of operation) is pending or threatened against any member of our Group.

3. Joint Sponsors

The Joint Sponsors have made an application on our behalf to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and the Shares to be issued as mentioned in this prospectus (including the additional Shares which may fall to be issued pursuant to the exercise of options granted or to be granted under the Pre-IPO Share Option Scheme).

As members of the sponsor group (as defined in the Listing Rules) of CITIC Securities (Hong Kong) Limited have current business relationships with the Group, CITIC Securities (Hong Kong) Limited does not satisfy the independence criteria applicable to sponsor set out in Rule 3A.07 of the Listing Rules.

ICBC International Capital Limited satisfies the independence criteria applicable to sponsor set out in Rule 3A.07 of the Listing Rules.

The sponsor fee payable to the Joint Sponsors by our Company is US\$800,000 in total.

4. Preliminary Expenses

The preliminary expenses incurred by our Company amount to approximately RMB18,900.

5. Promoter

We do not have any promoter for the purpose of the Listing Rules. Within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoter in connection with the Global Offering and the related transactions described in this prospectus.

6. Taxation of Holders of Shares

(a) *Hong Kong*

The sale, purchase and transfer of Shares registered with our Hong Kong branch register of members will be subject to Hong Kong stamp duty.

(b) *Cayman Islands*

There is no stamp duty payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(c) *Consultation with professional advisors*

Intending holders of the Shares are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasized that none of our Company, our Directors or the other parties involved in the Global Offering will accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in the Shares or exercise of any rights attaching to them.

7. Qualification of Experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualifications
CITIC Securities (Hong Kong) Limited	Licensed to conduct Type 4 (advising on securities) and Type 6 (advising on corporate finance) of the regulated activities under the SFO
ICBC International Capital Limited	Licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
KPMG	Certified Public Accountants Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance

<u>Name</u>	<u>Qualifications</u>
JunHe LLP	PRC legal advisors to our Company
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
China Insights Industry Consultancy Limited	Industry consultant
Jiangsu Shanhe Law Firm	Litigation lawyer to our Company as to the 2023 Changchun Lawsuit

8. Consents of Experts

Each of CITIC Securities (Hong Kong) Limited, ICBC International Capital Limited, KPMG, JunHe LLP, Conyers Dill & Pearman, China Insights Industry Consultancy Limited and Jiangsu Shanhe Law Firm has given and has not withdrawn its consent to the issue of this prospectus with the inclusion of its view, report and/or letter and/or legal opinion (as the case may be) and references to its name included herein in the form and context in which it respectively appears.

None of the experts named above has any shareholding interest in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

9. Indemnities

Changjiu Industrial has entered into an indemnity undertaking on April 26, 2023 in favor of Shanghai Bozhong and Changjiu Jinfu to give indemnities in connection with, among others, any losses arising from administrative penalties or dismantling of properties imposed by relevant government authorities for failure to provide title certificate of the leased property by Changjiu Industrial as described in “Business—Properties.”

10. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance on the exemption provided in section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

11. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

12. Miscellaneous

- (a) Save as disclosed in the sections headed “History, Reorganization and Corporation Structure,” “Underwriting” and “Structure of the Global Offering” in this prospectus, within the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital of our Company or any member of our Group had been issued or agreed to be issued or proposed to be fully or partly paid either for cash or a consideration other than cash;
 - (ii) no commissions, discounts, brokerages or other special terms had been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any member of our Group; and
 - (iii) no commission had been paid or payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any member of our Group.
- (b) Save as disclosed in the section headed “—D. Pre-IPO Share Incentive Plans—2. Pre-IPO Share Option Plan” in this appendix and “Structure of the Global Offering,” no share or loan capital of our Company or any member of our Group had been under option or agreed conditionally or unconditionally to be put under option.
- (c) There are no founder, management or deferred shares, convertible debt securities nor any debentures in our Company or any member of our Group.
- (d) Our Directors confirm that there has been no material adverse change in the financial or trading position of our Group since June 30, 2023 (being the date to which the latest audited consolidated financial statements of our Group were made up), up to the date of this prospectus.
- (e) There has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus.

- (f) Our principal register of members will be maintained by our principal registrar, Harneys Fiduciary (Cayman) Limited, in the Cayman Islands and our Hong Kong register of members will be maintained by our Hong Kong share registrar, Tricor Investor Services Limited, in Hong Kong. All transfers and other documents of title of the Shares must be lodged for registration with and registered by our share register in Hong Kong.
- (g) All necessary arrangements have been made to enable the Shares to be admitted to CCASS.
- (h) No company within our Group is listed on any stock exchange or traded on any trading system at present, and our Group is not seeking or proposing to seek any listing of, or permission to deal in, the Share or loan capital of our Company on any other stock exchange.
- (i) There is no arrangement under which future dividends are waived or agreed to be waived.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

- (a) the written consents referred to in the section headed “Statutory and General Information—E. Other Information—7. Qualification of Experts” in Appendix IV to this prospectus; and
- (b) a copy of each of the material contracts referred to in the section headed “Statutory and General Information—B. Further Information about Our Business—1. Summary of Material Contracts” in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the website of the Stock Exchange at www.hkexnews.hk and our website at www.99digtech.com during a period of 14 days from the date of this prospectus:

- (a) the Memorandum and the Articles of Association;
- (b) the Accountants’ Report of our Group prepared by KPMG, the texts of which are set out in Appendix I to this prospectus;
- (c) the report on the unaudited pro forma financial information of our Group prepared by KPMG, the text of which is set forth in Appendix II to this prospectus;
- (d) the audited consolidated financial statements of our Group for the financial years ended December 31, 2020, 2021, 2022 and the six months ended June 30, 2023;
- (e) the PRC legal opinion issued by JunHe LLP on PRC law, in respect of certain general corporate matters of our Group and the property interests of our Group;
- (f) the letter of advice prepared by Conyers Dill & Pearman, our legal advisor on Cayman Islands law, summarizing certain aspects of the Cayman Islands company law referred to in Appendix III to this prospectus;
- (g) the report issued by China Insights Industry Consultancy Limited, from which information in the section headed “Industry Overview” of this prospectus is extracted;

- (h) the legal opinions issued by Jiangsu Shanhe Law Firm, our litigation lawyer, the view of which is contained in the section headed “Business” of this prospectus;
- (i) the written consents referred to in the section headed “Statutory and General Information—E. Other Information—8. Consents of Experts” in Appendix IV to this prospectus;
- (j) the material contracts referred to in the section headed “Statutory and General Information—B. Further Information about Our Business—1. Summary of Material Contracts” in Appendix IV to this prospectus;
- (k) the service contracts and the letters of appointment with our Directors referred to in the section headed “Statutory and General Information—C. Further Information about Our Directors and Substantial Shareholders—2. Particulars of Directors’ Service Contracts and Letters of Appointment” in Appendix IV to this prospectus;
- (l) the Cayman Companies Act.; and
- (m) the rules of Pre-IPO Restricted Share Plan and Pre-IPO Share Option Plan.

