



Trans-China Automotive Holdings Limited
(Company Registration No.: 306871)
(Incorporated in the Cayman Islands on 18 December 2015)

GEARING UP FOR GREATER GROWTH



A Leading Automobile Dealership Group
Focused on the Distribution of Premium and Ultra-Premium Automobiles in the PRC

Invitation in respect of 85,000,000 Invitation Shares comprising:
(i) 2,900,000 Offer Shares at S\$0.23 for each Offer Share by way of public offer; and (ii) 82,100,000 Placement Shares at S\$0.23 for each Placement Share by way of placement, payable in full on application

OFFER DOCUMENT DATED 1 NOVEMBER 2021

(Registered by the Singapore Exchange Securities Trading Limited (the "SGX-ST"), acting as agent on behalf of the Monetary Authority of Singapore (the "Authority") on 1 November 2021).

This document is important. Before making any investment in the securities being offered, you should consider the information provided in this document carefully, and consider whether you understand what is described in this document. You should also consider whether an investment in the securities being offered is suitable for you, taking into account your investment objectives and risk appetite. If you are in any doubt as to the action you should take, you should consult your legal, financial, tax or other professional adviser(s). You are responsible for your own investment choices.

RHT Capital Pte. Ltd. ("RHTC", or the "Issue Manager and Full Sponsor") has, on behalf of Trans-China Automotive Holdings Limited (the "Company"), made an application to the SGX-ST for permission to deal in, and for the listing and quotation of, all the ordinary shares (the "Shares") in the capital of our Company that are already issued, the new Shares (the "Invitation Shares") which are the subject of the Invitation (as defined herein) and the new Shares which may be issued upon the exercise of Options (as defined herein) granted under the TCA Employee Share Option Scheme (as defined herein) (the "Option Shares") on Catalist (as defined herein).

This offer of Invitation Shares is made in or accompanied by this Offer Document that has been registered by the SGX-ST, acting as agent on behalf of the Authority. We have not lodged or registered this Offer Document in any other jurisdiction.

Acceptance of applications will be conditional upon, among others, the issue of the Invitation Shares and permission being granted by the SGX-ST for the listing and quotation of all our Shares already issued, the Invitation Shares and the Option Shares on Catalist. Monies paid in respect of any application accepted will be returned (without interest or any share of revenue or other benefit arising therefrom) at the applicant's own risk and the applicant shall not have any right or claim against our Company, the Issue Manager and Full Sponsor, and/or the Underwriter

and Placement Agent (as defined herein) if the admission and listing do not proceed for any reason. The dealing in and quotation of our Shares will be in Singapore dollars.

Companies listed on Catalist may carry higher investment risk when compared with larger or more established companies listed on the Main Board of the SGX-ST. In particular, companies may list on Catalist without a track record of profitability and there is no assurance that there will be a liquid market in the shares or units of shares traded on Catalist. You should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with your professional adviser(s).

Neither the Authority nor the SGX-ST has examined or approved the contents of this Offer Document. Neither the Authority nor the SGX-ST assumes any responsibility for the contents of this Offer Document, including the correctness of any of the statements or opinions made or reports contained in this Offer Document. The SGX-ST does not normally review the application for admission but relies on the Issue Manager and Full Sponsor confirming that our Company is suitable to be listed and complies with the Catalist Rules (as defined herein). Neither the Authority nor the SGX-ST has in any way considered the merits of our Shares, the Invitation Shares or the Option Shares, as the case may be, being offered for investment. The registration of this Offer Document by the SGX-ST, acting as agent on behalf of the Authority, does not imply that the Securities and Futures Act (Chapter 289) of Singapore, or any other legal or regulatory requirements, or requirements under the Catalist Rules, have been complied with.

Investing in our Shares involves risks which are described in the section entitled "RISK FACTORS" of this Offer Document.

After the expiration of six (6) months from the date of registration of this Offer Document, no person shall make an offer of our Shares, or allot, issue or sell any of our Shares, on the basis of this Offer Document; and no officer or equivalent person or promoter of our Company will authorise or permit the offer of any of our Shares or the allotment, issue or sale of any of our Shares, on the basis of this Offer Document.

Issue Manager
and Full Sponsor



RHT Capital Pte. Ltd.
(Company Registration No.: 201109968H)
(Incorporated in the Republic of Singapore)

Underwriter and
Placement Agent



UOB Kay Hian Private Limited
(Company Registration No.: 197000447W)
(Incorporated in the Republic of Singapore)

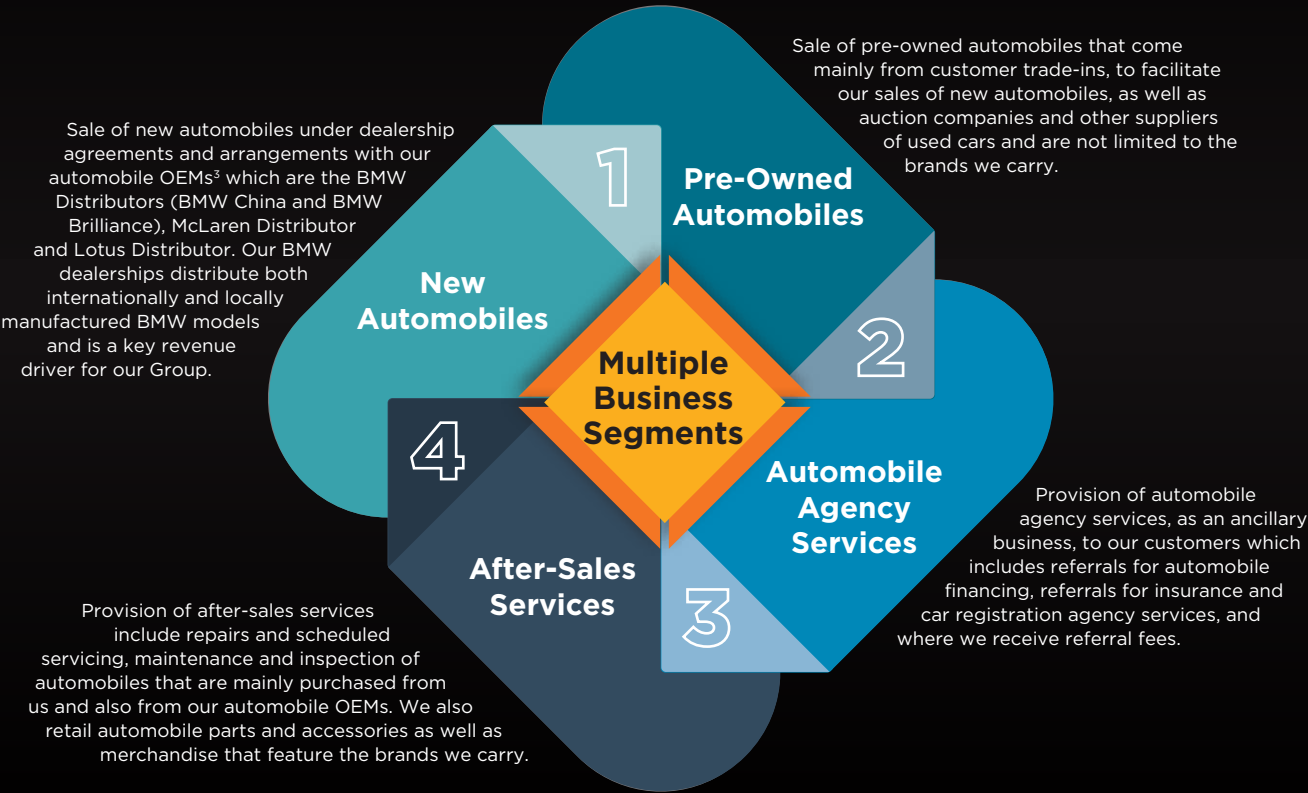
CORPORATE PROFILE



Headquartered in Hong Kong and Shenzhen with a history dating back to 2009, we are a leading automobile dealership group focused on the distribution of premium¹ and ultra-premium² automobiles under the BMW, McLaren and Lotus brands. Our dealerships are located in key cities in the People's Republic of China ("PRC") namely, Foshan, Shenzhen, Guangzhou, Chongqing, Changsha and Wuhan.

In addition to the sale of automobiles, we provide after-sales services including maintenance and repair services as well as the sale of automobile parts and accessories. We provide automobile agency services as an ancillary business, which include related automobile registration and administration for financing and insurance services in the PRC.

BUSINESS OVERVIEW



1 Automobile brands which carry automobiles each priced between RMB300,000 and RMB1,000,000 on average
2 Automobile brands which carry automobiles each priced above RMB1,000,000 on average
3 Manufacturer and distributor of automobiles

OUR COMPETIT

We carry well-established automobile brands and have strategic presence in geographically affluent provinces in the PRC

- We have a strategic focus on the premium and ultra-premium market segments of automobiles which provides more stable gross margins on new automobile sales and greater resilience and higher profitability in terms of after-sales service revenue compared to mass-market brand automobiles
- Our network of sizeable dealerships and showrooms are concentrated in geographically affluent provinces in the PRC and establishes a strong presence in key automobile markets there

We maintain strong business relationships with BMW and McLaren

- We have established relationships with BMW and McLaren and have received several awards and accolades from BMW and McLaren over the years in recognition of our good sales performance and superior after-sales services



BUSINESS STRATEGIE

1 We intend to increase our business presence in the regions where we have existing operations through organic growth including setting up new dealerships and acquisition of existing dealerships in cities with affluent populations

2 We intend to grow our dealership network to new cities and regions by capitalising on new dealership opportunities made available by our automobile OEMs in new regions



FIVE STRENGTHS

We have a customer-focused strategy which emphasises on providing consistent quality services

- We ensure that our service standards match up to the expectations of customers by putting the right people in the right places to provide quality sales and after-sales services of the highest standards
- We attract prospective customers through a variety of advertising and interactive and experiential events such as monthly Customer Experience Days, Cars and Coffee mornings and track days for our BMW and McLaren customers
- Our Customer Relationship Management Departments at each dealership and showroom focus on building long-term relationships with customers with an emphasis on serving their long-term automotive needs



We have the ability to expand our Group's dealerships both organically and through acquisitions

- Our extensive industry experience and expertise, strong business relationships with BMW and McLaren and the strong pool of experienced and dedicated employees give us the capability to expand either by increasing the scale of our existing operations or through setting up of new dealerships or acquisition of existing dealerships

We have an experienced and committed management team

- Our Executive Director, Executive Chairman and Chief Executive Officer, Mr Francis Tjia, has more than 20 years of experience in the automobile industry in the PRC, while all our other management team members have more than 10 years of experience in their respective fields

ES AND FUTURE PLANS

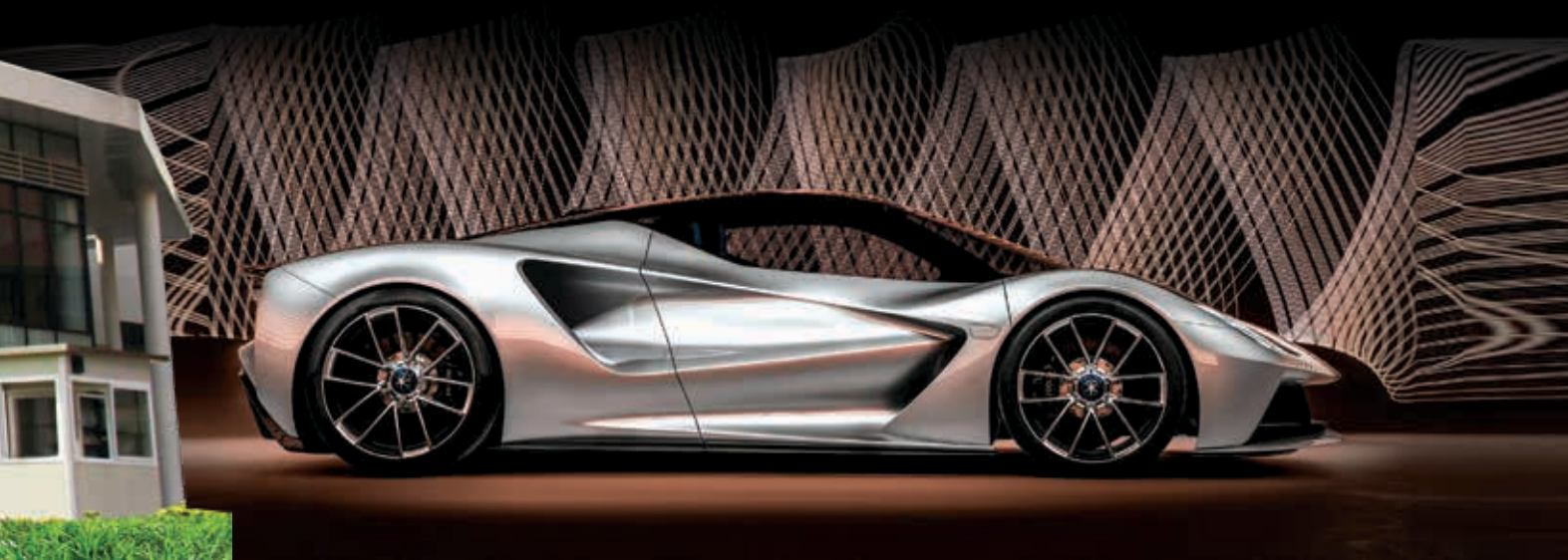
3

We intend to secure new dealerships for other premium and ultra-premium automobile brands by way of setting up new dealerships or acquiring existing dealerships

4

We may expand and diversify into complementary businesses

by broadening our business scope upstream, downstream, horizontally or vertically into related ventures that complement our existing business scope both in the PRC and overseas. This may include collaboration with suitable partners either through joint ventures or strategic alliances to expand our pre-owned automobile sales business and automobile-related services businesses



PROSPECTS⁴

Strong demand for premium and ultra-premium automobile brands in the PRC

- The rapid economic growth in the PRC has led to high propensity for consumption in key cities. We operate in a number of cities with relatively higher rates of GDP growth compared to the rest of the PRC. From 2016 to 2020, the nominal GDP of Chongqing, Shenzhen and Guangzhou have grown at a faster rate than the overall GDP of the PRC as a whole and steady growth is further anticipated for the period from 2020 to 2025
- The growing higher-income population in the PRC will have positive effect on premium and ultra-premium automobile sales. The number of high net worth individuals in the PRC grew by 54.4% from 1.58 million persons in 2016 to 2.44 million persons in 2020 and is projected to grow at a CAGR of 8.5% from 2020 to 2025
- The combined premium and ultra-premium segments in terms of volume as a percentage of all new automobile sales in the PRC is expected to increase from 17.9% in 2020 to 22.9% in 2025
- Premium automobile ownership is expected to grow at a CAGR of 9.8 % for the period from 2020 to 2025. Ultra-premium automobile ownership in the PRC is expected to exceed 1 million vehicles for the first time in 2021 and to reach 1.4 million vehicles in 2025

⁴ The information in this section is sourced from the “Independent Market Research Report on the Premium / Ultra-Premium Automobile Market in PRC” prepared by the Independent Market Research Consultant and set out as Appendix D of this Offer Document.

Promising prospects on BMW automobiles sales and after-sales services in the PRC

- The robust demand for BMW automobiles is expected to drive more dealership openings in the PRC. BMW is one (1) of the leading automobile brands in the PRC and the main brand of automobiles sold by our Group. In 2020, an average of 1,342 vehicles per BMW dealership were sold. Our Group’s sales were well above the national average at 2,516 vehicles per BMW dealership. Our BMW dealerships contributed to 11.3%, 9.4%, 14.5% and 38.1% of all BMW sales in Shenzhen, Guangzhou, Chongqing and Foshan respectively
- BMW is expected to open more dealerships in different locations in the PRC, especially in second and third tier cities. Our sales performance and strong business relationship with BMW puts us in a good position to secure approvals to open more BMW dealerships in the future

Promising prospects for the new energy vehicle market in the PRC

- Government subsidies, developing infrastructure and favourable industrial investment policies have contributed to the electric vehicle (“EV”) industry’s robust growth since 2016 and will likely continue to do so. It is estimated that nearly one (1) in five (5) new vehicles purchased in the PRC in 2025 is likely to be an EV
- Our Group’s dealerships carry the latest BMW new energy vehicle versions and our dealerships are up-to-date with the latest technology and infrastructure for the provision of after-sales services for the new energy vehicle models we carry

TRENDS

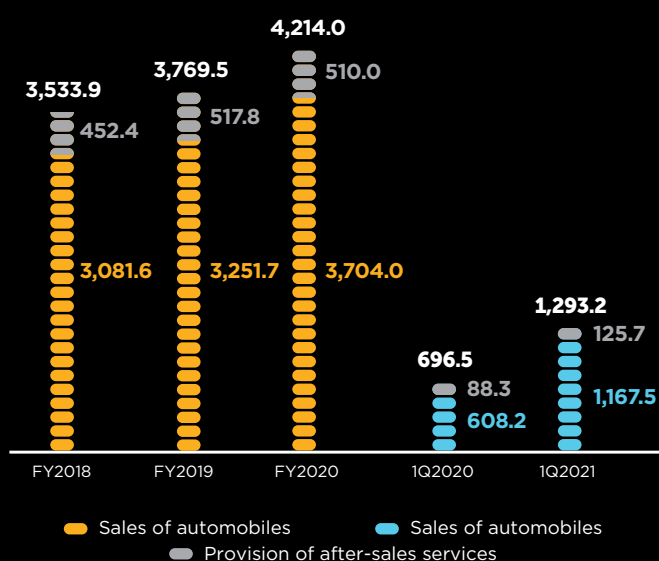
Barring unforeseen circumstances, our Directors have observed the following trends for the next 12 months from the Latest Practicable Date⁵:

- Our revenues from new automobile sales is expected to increase due to an anticipated increase in demand for premium and ultra-premium automobiles in conjunction with the release of new BMW models
- Our revenues for after-sales services is expected to increase in line with a growth in new automobile sales
- Our financing costs relative to the size of our business is expected to decline due to continued deleveraging arising from repayment of loans and other borrowings
- Our operating expenses are expected to increase in line with our revenue growth
- Based on our Group’s previous experience in FY2020 where a closure of each of our dealerships and showrooms for a period of about four (4) to six (6) weeks in 1Q2020 as a result of COVID-19 measures did not result in a material impact on our Group’s financials and/or operations for FY2020, COVID-19 is not expected to have a material impact on our Group’s financials and/or operations for the next 12 months, other than in a situation where it worsens in the PRC and leads to prolonged imposition of restrictions and other lockdown measures which inhibits our ability to conduct our business

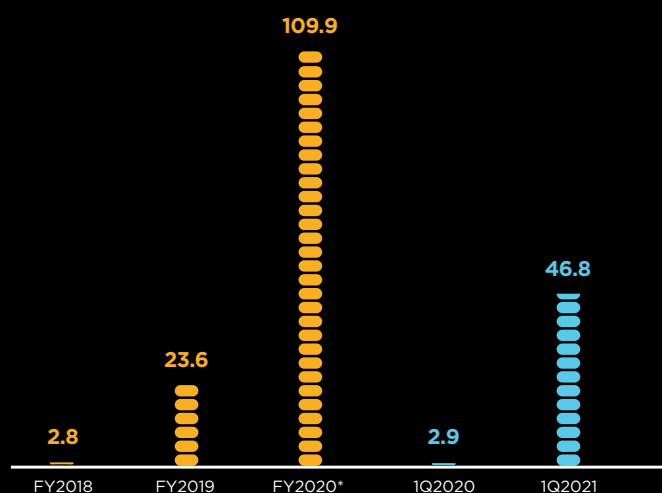
FINANCIAL HIGHLIGHTS⁶

(FYE: 31 December)

Revenue⁷ (RMB' million)



Net Profit (RMB' million)



Gross Profit⁷ (RMB' million) / Gross Profit Margin⁷ (%)

Gross Profit (RMB' million)

	FY2018	FY2019	FY2020	1Q2020	1Q2021
Sales of automobiles	28.0	69.9	107.6	18.7	58.8
Provision of after-sales services	187.8	215.4	208.6	40.0	54.1
Total	215.7	285.3	316.1	58.6	113.0

Gross Profit Margin (%)

	FY2018	FY2019	FY2020	1Q2020	1Q2021
Sales of automobiles	0.9	2.1	2.9	3.1	5.0
Provision of after-sales services	41.5	41.6	40.9	45.3	43.0
Overall	6.1	7.6	7.5	8.4	8.7

⁶ All figures have been rounded to one (1) decimal place

⁷ Exclude fees received from the provision of automobile agency services



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CORPORATE INFORMATION

BOARD OF DIRECTORS : Francis Han Joe Tjia (Executive Director, Executive Chairman and Chief Executive Officer)
Cheung Chee Wai Michael (Executive Director and Chief Financial Officer)
David Ivan Leow (Lead Independent Director)
Henry Tan Song Kok (Independent Director)
Steven Jeffrey Petersohn (Independent Director)

JOINT COMPANY SECRETARIES : Siau Kuei Lian (Associate Member of the Chartered Secretaries Institute of Singapore)

Conyers Trust Company (Cayman) Limited⁽¹⁾

Note:

(1) Conyers Trust Company (Cayman) Limited will resign as a Joint Company Secretary upon the listing of our Shares on the SGX-ST and will be appointed as Assistant Secretary of our Company, where their role will primarily be to assist in filings with the Registrar of Companies in the Cayman Islands and the keeping of the statutory registers of the Company in the Cayman Islands.

REGISTERED OFFICE : The offices of Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman
KY1-1111, Cayman Islands

PRINCIPAL PLACE OF BUSINESS : #3002, 30th Floor
88 Hing Fat Street
Causeway Bay, Hong Kong

ISSUE MANAGER AND FULL SPONSOR : **RHT Capital Pte. Ltd.**
6 Raffles Quay
#24-02
Singapore 048580

UNDERWRITER AND PLACEMENT AGENT : **UOB Kay Hian Private Limited**
8 Anthony Road
#01-01
Singapore 229957

SOLICITORS TO THE INVITATION AND LEGAL ADVISER TO OUR COMPANY AS TO SINGAPORE LAW : **Rajah & Tann Singapore LLP**
9 Straits View #06-07
Marina One West Tower
Singapore 018937

CORPORATE INFORMATION

LEGAL ADVISER TO OUR COMPANY AS TO CAYMAN ISLANDS LAW AND BVI LAW	:	Conyers Dill & Pearman Pte. Ltd. 9 Battery Road #20-01 MYP Centre Singapore 049910
LEGAL ADVISER TO THE INVITATION AS TO PRC LAW	:	Jingtian & Gongcheng (北京市竞天公诚律师事务所) 34th Floor, Tower 3, China Central Place 77 Jianguo Road, Chaoyang District Beijing 100025 People's Republic of China
LEGAL ADVISER TO OUR COMPANY AS TO HONG KONG LAW	:	Deacons 5th Floor, Alexandra House 18 Chater Road, Central Hong Kong
INDEPENDENT AUDITOR AND REPORTING ACCOUNTANT	:	PricewaterhouseCoopers LLP 7 Straits View Marina One, East Tower, Level 12 Singapore 018936 Partner-in-charge: Rebekah Khan (a member of the Institute of Singapore Chartered Accountants)
INDEPENDENT MARKET RESEARCH CONSULTANT	:	Frost & Sullivan (Singapore) Pte Ltd 100 Beach Road #29-01/11, Shaw Tower Singapore 189702
RECEIVING BANK	:	The Bank of East Asia, Limited, Singapore Branch 60 Robinson Road, BEA Building Singapore 068892
SHARE REGISTRAR FOR THE INVITATION, SINGAPORE SHARE TRANSFER AGENT AND SHARE TRANSFER OFFICE	:	In.Corp Corporate Services Pte. Ltd. 30 Cecil Street #19-08 Prudential Tower Singapore 049712

DEFINITIONS

In this Offer Document and the accompanying Application Forms, the following definitions apply where the context so admits:

Group Companies

<i>“Auto Winning Limited”</i>	:	AUTO WINNING LIMITED (銳勝有限公司), a company incorporated in the BVI and a wholly-owned subsidiary of our Company
<i>“Bright Promise Limited”</i>	:	Bright Promise Limited (俊諾有限公司), a company incorporated in Hong Kong and a wholly-owned subsidiary of Auto Winning Limited
<i>“Changsha Bright Focus Automobile”</i>	:	Changsha Bright Focus Automobile Sales and Services Co., Ltd (长沙创兴盛汽车销售服务有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of Shenzhen Bright Focus Automobile
<i>“Chongqing Baize”</i>	:	Chongqing Baize Industrial Co., Ltd. (重庆百泽实业有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of Shenzhen Shangxiantong
<i>“Chongqing Qingdebao Automobile”</i>	:	Chongqing Qingdebao Automobile Sales and Services Co., Ltd. (重庆市庆德宝汽车销售服务有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of Yaohua Automobile Management
<i>“Company”</i>	:	Trans-China Automotive Holdings Limited
<i>“Focus Win (Chongqing) Limited”</i>	:	Focus Win (Chongqing) Limited (創豐盛(重慶)有限公司), a company incorporated in Hong Kong and a wholly-owned subsidiary of TCA Chongqing (BVI) Limited
<i>“Focus Win (Guangzhou) Limited”</i>	:	Focus Win (Guangzhou) Limited (創豐盛(廣州)有限公司), a company incorporated in Hong Kong and a wholly-owned subsidiary of TCA Guangzhou (BVI) Limited
<i>“Foshan Shenbao Automobile”</i>	:	Foshan Shenbao Automobile Sales and Services Co., Ltd. (佛山市坤宝汽车销售服务有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of Trans-China Automotive Holdings (FS) Limited
<i>“Global Gallant Limited”</i>	:	Global Gallant Limited (球俊有限公司), a company incorporated in Hong Kong and a wholly-owned subsidiary of Focus Win (Guangzhou) Limited
<i>“Group”</i>	:	Our Company and our subsidiaries

DEFINITIONS

<i>“Guangdong Yaohua Leasing”</i>	:	Guangdong Yaohua Leasing Co., Ltd. (广东耀骅租赁有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of Yaohua Automobile Management
<i>“Guangzhou Changbao Automobile”</i>	:	Guangzhou Changbao Automobile Sales and Services Co., Ltd. (广州市昌宝汽车销售服务有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of Yaohua Automobile Management
<i>“Guangzhou Ruisheng Automobile”</i>	:	Guangzhou Ruisheng Automobile Sales and Services Co., Ltd. (广州市锐盛汽车销售服务有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of Shenzhen Bright Focus Automobile
<i>“Landwealth Holdings Limited”</i>	:	LANDWEALTH HOLDINGS LIMITED (原裕控股有限公司), a company incorporated in the BVI and a wholly-owned subsidiary of Marine Pearl Limited
<i>“Marine Pearl Limited”</i>	:	MARINE PEARL LIMITED, a company incorporated in the BVI and a wholly-owned subsidiary of our Company
<i>“N-Tech Services Limited”</i>	:	N-Tech Services Limited (安盛服务有限公司), a company incorporated in Hong Kong and a wholly-owned subsidiary of Auto Winning Limited
<i>“Power Summit Corporation Limited”</i>	:	Power Summit Corporation Limited (培峰有限公司), a company incorporated in Hong Kong and a wholly-owned subsidiary of Landwealth Holdings Limited
<i>“Red Star (Shenzhen) Limited”</i>	:	Red Star (Shenzhen) Limited (紅星(深圳)有限公司), a company incorporated in Hong Kong and a wholly-owned subsidiary of Landwealth Holdings Limited
<i>“Shenzhen Bright Focus Automobile”</i>	:	Shenzhen Bright Focus Automobile Sales and Services Co., Ltd. (深圳市创兴盛汽车销售服务有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of Yaohua Automobile Management
<i>“Shenzhen Chuangfengbao Automobile”</i>	:	Shenzhen Chuangfengbao Automobile Sales and Services Co., Ltd. (深圳市创丰宝汽车销售服务有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of TCA Holdings (HK) Limited
<i>“Shenzhen Qifeng Automobile”</i>	:	Shenzhen Qifeng Automobile Sales and Services Co., Ltd. (深圳市祺烽汽车销售服务有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of Yaohua Automobile Management

DEFINITIONS

<i>“Shenzhen Shangxiantong”</i>	:	Shenzhen Shangxiantong Enterprise Consulting Management Service Co., Ltd. (深圳市尚贤同企业咨询管理服务有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of Power Summit Corporation Limited
<i>“TCA Chongqing (BVI) Limited”</i>	:	TCA Chongqing (BVI) Limited, a company incorporated in the BVI and a wholly-owned subsidiary of TCAH (BVI) Limited
<i>“TCA Foshan (BVI) Limited”</i>	:	TCA Foshan (BVI) Limited, a company incorporated in the BVI and a wholly-owned subsidiary of TCAH (BVI) Limited
<i>“TCA Guangzhou (BVI) Limited”</i>	:	TCA Guangzhou (BVI) Limited, a company incorporated in the BVI and a wholly-owned subsidiary of TCAH (BVI) Limited
<i>“TCA Holdings (HK) Limited”</i>	:	TCA Holdings (HK) Limited (耀驊汽車控股(香港)有限公司), a company incorporated in Hong Kong and a wholly-owned subsidiary of TCA Shenzhen (BVI) Limited
<i>“TCA Shenzhen (BVI) Limited”</i>	:	TCA Shenzhen (BVI) Limited, a company incorporated in the BVI and a wholly-owned subsidiary of TCAH (BVI) Limited
<i>“TCAH (BVI) Limited”</i>	:	TCAH (BVI) Limited, a company incorporated in the BVI and a wholly-owned subsidiary of our Company
<i>“Trans-China Automotive Holdings (FS) Limited”</i>	:	Trans-China Automotive Holdings (FS) Limited (耀驊汽車控股(佛山)有限公司), a company incorporated in Hong Kong and a wholly-owned subsidiary of TCA Foshan (BVI) Limited
<i>“Wuhan Ruisheng Automobile”</i>	:	Wuhan Ruisheng Automobile Sales and Services Co., Ltd. (武汉市锐盛汽车销售服务有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of Shenzhen Bright Focus Automobile
<i>“Yaohua Automobile Management”</i>	:	Yaohua Automobile Management Service (Shenzhen) Co., Ltd. (耀驊汽车管理服务(深圳)有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of TCA Holdings (HK) Limited

Other Corporations and Agencies

<i>“Auditors”</i>	:	PricewaterhouseCoopers LLP
<i>“Authority” or “MAS”</i>	:	The Monetary Authority of Singapore

DEFINITIONS

<i>“BMW Brilliance”</i>	:	BMW Brilliance Automotive Limited
<i>“BMW China”</i>	:	BMW China Automotive Trading Limited
<i>“BMW Distributors”</i>	:	BMW China and BMW Brilliance
<i>“CDP”</i>	:	The Central Depository (Pte) Limited
<i>“CPF”</i>	:	The Central Provident Fund
<i>“CSRC”</i>	:	The China Securities Regulatory Commission
<i>“Distributors”</i>	:	The BMW Distributors, the McLaren Distributor and the Lotus Distributor
<i>“Independent Market Research Consultant”</i>	:	Frost & Sullivan (Singapore) Pte Ltd
<i>“Issue Manager and Full Sponsor”, or “RHTC”</i>	:	RHT Capital Pte. Ltd.
<i>“IRAS”</i>	:	The Inland Revenue Authority of Singapore
<i>“JTGC”</i>	:	Jingtian & Gongcheng (北京市竞天公诚律师事务所), the Legal Adviser to the Invitation as to PRC Law
<i>“Lotus Distributor”</i>	:	Beijing Lotus Cars Sales Co., Ltd., the general distributor of Lotus automobiles in the PRC
<i>“McLaren Distributor”</i>	:	McLaren Automotive Distribution (Shanghai) Company Limited, the general distributor of McLaren automobiles in the PRC
<i>“MOFCOM”</i>	:	The PRC Ministry of Commerce, or its predecessor the Ministry of Foreign Trade and Economic Cooperation, as appropriate to the context
<i>“Participating Banks”</i>	:	DBS Bank Ltd. (including POSB) (“ DBS Bank ”), Oversea-Chinese Banking Corporation Limited (“ OCBC ”) and United Overseas Bank Limited (“ UOB ”)
<i>“PBOC”</i>	:	People’s Bank of China
<i>“Receiving Bank”</i>	:	The Bank of East Asia, Limited, Singapore Branch
<i>“SAFE”</i>	:	The PRC State Administration of Foreign Exchange

DEFINITIONS

<i>“SAIC”</i>	:	The PRC State Administration for Industry and Commerce, including, as the context may require, its local counterparts, which was merged into the SAMR in 2018
<i>“SAMR”</i>	:	The PRC State Administration for Market Regulation
<i>“SAT”</i>	:	The PRC State Taxation Administration
<i>“SGX-ST”</i>	:	Singapore Exchange Securities Trading Limited
<i>“Share Registrar and Share Transfer Agent”</i>	:	In.Corp Corporate Services Pte. Ltd.
<i>“TCA International”</i>	:	TCA International Limited
<i>“TCA International Group”</i>	:	TCA International and its subsidiaries
<i>“Underwriter and Placement Agent”, or “UOBKH”</i>	:	UOB Kay Hian Private Limited

General

<i>“1Q”</i>	:	The three (3) months ended or, as the case may be, ending 31 March
<i>“Application Forms”</i>	:	The printed application forms to be used for the purpose of the Invitation and which form part of this Offer Document
<i>“Application List”</i>	:	The list of applications for subscription for the Invitation Shares
<i>“Articles of Association”</i>	:	The articles of association of our Company, as amended from time to time
<i>“Associate”</i>	:	(a) In relation to any individual, including a Director, CEO, Substantial Shareholder or Controlling Shareholder (being an individual) means: (i) his immediate family; (ii) the trustees of any trust of which he or his immediate family is a beneficiary, or, in the case of a discretionary trust, is a discretionary object; and (iii) any company in which he or his immediate family together (directly or indirectly) have an interest of 30.0% or more;

DEFINITIONS

	(b)	in relation to a Substantial Shareholder or a Controlling Shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one (1) in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30.0% or more
<i>“ATM”</i>	:	Automated teller machine of a Participating Bank
<i>“Audit and Risk Committee”</i>	:	The audit and risk committee of our Company as at the date of this Offer Document, unless otherwise stated
<i>“Audited Consolidated Financial Statements”</i>	:	The “Independent Auditor’s Report on the Audited Consolidated Financial Statements for the Financial Years ended 31 December 2018, 2019 and 2020” as set out in Appendix A of this Offer Document
<i>“Board” or “Board of Directors”</i>	:	The board of Directors of our Company as at the date of this Offer Document, unless otherwise stated
<i>“BVI”</i>	:	The British Virgin Islands
<i>“BVI Companies Act”</i>	:	The BVI Business Companies Act, 2004 of the BVI, as amended, modified or supplemented from time to time
<i>“CAGR”</i>	:	Compound annual growth rate
<i>“Catalist”</i>	:	The sponsor-supervised listing platform of the SGX-ST
<i>“Catalist Rules”</i>	:	Section B of the Listing Manual of the SGX-ST, as amended, modified or supplemented from time
<i>“Cayman Islands Companies Act”</i>	:	The Companies Act (as revised) of the Cayman Islands, as amended, modified or supplemented from time to time
<i>“CEO”</i>	:	Chief Executive Officer
<i>“CFO”</i>	:	Chief Financial Officer
<i>“COO”</i>	:	Chief Operating Officer
<i>“Changsha McLaren Showroom”</i>	:	The McLaren showroom owned and operated by Changsha Bright Focus Automobile in Changsha, Hunan
<i>“Chongqing BMW Dealership”</i>	:	The BMW 5S dealership owned and operated by Chongqing Qingdeba Automobile in Chongqing

DEFINITIONS

<i>“Chongqing Property”</i>	:	The property owned by Chongqing Baize at No. 121 Tongjiang Road, Nan’an District, Chongqing (重庆市南岸区通江大道121号)
<i>“Controlling Shareholder”</i>	:	As defined in the Catalyst Rules, a person who: (a) holds directly or indirectly 15.0% or more of the nominal amount of all voting shares in our Company (unless otherwise determined by the SGX-ST); or (b) in fact exercises control over our Company
<i>“COVID-19”</i>	:	Coronavirus Disease 2019
<i>“Directors”</i>	:	The directors of our Company as at the date of this Offer Document, unless otherwise stated
<i>“Electronic Applications”</i>	:	Applications for the Offer Shares made through an ATM or through the internet banking website or mobile banking interface of the relevant Participating Banks subject to and on the terms and conditions of this Offer Document
<i>“EIT Law”</i>	:	The Enterprise Income Tax Law of the PRC (中华人民共和国企业所得税法), as amended, modified or supplemented from time to time
<i>“EPS”</i>	:	Earnings per Share
<i>“Executive Directors”</i>	:	The executive Directors of our Company as at the date of this Offer Document, unless otherwise stated
<i>“Executive Officers”</i>	:	The executive officers of our Group as at the date of this Offer Document unless otherwise stated
<i>“Foshan BMW Dealership”</i>	:	The BMW 4S dealership owned and operated by Foshan Shenbao Automobile in Foshan, Guangdong
<i>“FY”</i>	:	Financial year ended or, as the case may be, ending 31 December
<i>“GDP”</i>	:	Gross domestic product
<i>“GST”</i>	:	Goods and services tax
<i>“Guangzhou BMW Dealership”</i>	:	The BMW 4S dealership owned and operated by Guangzhou Changbao Automobile in Guangzhou, Guangdong
<i>“Guangzhou McLaren Showroom”</i>	:	The McLaren showroom owned and operated by Guangzhou Ruisheng Automobile in Guangzhou, Guangdong

DEFINITIONS

<i>“Guangzhou McLaren Workshop”</i>	:	The workshop for after-sales maintenance and repair of McLaren automobiles sold by our Group which is owned and operated by Guangzhou Ruisheng Automobile in Guangzhou, Guangdong
<i>“Independent Directors”</i>	:	The independent Directors of our Company as at the date of this Offer Document, unless otherwise stated
<i>“Independent Market Research Report”</i>	:	The independent market research report on the Premium / Ultra-Premium Automobile Market in People’s Republic of China dated July 2021 and prepared by the Independent Market Research Consultant, as set out in “Appendix D – Independent Market Research Report of the Independent Market Research Consultant” of this Offer Document”
<i>“Invitation”</i>	:	The invitation by our Company to the public in Singapore to subscribe for the Invitation Shares at the Invitation Price, subject to and on the terms and conditions of this Offer Document
<i>“Invitation Price”</i>	:	S\$0.23 for each Invitation Share
<i>“Invitation Shares”</i>	:	The 85,000,000 new Shares for which our Company invites applications to subscribe for pursuant to the Invitation, subject to and on the terms and conditions set out in this Offer Document
<i>“Latest Practicable Date”</i>	:	17 September 2021, being the latest practicable date for the purposes of lodgement of this Offer Document with the SGX-ST, acting as agent on behalf of the Authority
<i>“Lead Independent Director”</i>	:	The lead independent director of our Company as at the date of this Offer Document, unless otherwise stated
<i>“Listing”</i>	:	The proposed listing and quotation of all our Shares on Catalist
<i>“Listing Date”</i>	:	The date of admission of our Company to Catalist
<i>“M&A Rules”</i>	:	The Rules on the Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, jointly issued by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC, MOFCOM, SAT, SAIC, CSRC and SAFE on 8 August 2006 and revised by MOFCOM on 22 June 2009

DEFINITIONS

<i>“Management and Sponsorship Agreement”</i>	:	The full sponsorship and management agreement dated 1 November 2021 entered into between our Company and RHTC pursuant to which RHTC agreed to manage and sponsor the Invitation, details as described in the section entitled “Plan of Distribution – Management, Underwriting and Placement Arrangements” of this Offer Document
<i>“Market Day”</i>	:	A day on which the SGX-ST is open for trading in securities
<i>“Memorandum” or “Memorandum of Association”</i>	:	Memorandum of association of our Company, as amended from time to time
<i>“NAV”</i>	:	Net asset value
<i>“Nominating Committee”</i>	:	The nominating committee of our Company as at the date of this Offer Document, unless otherwise stated
<i>“Non-Executive Directors”</i>	:	The non-executive Directors of our Company (including Independent Directors) as at the date of this Offer Document, unless otherwise stated
<i>“NPC”</i>	:	National People’s Congress of the PRC
<i>“NTA”</i>	:	Net tangible assets
<i>“OEM”</i>	:	Original equipment manufacturer
<i>“Offer”</i>	:	The offer by our Company to the public in Singapore for subscription of the Offer Shares at the Invitation Price, subject to and on the terms and conditions of this Offer Document
<i>“Offer Document”</i>	:	This offer document dated 1 November 2021 issued by our Company in respect of the Invitation
<i>“Offer Shares”</i>	:	The 2,900,000 Invitation Shares which are the subject of the Offer
<i>“Option Shares”</i>	:	The new Shares which may be allotted and issued from time to time pursuant to the exercise of share options granted under the TCA Employee Share Option Scheme
<i>“Option(s)”</i>	:	The share options which may be granted pursuant to the TCA Employee Share Option Scheme
<i>“PER”</i>	:	Price earnings ratio
<i>“Period Under Review”</i>	:	The period comprising FY2018, FY2019, FY2020 and 1Q2021

DEFINITIONS

<i>“Placement”</i>	:	The placement of the Placement Shares by the Underwriter and Placement Agent on behalf of our Company for subscription at the Invitation Price, subject to and on the terms and conditions of this Offer Document
<i>“Placement Shares”</i>	:	The 82,100,000 Invitation Shares which are the subject of the Placement
<i>“PRC” or “China”</i>	:	The People’s Republic of China, which for the purposes of this Offer Document and for geographical reference only, excludes Hong Kong and Macau Special Administrative Regions of the People’s Republic of China, and Taiwan
<i>“Remuneration Committee”</i>	:	The remuneration committee of our Company as at the date of this Offer Document, unless otherwise stated
<i>“Reorganisation Exercise”</i>	:	The reorganisation exercise undertaken by our Group, as described in the section entitled “Reorganisation Exercise” of this Offer Document
<i>“SAIC”</i>	:	The State Administration for Industry and Commerce of the PRC (中国国家工商行政管理总局), including, as the context may require, its local counterparts, which was merged into the SAMR in 2018
<i>“SAMR”</i>	:	The State Administration for Market Regulation (中华人民共和国国家市场监督管理总局)
<i>“SAT”</i>	:	The State Taxation Administration of the PRC (中华人民共和国国家税务总局)
<i>“Securities Account”</i>	:	The securities account maintained by a Depositor with CDP, but does not include a securities sub-account
<i>“Securities and Futures Act” or “SFA”</i>	:	The Securities and Futures Act (Chapter 289) of Singapore, as amended, modified or supplemented from time to time
<i>“Service Agreements”</i>	:	The service agreements dated 29 September 2021 entered into between our Company and our Executive Directors, namely, Mr. Francis Tjia and Mr. Michael Cheung, as described in the section entitled “Directors, Executive Officers and Employees – Service Agreements” of this Offer Document
<i>“SFR”</i>	:	Fifth Schedule of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore, as amended, modified or supplemented from time to time

DEFINITIONS

<i>“Share Split”</i>	:	The sub-division of each ordinary share of par value US\$0.10 each in the capital of our Company into 10 Shares on 17 September 2021
<i>“Share(s)”</i>	:	Ordinary share(s) of par value US\$0.01 each in the capital of our Company
<i>“Shareholder(s)”</i>	:	Registered holders of Shares
<i>“Shenzhen BMW Dealership”</i>	:	The BMW 5S dealership owned and operated by Shenzhen Chuangfengbao Automobile in Shenzhen, Guangdong
<i>“Shenzhen Lotus Showroom”</i>	:	The Lotus showroom owned and operated by Shenzhen Qifeng Automobile in Shenzhen, Guangdong
<i>“Shenzhen McLaren Showroom”</i>	:	The McLaren showroom owned and operated by Shenzhen Bright Focus Automobile in Shenzhen, Guangdong
<i>“Singapore Companies Act”</i>	:	The Companies Act, (Chapter 50) of Singapore, as amended, modified or supplemented from time to time
<i>“Singapore Take-Over Code”</i>	:	The Singapore Code on Take-overs and Mergers, as amended, modified or supplemented from time to time
<i>“SCNPC”</i>	:	Standing Committee of the National People’s Congress of the PRC
<i>“Substantial Shareholders”</i>	:	Persons who have an interest in the Shares of not less than 5.0% of all the issued voting shares of our Company
<i>“TCA Employee Share Option Scheme”</i>	:	The TCA Employee Share Option Scheme, the terms of which are set out in Appendix J of this Offer Document
<i>“Unaudited Interim Condensed Consolidated Financial Statements”</i>	:	The “Independent Auditor’s Report on the review of the Unaudited Interim Condensed Consolidated Financial Statements for the three-months ended 31 March 2021” as set out in Appendix B of this Offer Document
<i>“Unaudited Pro Forma Consolidated Financial Information”</i>	:	The “Independent Auditor’s Assurance Report on the Compilation of Unaudited Pro Forma Consolidated Financial Information of Trans-China Automotive Holdings Limited and its subsidiaries for the financial year ended 31 December 2020 and the three-months ended 31 March 2021” as set out in Appendix C of this Offer Document

DEFINITIONS

“Underwriting and Placement Agreement” : The underwriting and placement agreement dated 1 November 2021 entered into between our Company and the Underwriter and Placement Agent pursuant to which the Underwriter and Placement Agent agreed to: (i) underwrite our offer of the Offer Shares; and (ii) subscribe and/or procure subscribers for the Placement Shares, details as described in the section entitled “Plan of Distribution – Management, Underwriting and Placement Arrangements” of this Offer Document

“USA” : United States of America

“Wuhan McLaren Showroom” : The McLaren showroom owned and operated by Wuhan Ruisheng Automobile in Wuhan, Hebei

Currencies, Units and Others

“%” or “per cent.” : Per centum

“m” : Metre

“GBP” : Pound sterling, the lawful currency of the United Kingdom

“HKD” : Hong Kong dollar, the lawful currency of Hong Kong

“Renminbi”, “RMB” or “Yuan” : Renminbi, the lawful currency of the PRC

“S\$” and “cents” : The lawful currency of Singapore, being dollars and cents respectively

“sq ft” : Square feet

“sq m” : Square metre

US\$: United states dollar, the lawful currency of the USA

For the purpose of this Offer Document, the following persons named in the second column below are also known by the names set out in the first column:

Name used in this Offer Document : **Name in National Registration Identity Card / Passport**

“Francis Tjia” : Francis Han Joe Tjia

“Michael Cheung” : Cheung Chee Wai Michael

“Henry Tan” : Henry Tan Song Kok

“David Leow” : David Ivan Leow

DEFINITIONS

“Steven Petersohn” : Petersohn, Steven Jeffrey

“Raymond Woo” : Woo Chung Wai

“Roger Chan” : Tseng, Lu

The expressions “associated company”, “associated entity”, “related corporation”, “related entity”, “Entity At Risk”, “Interested Person”, “Interested Person Transaction”, “subsidiary”, “subsidiary entity”, “substantial interest-holder” and “Substantial Shareholder” shall have the meanings ascribed to them respectively in the SFA, the SFR, the Singapore Companies Act and/or the Catalist Rules, as the case may be.

The expressions “Depositor”, “Depository Agent” and “Depository Register” shall have the meanings ascribed to them respectively in Section 81SF of the SFA.

Any word defined under the Singapore Companies Act, the Cayman Islands Companies Act, the SFA, the SFR, the Catalist Rules or any statutory modification thereof and used in this Offer Document, the Application Forms and Electronic Applications shall, where applicable, have the meaning ascribed to it under the Singapore Companies Act, the Cayman Islands Companies Act, the SFA, the SFR, the Catalist Rules or any statutory modification thereto, as the case may be.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons shall include corporations.

Any reference in this Offer Document, the Application Forms and Electronic Applications to any statute or enactment is a reference to that statute or enactment as for the time being amended or re-enacted.

Any reference in this Offer Document, the Application Forms and Electronic Applications to Shares being allotted to an applicant includes allotment to CDP for the account of that Applicant.

Any reference to a time of day in this Offer Document, the Application Forms and Electronic Applications shall be a reference to Singapore time unless otherwise stated.

References in this Offer Document to “our Group”, “we”, “our”, and “us” or any other grammatical variations thereof shall unless otherwise stated, mean our Company, our Group or any member of our Group as the context requires.

Unless indicated otherwise, all information in this Offer Document is presented on the basis of our Group.

Certain Chinese names and characters, such as those of entities, properties, cities, governmental and regulatory authorities, laws and regulations and notices, have been translated into English or from English names and characters, solely for your convenience, and such translations should not be construed as representations that the English names actually represent Chinese names and characters or that the Chinese names actually represent the English names and characters.

DEFINITIONS

Any discrepancies in the tables included herein between the listed amounts and the totals thereof are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them. Where applicable, figures and percentages are rounded off.

The information on our website, any website directly or indirectly linked to our website or the websites of any of our related corporations or other entities in which we may have an interest, or any website, is not incorporated by reference in this Offer Document and should not be relied on.

GLOSSARY OF TECHNICAL TERMS

To facilitate a better understanding of the business of our Group, the following glossary contains an explanation and description of certain technical terms and abbreviations commonly used in our industry and used in this Offer Document. The terms and abbreviations and their assigned meanings may not correspond to standard industry or common meanings, as the case may be, or usage of these terms, and should not be treated as definitive.

<i>“4S dealership”</i>	:	A 4S dealership refers to an authorised dealership store that offers “sales, spare parts, services and surveys”, namely, a full range of dealership products and services that include sales of automobiles and spare parts, approved maintenance and repair services and the conduct of customer and market surveys for automobile OEMs. In the PRC, the majority of automobiles are retailed through 4S dealerships
<i>“5S dealership”</i>	:	A 5S dealership refers to an authorised dealership store that offers “sales, spare parts, services and surveys” and further incorporates a fifth “S” – Sustainability, which refers to incorporation of environmentally-focused sustainable features and operational practices as a reinforcement of the dealership’s corporate commitment to environmentally friendly processes, building design, engineering and construction
<i>“after-sales services”</i>	:	Automobile-related services consisting primarily of maintenance and repair services and sale of automobile parts and accessories provided after the sale of an automobile
<i>“after-sales service centre”</i>	:	Dedicated service centre that provides after-sales services, which include maintenance and repair services and sale of automobile parts and accessories
<i>“automobile agency services”</i>	:	Assisting and facilitating customers in applying for automobile registration, introducing automobile financing and insurance, and securing extension of warranty policies
<i>“automobile OEM”</i>	:	A manufacturer and distributor of automobiles
<i>“automobile brand”</i>	:	A brand of automobiles
<i>“BEV” or “battery electric vehicle”</i>	:	A pure electric vehicle in which only the battery provides the energy supply and only the electromotor provides power to drive the vehicle forward
<i>“BMW”</i>	:	The brand of BMW automobiles
<i>“car parc”</i>	:	The number of vehicles in a region or market

GLOSSARY OF TECHNICAL TERMS

<i>“dealership”</i>	:	A business which is authorised to sell the products of a single brand of automobiles. A dealership is typically engaged in the sale of new automobiles and pre-owned automobiles as well as provision of after-sales services, which include maintenance and repair services, sale of automobile parts and accessories, and automobile agency services, which include related registration and administration for the provision of financing and insurance services
<i>“dealership agreement”</i>	:	An agreement entered into with an automobile OEM which grants rights to operate a dealership or showroom (as the case may be) to sell automobiles manufactured and distributed by the relevant automobile OEM, and rights to receive supply of new automobiles and automobile parts and accessories
<i>“Lotus”</i>	:	The brand of Lotus automobiles
<i>“McLaren”</i>	:	The brand of McLaren automobiles
<i>“new energy vehicle”</i>	:	Vehicles that are partially or fully powered by electricity, which include BEVs and PHEVs
<i>“PHEV” or “plug-in hybrid electric vehicle”</i>	:	A vehicle which combines a gasoline or diesel engine with an electric motor and a large battery that can be recharged by plugging it into an electrical outlet or electric vehicle charging station
<i>“pre-owned automobile”</i>	:	A pre-owned automobile which has one (1) or more prior owners
<i>“premium”</i>	:	Automobile brands which carry automobiles each priced between RMB300,000 to RMB1,000,000 on average and which comprise brands such as BMW, Audi, Mercedes Benz, Alfa Romeo, Volvo, Infiniti, Jaguar, Land Rover, Lincoln, Lexus, Cadillac, NIO and Tesla
<i>“showroom”</i>	:	A showroom refers to a space where automobiles are displayed for sale, and which may come with additional automobile agency services such as referrals for automobile financing, referrals for insurance and car registration agency services
<i>“ultra-premium”</i>	:	Automobile brands which carry automobiles each priced above RMB1,000,000 on average and which comprise brands such as McLaren, Lotus, Porsche, Ferrari, Lamborghini, Maserati, Aston Martin, Bentley and Rolls-Royce

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

All statements contained in this Offer Document, statements made in press releases and oral statements that may be made by us or our Directors, Executive Officers or employees or authorised persons acting on our behalf, that are not statements of historical fact, constitute “forward-looking statements”. You can identify some of these statements by forward-looking terms such as “anticipate”, “believe”, “could”, “estimate”, “profit estimate”, “expect”, “intend”, “may”, “plan”, “will” and “would” or similar words. However, you should note that these words are not the exclusive means of identifying forward-looking statements. All statements regarding our expected financial position, trend information, business strategies, plans and prospects are forward-looking statements.

These forward-looking statements, including without limitation, statements as to our revenue and profitability, cost measures, planned strategy and anticipated expansion plans, expected growth in demand, expected industry trends and any other matters discussed in this Offer Document regarding matters that are not historical fact, are only predictions. These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. These statements are based on our beliefs and assumptions, which are in turn based on currently available information. Although we believe the assumptions upon which these forward-looking statements are based are reasonable, any of these assumptions could prove to be inaccurate, and the forward-looking statements based on these assumptions could be inaccurate. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expected, expressed or implied by these forward-looking statements. These risks, uncertainties and other factors include, amongst others, the following:

- increase in operating costs;
- changes in political, social and economic and capital markets conditions, the regulatory environment, laws and regulations and interpretation thereof in the jurisdictions where we conduct our business or expect to conduct business;
- the impact of the recent global pandemic outbreak of COVID-19 on our business and operations;
- the risk that we may be unable to realise our anticipated growth strategies and expected internal growth;
- changes in the availability and prices of materials, technical parts and equipment which we require to operate our business;
- changes in customer demand or preferences;
- changes in currency exchange or interest rates;
- changes in competitive conditions and our ability to compete under these conditions;
- changes in our senior management team or loss of key employees;
- changes in our future capital needs and the availability of financing and capital to fund these needs;
- the ability of third parties to honour their commitments;

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

- any matters not yet known to us;
- other factors beyond our control; and
- the factors described in the section entitled “Risk Factors” of this Offer Document.

Some of these risk factors are discussed in greater detail in this Offer Document, in particular, but not limited to, the discussions under the sections entitled “Risk Factors” and “Management’s Discussion and Analysis of Financial Position and Results of Operations” of this Offer Document. All forward-looking statements by or attributable to us, the Issue Manager and Full Sponsor, the Underwriter and Placement Agent or persons acting on our behalf, contained in this Offer Document are expressly qualified in their entirety by such factors. These forward-looking statements are applicable only as of the date of this Offer Document.

The sections entitled “General Information on our Group – Business Strategies and Future Plans”, “General Information on our Group – Prospects” and “General Information on our Group – Trend Information” of this Offer Document, as well as other parts of this Offer Document (to the extent applicable or relevant), contain data, information, financial analysis, forecast, figures and statements (including market and industry data and forecasts that have been obtained from internal surveys, reports and studies, where appropriate, as well as market research, publicly available information and industry publications) which are forward-looking and based on certain assumptions and projections. Industry publications, surveys and forecasts generally state that the information they contain has been obtained from sources believed to be reliable, but we are unable to assure you that such information is accurate or complete.

Neither our Company, the Issue Manager and Full Sponsor, the Underwriter and Placement Agent nor any person(s) acting on our or their behalf have conducted an independent review or verified the accuracy or veracity of such data, information, financial analysis, forecast, figures and statements, assumptions and projections (the “**Third Party Data**”). Where any of the Third Party Data or any information in this Offer Document has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of our Directors, the Issue Manager and Full Sponsor, the Underwriter and Placement Agent or any person(s) acting on our or their behalf has been to ensure that such Third Party Data or information has been accurately and correctly extracted from these sources and/or reproduced in this Offer Document in its proper form and context. No representation is made by us, the Issue Manager and Full Sponsor, the Underwriter and Placement Agent or any person(s) acting on our or their behalf in respect of any of such Third Party Data or information and neither we, the Issue Manager and Full Sponsor, the Underwriter and Placement Agent nor any person(s) acting on our or their behalf take any responsibility for any of such Third Party Data or information.

Given the risks and uncertainties that may cause our actual future results, performance or achievements to be materially different from that expected, expressed or implied by the forward-looking statements in this Offer Document, undue reliance must not be placed on these statements. None of us, the Issue Manager and Full Sponsor, the Underwriter and Placement Agent or any other person represents or warrants that our actual future results, performance or achievements will be as discussed in those statements.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Our actual future results may differ materially from those anticipated in these forward-looking statements as a result of the risks faced by us. We, the Issue Manager and Full Sponsor, and the Underwriter and Placement Agent disclaim any responsibility to update any of those forward-looking statements or publicly announce any revisions to those forward-looking statements to reflect future developments, events or circumstances, even if new information becomes available or other events occur in the future. We are, however, subject to the provisions of the SFA and the Catalyst Rules regarding the contents of this Offer Document and/or corporate disclosure.

In particular, pursuant to Section 241 of the SFA, if after the registration of this Offer Document but before the close of the Invitation, we become aware of:

- (a) a false or misleading statement or matter in this Offer Document;
- (b) an omission from this Offer Document of any information that should have been included in it under the requirements of Section 243 of the SFA; or
- (c) a new circumstance that has arisen since this Offer Document was lodged with the SGX-ST, acting as agent on behalf of the Authority, which would have been required by the requirements of Section 243 of the SFA to be included in this Offer Document if it had arisen before this Offer Document was lodged,

and that is materially adverse from the point of view of an investor, our Company may, in consultation with the Issue Manager and Full Sponsor, and the Underwriter and Placement Agent, lodge a supplementary or replacement offer document with the SGX-ST, acting as agent on behalf of the Authority.

INDUSTRY OVERVIEW

This Offer Document includes market and industry data and forecasts that have been obtained from internal surveys, reports and studies, where appropriate, as well as market research, publicly available information and industry publications. Industry publications, surveys and forecasts generally state that the information they contain has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of such information.

*We have commissioned the Independent Market Research Consultant to prepare a report (the “**Independent Market Research Report**”) on the Premium/Ultra-Premium Automobile Market in People’s Republic of China. Please refer to “Appendix D – Independent Market Research Report of the Independent Market Research Consultant” of this Offer Document for further details. While we, the Issue Manager and Full Sponsor, and the Underwriter and Placement Agent have taken reasonable steps to ensure that the information is extracted accurately and in its proper context, we cannot ensure the accuracy of the information or data and we, the Issue Manager and Full Sponsor, and the Underwriter and Placement Agent and any of our or their affiliates or advisers have not independently verified any of the information or data from third party sources or ascertained the underlying assumptions relied upon therein. Consequently, none of us, the Issue Manager and Full Sponsor, and the Underwriter and Placement Agent, or our or their respective officers, agents, employees and advisers makes any representation as to the accuracy or completeness of such information or data and shall not be obliged to provide any updates on the same.*

OVERVIEW OF THE PREMIUM/ULTRA-PREMIUM AUTOMOBILE MARKET IN PEOPLE’S REPUBLIC OF CHINA

MACROECONOMIC OVERVIEW

Macroeconomic Overview of the PRC

The PRC economy has experienced a period of rapid growth over the last decade, with its nominal gross domestic product (“**GDP**”) increasing at a compound annual growth rate (“**CAGR**”) of 8.0%, from RMB74.6 trillion in 2016 to RMB101.6 trillion in 2020. In line with the economic growth, nominal GDP per capita increased at a CAGR of 7.6% from RMB54,000 in 2016 to RMB72,300 in 2020. Although 2020 was an unusual year affecting GDP growth due to the COVID-19 pandemic, the outlook for future years appears optimistic, with anticipation for strong growth in domestic consumption and expected continuation of government stimulus policies. The year-on-year nominal GDP is expected to increase by 11.8% in 2021 and to reach RMB151.4 trillion by 2025, registering a CAGR of 7.4% for the period from 2020 to 2025 (the “**Forecast Period**”) with nominal GDP per capita anticipated to reach RMB106,800 in 2025, registering a CAGR of 8.3% for the Forecast Period.

Such rapid economic development has fuelled unprecedented urbanisation in the PRC since 1980, and the urban population in the PRC has increased from 793.0 million to 859.6 million at a CAGR of 2.0% from 2016 to 2020 which is forecasted to reach 972.7 million by 2025. The per capita disposable income of urban households also increased from RMB33,600 in 2016 to RMB43,800 in 2020 and is projected to increase to RMB63,300 in 2025. The working-age urban population is the primary target market for automobile sales.

Further, the number of high-net-worth individuals in the PRC (referring to persons whose investable assets exceeding RMB10 million), increased by 54.4% in just five (5) years, with a projected CAGR for the Forecast Period being 8.5%. High-net-worth individuals are known to consider premium and ultra-premium automobiles to be symbols of their status. Accordingly, the anticipated growth in numbers of high-net-worth individuals is expected to further drive the consumer demand for premium and ultra-premium automobiles in the Forecast Period.

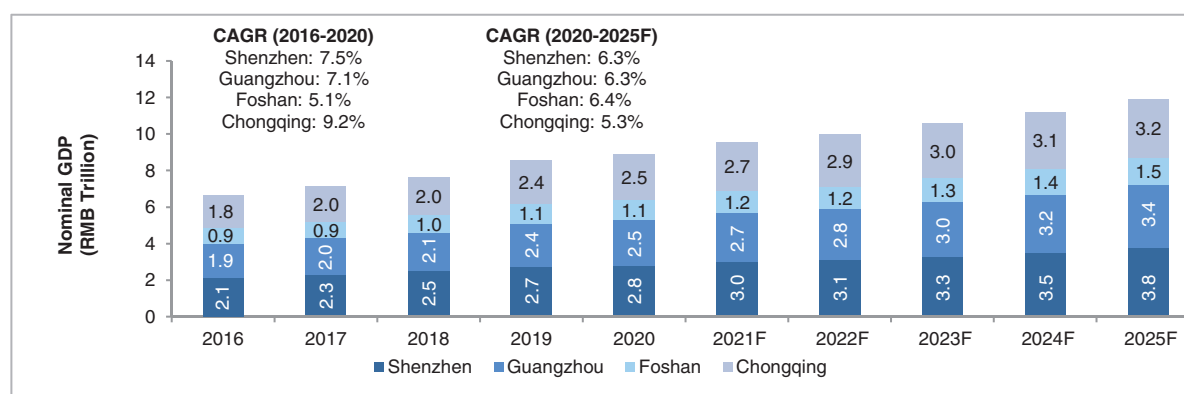
INDUSTRY OVERVIEW

Greater Bay Area

The Greater Bay Area (“**GBA**”) spans Hong Kong, Macao, and nine (9) cities in the Guangdong province (Guangzhou, Shenzhen, Zhuhai, Foshan, Dongguan, Zhongshan, Jiangmen, Huizhou, and Zhaoqing). The GBA leads the PRC in terms of economic development, and owing to its wealth per capita, has a higher propensity for consumption than other regions of the PRC. The Guangdong province in particular has the largest population of high-net-worth individuals in the PRC, making it a ripe market for luxury products.

Shenzhen, Guangzhou, Chongqing and Foshan are the key cities in which our Company operates our BMW dealerships, and out of which, Shenzhen, Guangzhou and Foshan are located in the Guangdong province in the GBA. It is noted that historically, from 2016 to 2020, the nominal GDP of Chongqing, Shenzhen and Guangzhou have grown at a faster rate than the overall GBA of the PRC as a whole, while Foshan has been marginally lower than the GBA’s nominal GDP growth rate. Steady growth is nevertheless expected for all four (4) key cities for the Forecast Period as set out below:

Nominal GDP of Shenzhen, Guangzhou, Foshan and Chongqing, 2016-2025F



Source: National Bureau of Statistics (found at <https://data.stats.gov.cn/>); forecast by Frost & Sullivan; CAGRs calculated by Frost & Sullivan

AUTOMOBILE MARKET IN THE PRC

Classification

Automobiles are generally classified into: (1) entry-level automobiles; (2) mass-market automobiles; (3) premium automobiles; or (4) ultra-premium automobiles, based on the brand positioning of their automobile OEM. Premium and ultra-premium brands are distinguished mainly in terms of price, configuration, higher levels of customised specifications and equipment, and craftsmanship and after-sales service. The table below provides examples of brands in each classification in the PRC:

Representative Automobile Brands, PRC, 2020

Segment	Price Range	Examples of Representative Brands
Ultra-Premium	Over RMB1 million	McLaren, Lotus, Porsche, Ferrari, Lamborghini, Maserati, Aston Martin, Bentley, Rolls-Royce,
Premium	RMB300,000-RMB1 million	BMW, Audi, Mercedes-Benz, Alfa Romeo, Volvo, Infiniti, Jaguar, Land Rover, Lincoln, Lexus, Cadillac, NIO, Tesla

INDUSTRY OVERVIEW

Segment	Price Range	Examples of Representative Brands
Mass-Market	RMB100,000- RMB300,000	Dodge, Fiat, Ford, Buick, Chevrolet, CIIMO, Everus, Honda, Hyundai, Kia, Isuzu, Mazda, Mitsubishi, MG, LYNK&CO, Citroen, DS, Peugeot, Nissan, Renault, Suzuki, Skoda, Toyota, VW, Wey
Entry-Level	Below RMB100,000	BYD, Chery, Cowin, Karry, Rely, Riich, Besturn, FAW Jilin Automobile, FAW-GM Hongta Yunnan Automobile, Haima, JiaBao, Oley, Xiali, Emgrand, Englon, Geely, Gleagle, KANDI, ZD, Baojun, Great Wall, Haval, Lifan, JAC, JAC Volkswagen-Shiao, Beijing, Beiqi Foton Motor, Brilliance, Changan/Chana Changhe, Denza, Dongfeng Motor, Enranger, Fengshen, GAC, Roewe, SAIC GM, SAIC Motor

Automobile Population and Penetration Rates

The PRC's population of persons owning and/or using personal automobiles (the “**automobile population**”) increased from 155.4 million persons in 2016 to 219.2 million persons in 2020, and the penetration rate over the same period increased from 113 vehicles per 1,000 persons to 156.5 per 1,000 persons. The automobile population is expected to reach 286 million by 2025, representing a CAGR of 5.5% for the Forecast Period with the penetration rate expected to reach 201.9 vehicles per 1,000 persons by 2025, alongside a growing trend of consumer spending on automobiles in the Forecast Period.

In particular, the premium automobile ownership of the automobile population increased from 17.4 million vehicles in 2016 to 29.0 million vehicles in 2020, and is expected to reach 46.3 million vehicles in 2025. The ultra-premium automobile ownership of the automobile population is expected to exceed 1 million vehicles for the first time in the PRC in 2021, and to reach 1.4 million vehicles in 2025. The penetration rate for premium automobile ownership is expected to increase from 20.7 vehicles per 1,000 persons in 2020 to 32.7 vehicles per 1,000 persons in 2025, whilst the penetration rate for ultra-premium automobile ownership is expected to increase from 0.7 vehicles per 1,000 persons to 1 vehicle per 1,000 persons over the same period.

Automobile Market

Premium and Ultra-Premium Automobile Market

New premium automobile sales grew from 2.3 million vehicles in 2016 to 3.5 million vehicles in 2020, and are estimated to reach 5.7 million vehicles by 2025. New ultra-premium automobile sales grew from 81,300 vehicles in 2016 to 100,500 vehicles in 2020, and are estimated to reach 118,400 vehicles by 2025. Higher household incomes and the increase in the number of high-net-worth individuals are likely to be significant contributing factors to their increased sales; both segments were in fact more resilient to the COVID-19 pandemic's economic effects in the PRC, and the sales for both segments saw an increase in 2020 as compared to previous years, whereas new entry-level and mass-market automobile sales suffered year-over-year decline of 14.5% in 2020.

INDUSTRY OVERVIEW

The growth in premium and ultra-premium automobile sales is likely to be driven by the following key factors:

- An increase in domestic production of vehicles by joint-venture companies (established between domestic companies and foreign automobile OEMs) as opposed to foreign imports, which lowers a vehicle's retail price by leveraging local supply chains and avoiding import tariffs.
- A wider range of premium models, with some being sold at a lower entry price point in order to attract new customers to the brand.
- The proliferation of competitively priced automobile finance products offered by banks as well as OEM-affiliated finance companies.
- The increased willingness of Generation Y and Z consumers to obtain automobile finance loans to purchase premium and ultra-premium brands.

Market Share for Brands

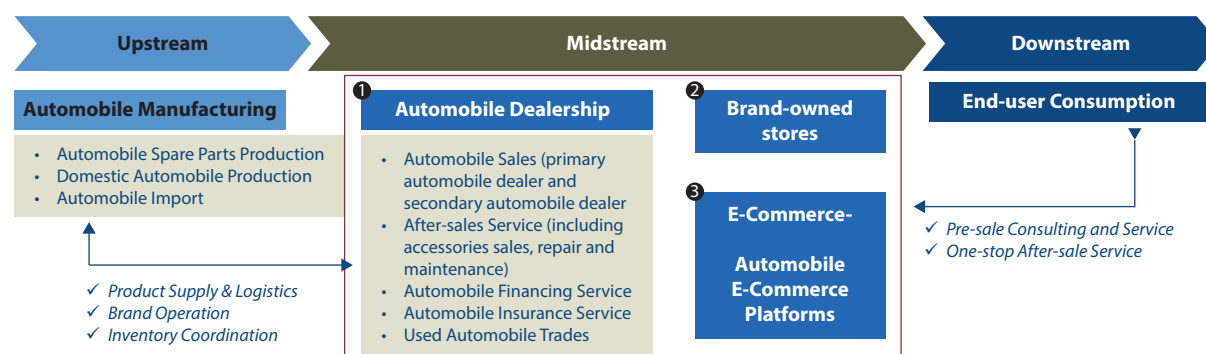
Based on information from the China Association of Automobile Manufacturers in 2016 and 2020, Porsche was the market leader amongst ultra-premium brands in the PRC for both years, and Maserati came in at second place for both years. On the other hand, BMW, Mercedes-Benz, and Audi were the top brands in the premium automobile market in the PRC in 2020. BMW was the second-place premium brand in both 2016 and 2020.

PRC AUTOMOBILE DEALERSHIPS

Automotive Industry Overview

An illustration of the automotive industry value chain is shown below, and demonstrates how manufacturers supply vehicles and parts to dealerships, brand-owned stores, and e-commerce platforms. The consumer looks to these dealerships, brand-owned stores, and e-commerce platforms not only for purchases but also pre-sale consulting and after-sale services. Dealerships have become the dominant retail platform for automobile sales in the PRC, after the promulgation of the Implementation Measures for the Administration of Automobile Brand Sales (汽车品牌销售管理实施办法) by MOFCOM in February 2005 which stipulated that all automobile dealers must obtain permission from an automobile manufacturer before retailing its brands.

PRC Automotive Industry Value Chain



INDUSTRY OVERVIEW

4S/5S Dealerships

The term “4S” stands for “sales, spare parts, services, and survey.” 4S dealerships are one-stop shops offering automobile sales, repairs, accessories, and customer feedback to automobile OEMs (including purchase and service preferences) that help shape their portfolios. 5S dealerships add “sustainability” to the mix, which refers to the use of technology and building materials that conserve energy and other resources, often in line with an automobile OEM’s corporate initiatives.

4S/5S dealerships are the highest-level and most important automobile distribution model in the PRC, accounting for more than 90% of new automobile sales each year. They are automobile OEM authorised and have an average area of about 10,000 square metres, with high standards of construction and decoration as the facility itself essentially serves as a brand ambassador for the automobile OEM.

Key Players and Competitive Landscape

The PRC dealership landscape is highly fragmented. The top three (3) dealership groups had a combined number of 1,327 dealerships in 2020, which accounted for only 4.7% of all dealerships in the country. China Grand Automotive ranked first with 762 dealerships, followed by Zhongsheng Group with 373 dealerships, and Shanghai Yongda Group in third place with 192 dealerships. Our Group was ranked among the top 100 dealership groups in the PRC in 2020 in terms of revenue, with a ranking of 93rd.

There were a total number of 28,229 dealerships operating across the PRC as at the end of 2020.

BMW Dealerships

As of February 2021, a total of 103 BMW dealership groups and 636 BMW locations were operational in the PRC. Of these 636 locations, 567 are 4S/5S dealerships and the remainder are mainly service centres or city showrooms.

In 2020, the BMW brand sold 761,100 new automobiles in the PRC, which is an average of 1,342 vehicles per dealership. Our Group’s sales per dealership were well above the national average, at 2,516 vehicles per dealership. Our dealerships contributed to 11.3%, 9.4%, 14.5% and 38.1% of all BMW sales in terms of volume in Shenzhen, Guangzhou, Chongqing and Foshan respectively.

DEALERSHIP BUSINESS MODELS

Authorised 4S and 5S dealerships generate profits through four (4) main business segments: (1) new automobile sales; (2) after-sales services; (3) ancillary services; and (4) pre-owned automobile sales.

New Automobile Sales

New automobile sales are the most important revenue generator and a fundamental growth pillar for a dealership, and typically contribute towards 85% of the overall dealership revenue. New automobile sales through dealerships account for more than 90% of all new automobiles sold in the PRC each year.

INDUSTRY OVERVIEW

After-sales Services

After-sales services refer to any service provided after a customer has purchased an automobile, including repairs and maintenance, which mainly relate to the regular replacement of consumables such as lubricants and parts such as brake pads and spark plugs, that are subject to wear and tear. Dealerships in the premium segment also typically provide wash and detailing services.

After-sales services contribute an industry average of 10% of overall dealership revenue, but can account for almost 50% of the dealership's gross profit. The after-sales services market revenue grew from RMB515.7 billion in 2016 to RMB847.7 billion in 2020, at a CAGR of 13.2% for the said period and is expected to reach 1,346.2 billion in 2025, representing a CAGR of 9.7% for the Forecast Period, as the PRC's automobile population continues to grow. In 2020, the OES segment accounted for or RMB474.7 billion or 56% of overall market revenue for the after-sales services segment.

In general, after-sales services take the form of either do-it-yourself (DIY) or do-it-for-me (DIFM) services, and DIFM services are further divided into those provided by OEM-authorised 4S/5S dealerships or original equipment service shops (the "**OES segment**"), and those provided by independent aftermarket (IAM) high-street workshops (the "**IAM segment**"). The after-sales services provided by our Group constitute DIFM services which further fall under the OES segment.

As most automobiles that are less than five (5) years old are usually covered by the typical 3-year factory warranty (and sometimes with a 2-year extended warranty), they would typically be sent to 4S/5S dealerships for maintenance and repair services. Accordingly, the OES segment tends to dominate the after-sales services segment as compared to the IAM segment, because of its higher standards for product and service quality, as well as warranties for new automobiles that result in higher ticket sizes (referring to higher average revenue per customer per maintenance/repair service) than the IAM segment.

Ancillary Services

Ancillary services are other value-added services that a dealership provides to customers, including financial services such as provision of car insurance and automobile loans, warranty extensions, and mobility services such as car rentals. Ancillary services can provide new and sustainable revenue streams and profits. Customers of premium and ultra-premium brand dealerships are more willing to pay for ancillary services, than buyers of entry-level or mass-market automobiles.

Pre-owned Automobile sales

A pre-owned automobile, also referred to as a second-hand car, is a vehicle that has previously had one (1) or more retail owners. As the car parc continues to grow in the PRC, pre-owned automobiles are becoming an increasingly important component of the dealership business model. Dealerships generally have a better reputation than independent pre-owned vehicle stores or individual sellers as they carry with them the association with the automobile OEM brand itself, which fosters a higher level of trust from customers, and also provide higher-quality and trustworthy one-stop services such as pre-sale evaluation, authentication, and detailed quality inspection, with an expectation of consistent standards applied across all dealerships as opposed to inconsistent standards in the case of independent pre-owned vehicle stores or individual sellers. More importantly, the whole process is transparent and traceable, which more effectively facilitates the sale process between sellers and buyers.

INDUSTRY OVERVIEW

The PRC's pre-owned automobile market has experienced significant growth in the past five (5) years on account of a combination of favourable government policies, the overall growth of the automobile population, and increasing purchasing power of customers resulting from higher incomes. Sales volume for pre-owned automobiles increased from 10.4 million in 2016 to 12.6 million in 2020, representing a CAGR of 4.9% for the said period. Despite the pandemic-related decline in 2020 and 2021, sales for pre-owned automobiles are expected to reach 19.4 million vehicles in 2025.

AUTOMATION, CONNECTIVITY, ELECTRIFICATION, AND SHARED MOBILITY

Autonomy and Connectivity

Autonomous driving and connectivity are an integrated concept in the PRC, epitomised by the introduction of the intelligent connected vehicle ("ICV") that is equipped with automated driving functions such as adaptive cruise control or lane-departure warnings, and with connectivity features including wireless communication modules. In 2020, more than 50% of the newly sold automobiles in the PRC were ICVs, and this number is expected to increase to 90% by 2025.

Electrification

According to data from the China Association of Automobile Manufacturers, the PRC has also become the world's largest electric vehicle ("EV") market, contributing to more than 50% of global EV sales volume in 2020. Stimulus policies for the EV industry are likely to continue to propel its growth in the Forecast Period. BYD, Nio, Volkswagen, BMW, and Mercedes-Benz have launched a series of EV models, and additional models are in the OEMs' pipelines. Common EV types are shown below:

Segmentation	Definition	Representative Model
Battery Electric Vehicle ("BEV")	A BEV generally refers to a pure electric vehicle in which only the battery provides the energy supply and only the electromotor provides power to drive the vehicle forward. This type of vehicle can achieve zero emissions in operation.	 BMW iX
Plug-In Hybrid Electric Vehicle ("PHEV")	A PHEV combines a gasoline or diesel engine with an electric motor and a large battery that can be recharged by plugging it into an electrical outlet or electric vehicle charging station. Conventional hybrid automobiles have an electric motor and battery, but derive all their power from gasoline or diesel.	 BMW 530e

INDUSTRY OVERVIEW

EVs accounted for 6.2% of all new automobile sales in the PRC in 2020, and it is expected that nearly one (1) in five (5) new vehicles purchased in 2025 is likely to be an EV. Nearly 15% of BMW's EV sales were from China in 2020 and EVs accounted for 10% of its total automobile sales in the same year. This growth may partly be attributable to the fact that the overall cost of ownership of EVs and traditional internal combustion engine models have become comparable sometime in late 2020 or early 2021.

Shared Mobility

Shared mobility gross transaction value in the PRC surpassed RMB300 billion in 2020. Leading players Didi, Hello, and EV card experienced robust growth over the past several years by providing mobility services including ride hailing, ride sharing, and car leasing as cities continue to grapple with traffic congestion which presents an opportunity for dealerships that are willing to provide car rentals or other types of mobility services.

SELLING RESTRICTIONS

SINGAPORE

This Offer Document does not constitute an offer, solicitation or invitation to subscribe for the Invitation Shares in any jurisdiction in which such offer, solicitation or invitation is unlawful or is not authorised or to any person to whom it is unlawful to make such offer, solicitation or invitation.

No action has been or will be taken under the requirements of the legal or regulatory requirements of any jurisdiction, except for the lodgement and/or registration of this Offer Document in Singapore in order to permit a public offering of the Invitation Shares and the public distribution of this Offer Document in Singapore. The distribution of this Offer Document and the Invitation of the Invitation Shares in certain jurisdictions may be restricted by the relevant laws or regulations in such jurisdictions. Persons who may come into possession of this Offer Document are required by us, the Issue Manager and Full Sponsor, and the Underwriter and Placement Agent to inform themselves about, and to observe and comply with, any such restrictions at their own expense and without liability to us, the Issue Manager and Full Sponsor, and the Underwriter and Placement Agent.

Persons to whom a copy of this Offer Document has been issued shall not circulate to any other person, reproduce or otherwise distribute this Offer Document or any information herein for any purpose whatsoever nor permit or cause the same to occur.

MALAYSIA

No prospectus or other offering material or document in connection with the Invitation and the Invitation Shares has been or will be registered with the Securities Commission of Malaysia pursuant to the Capital Markets and Services Act 2007 of Malaysia ("**CMSA**") and no approval for the Invitation of the Invitation Shares has been obtained from the Securities Commission of Malaysia pursuant to the CMSA.

Accordingly, this Offer Document and any other material or document in connection with the offer or sale, or invitation for subscription of the Invitation Shares may not be circulated or distributed, nor may the Invitation Shares be offered or sold, or be made the subject of an invitation for subscription, whether directly or indirectly, to persons in Malaysia other than (a) a closed-end fund approved by the Securities Commission of Malaysia; (b) a holder of a Capital Markets Services Licence granted under Section 61 of the CMSA; (c) an individual whose total net personal assets or total net joint assets with his or her spouse exceeds RM3,000,000 (or its equivalent in foreign currencies), excluding the value of the primary residence of the individual; (d) an individual who has a gross annual income exceeding RM300,000 (or its equivalent in foreign currencies), in the preceding 12 months; (e) an individual who, jointly with his or her spouse, has a gross annual income exceeding RM400,000 (or its equivalent in foreign currencies), in the preceding 12 months; (f) a corporation with total net assets exceeding RM10,000,000 (or its equivalent in foreign currencies), based on the last audited accounts; (g) a partnership with total net assets exceeding RM10,000,000 (or its equivalent in foreign currencies); (h) a bank licensee or insurance licensee as defined in the Labuan Financial Services and Securities Act, 2010; (i) an Islamic bank licensee or takaful licensee as defined in the Labuan Islamic Financial Services and Securities Act, 2010; and (j) any other person as may be specified by the Securities Commission of Malaysia, provided that, in each of the preceding categories (a) to (j), the distribution of the Invitation Shares is made by a holder of a Capital Markets Services Licence who carries on the business of dealing in securities.

SELLING RESTRICTIONS

HONG KONG

This Offer Document is not a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) (the “**C(WUMP)O**”), nor is it required to be authorised under section 103 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “**SFO**”).

Please be warned that the content of this Offer Document has not been reviewed by any regulatory authorities in Hong Kong and no action has been taken in Hong Kong to authorise or register this Offer Document or to permit the distribution of this Offer Document or any document issued in connection with it. You are advised to exercise caution in relation to the Invitation. If you are in any doubt about any of the contents of this Offer Document, you should obtain independent professional advice.

The Invitation Shares have not been, may not be, and will not be, offered or sold in Hong Kong to any person in Hong Kong, by means of this Offer Document or any document other than: (i) to “professional investors” as defined in the SFO and any rules made thereunder (including, but not limited to the Securities and Futures (Professional Investor) Rules (Chapter 571D of the Laws of Hong Kong)), and/or (ii) in other circumstances which do not result in this Offer Document being a “prospectus” as defined in the C(WUMP)O, or which do not constitute an offer to the public within the meaning of that ordinance. No advertisement, invitation or document relating to the Invitation Shares has been or may be issued or has been or may be in the possession of any person, for the purposes of issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Invitation Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the SFO and any rules made thereunder (including but not limited to the Securities and Futures (Professional Investor) Rules (Chapter 571D of the Laws of Hong Kong)). This document and the information contained herein may not be used other than by the person to whom it is addressed and may not be reproduced in any form or transferred to any person in Hong Kong.

The Invitation is not an offer for sale to the public in Hong Kong and it is not our intention that the Invitation Shares be offered for sale to the public in Hong Kong.

By accepting this Offer Document, you agree to be bound by the foregoing limitations. No part of this Offer Document may be (a) copied, photocopied or duplicated in any form by any means; or (b) distributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose.

DETAILS OF THE INVITATION

LISTING ON CATALIST

An application has been made to the SGX-ST for permission to deal in, and for the listing and quotation of, all our Shares already issued, the Invitation Shares and the Option Shares, on Catalist. Such permission will be granted when our Company has been admitted to Catalist. Our acceptance of applications and the allotment of the Invitation Shares will be conditional upon, amongst others, the completion of the Invitation, which is subject to certain conditions, including permission being granted by the SGX-ST to deal in, and for quotation of, all our Shares, including all our existing issued Shares, the Invitation Shares and the Option Shares, on Catalist. Monies paid in respect of any application accepted will be returned, without interest or any share of revenue or other benefit arising therefrom and at the applicant's own risk, if the completion of the Invitation does not occur because the said permission is not granted or for any reason, and the applicant will not have any claim against us, the Issue Manager and Full Sponsor, and the Underwriter and Placement Agent. No Shares will be allotted and/or allocated on the basis of this Offer Document later than six (6) months after the date of registration of this Offer Document by the SGX-ST, acting as agent on behalf of the Authority.

Companies listed on Catalist may carry higher investment risk when compared with larger or more established companies listed on the Main Board of the SGX-ST. In particular, companies may list on Catalist without a track record of profitability and there is no assurance that there will be a liquid market in the shares or units of shares traded on Catalist. You should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with your professional adviser(s).

Neither the Authority nor the SGX-ST has examined or approved the contents of this Offer Document. Neither the Authority nor the SGX-ST assumes any responsibility for the contents of this Offer Document, including the correctness of any of the statements or opinions made or reports contained in this Offer Document. The SGX-ST does not normally review the application for admission but relies on the Issue Manager and Full Sponsor and the Underwriter and Placement Agent confirming that our Company is suitable to be listed and complies with the Catalist Rules. Neither the Authority nor the SGX-ST has in any way considered the merits of the Invitation Shares being offered for investment.

Admission to Catalist is not to be taken as an indication of the merits of the Invitation, our Company, our subsidiaries, our existing issued Shares, the Invitation Shares or the Option Shares.

A copy of this Offer Document has been lodged with and registered by the SGX-ST, acting as agent on behalf of the Authority. Registration of this Offer Document by the SGX-ST, acting as agent on behalf of the Authority, does not imply that the SFA, the Catalist Rules or any other legal or regulatory requirements, have been complied with. The SGX-ST has not, in any way, considered the merits of our existing issued Shares, the Invitation Shares or the Option Shares, as the case may be, being offered or in respect of which an invitation is made, for investment. We have not lodged or registered this Offer Document in any other jurisdiction.

As we are a foreign issuer, our Company has also undertaken to comply with the relevant requirements as set out under Rule 412 of the Catalist Rules.

DETAILS OF THE INVITATION

Notification under Section 309B of the SFA: The Shares are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

We are subject to the provisions of the SFA, the SFR and the Catalist Rules regarding the contents of this Offer Document and/or corporate disclosure. In particular, if after the registration of this Offer Document but before the close of the Invitation, we become aware of:

- (a) a false or misleading statement or matter in this Offer Document;
- (b) an omission from this Offer Document of any information that should have been included in it under the requirements of Section 243 of the SFA; or
- (c) a new circumstance that has arisen since this Offer Document was lodged with the SGX-ST, acting as agent on behalf of the Authority, and which would have been required by the requirements of Section 243 of the SFA to be included in this Offer Document if it had arisen before this Offer Document was lodged,

and that is materially adverse from the point of view of an investor, our Company may, in consultation with the Issue Manager and Full Sponsor, and the Underwriter and Placement Agent, lodge a supplementary or replacement offer document with the SGX-ST, acting as agent on behalf of the Authority.

In the event that a supplementary or replacement offer document is lodged with the SGX-ST, acting as agent on behalf of the Authority, the Invitation shall be kept open for at least 14 days after the lodgement of such supplementary or replacement offer document.

Where prior to the lodgement of the supplementary or replacement offer document, applications have been made under this Offer Document to subscribe for the Invitation Shares and:

- (a) where the Invitation Shares have not been issued to the applicants, we shall either:
 - (i) (A) within two (2) days (excluding any Saturday, Sunday or public holiday) from the date of lodgement of the supplementary or replacement offer document, as the case may be, give the applicants notice in writing of how to obtain, or arrange to receive, a copy of the supplementary or replacement offer document, as the case may be, and provide the applicants with an option to withdraw their applications; and (B) take all reasonable steps to make available within a reasonable period the supplementary or replacement offer document, as the case may be, to the applicants who have indicated they wish to obtain, or who have arranged to receive, a copy of the supplementary or replacement offer document;
 - (ii) within seven (7) days from the date of lodgement of the supplementary or replacement offer document, give the applicants a copy of the supplementary or replacement offer document, as the case may be, and provide the applicants with an option to withdraw their applications; or

DETAILS OF THE INVITATION

- (iii) (A) treat the applications as withdrawn and cancelled, in which case the applications shall be deemed to have been withdrawn and cancelled; and (B) we shall within seven (7) days from the date of lodgement of the supplementary or replacement offer document, return all monies paid in respect of any application (without interest or any share of revenue or other benefit arising therefrom and at the applicants' own risk and without any right or claim against us, the Issue Manager and Full Sponsor, and/or the Underwriter and Placement Agent); or
- (b) where the Invitation Shares have been issued to the applicants but trading has not commenced, we shall either:
 - (i) (A) within two (2) days (excluding any Saturday, Sunday or public holiday) from the date of lodgement of the supplementary or replacement offer document, as the case may be, give the applicants notice in writing of how to obtain, or arrange to receive, a copy of the same and provide the applicants with an option to return to us the Invitation Shares which they do not wish to retain title in; and (B) take all reasonable steps to make available within a reasonable period the supplementary or replacement offer document, as the case may be, to the applicants who have indicated they wish to obtain, or who have arranged to receive, a copy of the supplementary or replacement offer document;
 - (ii) within seven (7) days from the date of lodgement of the supplementary or replacement offer document, as the case may be, give the applicants a copy of the supplementary or replacement offer document, as the case may be, and provide the applicants with an option to return to us the Invitation Shares which they do not wish to retain title in; or
 - (iii) subject to compliance with the Cayman Islands Companies Act and our Articles of Association, we shall buy back the Invitation Shares at the Invitation Price and cancel such Shares upon repurchase, as the issue of the Invitation Shares is required by the SFA to be treated as void, within seven (7) days from the date of lodgement of the supplementary or replacement offer document.

Any applicant who wishes to exercise his option under paragraph (a)(i) or (ii) to withdraw his application shall, within 14 days from the date of lodgement of the supplementary or replacement offer document, notify us of this, whereupon we shall, within seven (7) days from the receipt of such notification, pay to him all monies paid by him on account of his application for the Invitation Shares without interest or any share of revenue or other benefit arising therefrom and at the applicant's own risk and the applicant shall not have any claim against us, the Issue Manager and Full Sponsor, and/or the Underwriter and Placement Agent.

Any applicant who wishes to exercise his option under paragraph (b)(i) or (ii) to return the Invitation Shares issued to him shall, within 14 days from the date of lodgement of the supplementary or replacement offer document, notify us of this and return all documents, if any, purporting to be evidence of title to those Invitation Shares, to us, and agree for us to purchase his Invitation Shares at the Invitation Price, whereupon we shall, subject to compliance with the Cayman Islands Companies Act and our Articles of Association, within seven (7) days from the receipt of such notification and documents, if any, purchase the applicant's Invitation Shares at the Invitation Price and pay to him all monies paid by him for those Invitation Shares without interest or any share of revenue or other benefit arising therefrom and at his own risk, and those Invitation Shares shall be cancelled upon repurchase by our Company, and he shall not have any claim against us, the Issue Manager and Full Sponsor, and/or the Underwriter and Placement Agent.

DETAILS OF THE INVITATION

Pursuant to Section 242 of the SFA, the Authority and/or the SGX-ST, acting as agent on behalf of the Authority, may, in certain circumstances issue a stop order (the “**Stop Order**”) to our Company, directing that no or no further Shares to which this Offer Document relates, be allotted or issued. Such circumstances will include a situation where this Offer Document (i) contains any statement or matter which, in the Authority’s opinion, is false or misleading (ii) omits any information that should have been included in it under the SFA, (iii) does not, in the Authority’s opinion, comply with the requirements of the SFA, or (iv) the Authority is of the opinion that it is in the public interest to do so.

In the event that the Authority or the SGX-ST, acting as agent on behalf of the Authority, issues a Stop Order and applications to subscribe for the Invitation Shares have been made prior to the Stop Order, then:

- (a) where the Invitation Shares have not been issued to the applicants, the applications of the Invitation Shares pursuant to the Invitation shall be deemed to have been withdrawn and cancelled and we shall, within 14 days from the date of the Stop Order, pay to the applicants all monies the applicants have paid on account of their applications for the Invitation Shares; or
- (b) where the Invitation Shares have been issued to the applicants and the issue of the Invitation Shares pursuant to the Invitation is required by the SFA to be deemed to be void, we shall, subject to compliance with the Cayman Islands Companies Act and our Articles of Association, within 14 days from the date of the Stop Order purchase the applicants’ Invitation Shares at the Invitation Price and pay to the applicants all monies the applicants have paid on account of their applications for the Invitation Shares.

If we are required by applicable Singapore laws to cancel issued Invitation Shares and repay application monies to applicants (including instances where a Stop Order is issued), subject to compliance with the Cayman Islands Companies Act and our Articles of Association, our Company will purchase the Invitation Shares at the Invitation Price. Information relating to the purchase of our Shares by our Company is set out in the sections entitled “Appendix F – Description of our Shares – Purchase by our Company of our own Shares” and “Appendix G – Summary of Certain Provisions of the Cayman Islands Companies Act and the Memorandum and Articles of Association of our Company” of this Offer Document.

Where monies paid in respect of applications received or accepted are to be returned to the applicants, such monies will be returned to the applicants at their own risk, without interest or any share of revenue or other benefit arising therefrom, and they will not have any claim against us, the Issue Manager and Full Sponsor, and/or the Underwriter and Placement Agent.

Neither our Company, the Issue Manager and Full Sponsor, and the Underwriter and Placement Agent, nor any other parties involved in the Invitation is making any representation to any person regarding the legality of an investment by such person under any investment or other laws or regulations. No information in this Offer Document should be considered as being business, legal or tax advice regarding an investment in our Shares. Each prospective investor should consult his own professional or other advisers for business, legal or tax advice regarding an investment in our Shares.

DETAILS OF THE INVITATION

No person has been or is authorised to give any information or to make any representation not contained in this Offer Document in connection with the Invitation and, if given or made, such information or representation must not be relied upon as having been authorised by us, the Issue Manager and Full Sponsor, and the Underwriter and Placement Agent. Neither the delivery of this Offer Document and the Application Forms nor any documents relating to the Invitation, nor the Invitation shall, under any circumstances, constitute a continuing representation or create any suggestion or implication that there has been no change in the affairs of our Company or our subsidiaries or in any statements of fact or information contained in this Offer Document since the date of this Offer Document. Where such changes occur and are material or required to be disclosed by law, the SGX-ST and/or any other regulatory or supervisory body or agency, we will comply with the relevant provisions and, if required, make an announcement of the same to the SGX-ST and to the public and/or lodge a supplementary or replacement offer document with the SGX-ST, acting as agent on behalf of the Authority. You should take note of any such announcement and, upon release of such an announcement, shall be deemed to have been given notice of such changes.

Save as expressly stated in this Offer Document, nothing herein is, or may be relied upon as, a promise or representation as to our future performance or policies. The Invitation Shares are offered for subscription solely on the basis of the instructions contained and representations made in the Offer Document.

This Offer Document has been prepared solely for the purpose of the Invitation and may not be relied upon by any persons other than the applicants in connection with their application for the Invitation Shares or for any other purpose.

This Offer Document does not constitute an offer, solicitation or invitation to subscribe for the Invitation Shares in any jurisdiction in which such offer, solicitation or invitation is unlawful or unauthorised nor does it constitute an offer, solicitation or invitation to any person to whom it is unlawful to make such offer, solicitation or invitation.

Copies of this Offer Document and the Application Forms may be obtained on request, subject to availability during office hours, from:

RHT Capital Pte. Ltd.
6 Raffles Quay
#24-02
Singapore 048580

UOB Kay Hian Private Limited
8 Anthony Road
#01-01
Singapore 229957

An electronic copy of this Offer Document is also available on the SGX-ST's website, <http://www.sgx.com>.

The Invitation will be open from 1 November 2021 (immediately upon the registration of the Offer Document by the SGX-ST, acting as agent on behalf of the Authority (the "Registration") to 9 November 2021.

The Application List will open immediately upon the Registration and will remain open until 12.00 noon on 9 November 2021 or for such further period or periods as our Directors may, in consultation with the Issue Manager and Full Sponsor, and the Underwriter and Placement Agent, in their absolute discretion decide, subject to any limitation under all applicable laws and regulations. In the event a supplementary offer document or replacement offer document is lodged with the SGX-ST, acting as agent on behalf of the Authority, the Application List will remain open for at least 14 days after the lodgement of the supplementary or replacement offer document.

Details of the procedures to subscribe for the Invitation Shares are set out in "Appendix E – Terms, Conditions and Procedures for Application and Acceptance" of this Offer Document.

INDICATIVE TIMETABLE FOR LISTING

An indicative timetable for the Invitation and trading in our Shares is set out below:

Indicative date and time	Event
1 November 2021 (immediately upon registration of this Offer Document)	Commencement of Invitation
9 November 2021 at 12.00 noon	Close of Application List
10 November 2021	Ballotting of applications, if necessary (in the event of over-subscription for the Offer Shares)
11 November 2021 at 9.00 a.m.	Commence trading on a “ready” basis
15 November 2021	Settlement date for all trades done on a “ready” basis

The above timetable is indicative only and is subject to change at our discretion, with the agreement of the Issue Manager and Full Sponsor, and the Underwriter and Placement Agent. It assumes that the date of closing of the Application List is on 9 November 2021, the date of admission of our Company to Catalist is on 11 November 2021, the SGX-ST's shareholding spread requirement will be complied with and the Invitation Shares will be issued and fully paid-up prior to 11 November 2021. The actual date on which our Shares will commence trading on a “ready” basis will be announced when it is confirmed by the SGX-ST.

The above timetable and procedures may be subject to such modifications as the SGX-ST may, in its absolute discretion, decide, including the decision to permit commencement of trading on a “ready” basis and the commencement date of such trading.

In the event of any changes in the closure of the Application List or the time period during which the Invitation is open, we will publicly announce the same:

- (a) through a SGXNET announcement to be posted on the internet at the SGX-ST's website, <http://www.sgx.com>; and
- (b) in a local newspaper(s) in Singapore.

We will publicly announce the level of subscription for the Invitation Shares and the basis of allotment of the Invitation Shares as soon as it is practicable after the close of the Application List through the channels described in (a) and (b) above.

We reserve the right to reject or accept, in whole or in part, or to scale down or ballot any application for the Invitation Shares, without assigning any reason therefor, and no enquiry and/or correspondence on our decision will be entertained. In deciding the basis of allotment, due consideration will be given to the desirability of allotting the Invitation Shares to a reasonable number of applicants with a view to establishing an adequate market for our Shares.

Investors should consult the SGX-ST's announcement on the “ready” trading date released on the internet (at the SGX-ST's website, <http://www.sgx.com>) or the local newspapers, or check with their brokers on the date on which trading on a “ready” basis will commence.

PLAN OF DISTRIBUTION

THE INVITATION

The Invitation is in respect of 2,900,000 Offer Shares and 82,100,000 Placement Shares offered in Singapore by way of public offer and placement, respectively, and the listing is managed and sponsored by RHTC.

Prior to the Invitation, there has been no public market for our Shares. The Invitation Price is determined by our Company following consultation with the Issue Manager and Full Sponsor, and the Underwriter and Placement Agent, taking into consideration, among others, the prevailing market conditions and estimated market demand for our Shares (including the Invitation Shares) determined through a book-building process. The Invitation Price is the same for all Invitation Shares and is payable in full on application.

Pursuant to the Management and Sponsorship Agreement entered into between our Company and RHTC as set out in the section entitled “Plan of Distribution – Management, Underwriting and Placement Arrangements” of this Offer Document, we have appointed RHTC and RHTC has agreed to act as the Issue Manager and Full Sponsor for the Listing. The Issue Manager and Full Sponsor will receive a management fee for their services rendered in connection with the Invitation.

OFFER SHARES

The Offer Shares are made available to members of the public in Singapore for subscription at the Invitation Price. Applications for Offer Shares may be made by way of printed Application Forms, by way of Electronic Applications or such other forms of application as the Issue Manager and Full Sponsor and the Underwriter and Placement Agent deem appropriate. The terms, conditions and procedures for application and acceptance are set out in “Appendix E – Terms, Conditions and Procedures for Application and Acceptance” of this Offer Document.

Pursuant to the terms and conditions contained in the Underwriting and Placement Agreement as disclosed in the section entitled “Plan of Distribution – Management, Underwriting and Placement Arrangements” of this Offer Document, the Underwriter and Placement Agent has agreed to underwrite the Offer Shares at the Invitation Price.

In the event of an under-subscription for the Offer Shares as at the close of the Invitation, the number of Offer Shares not subscribed for shall be made available to satisfy excess applications for the Placement Shares to the extent that there is an over-subscription for the Placement Shares as at the close of the Invitation.

In the event of an over-subscription for the Offer Shares as at the close of the Invitation and/or the Placement Shares are fully subscribed or over-subscribed for as at the close of the Invitation, the successful applications for the Offer Shares will be determined by ballot or otherwise as determined by our Directors, after consultation with the Issue Manager and Full Sponsor and the Underwriter and Placement Agent, and approved by the SGX-ST, if required.

PLACEMENT SHARES

The Placement Shares are made available to retail and institutional investors in Singapore. Applications for the Placement Shares may be made by way of printed Application Forms or such other forms of application as the Issue Manager and Full Sponsor and the Underwriter and Placement Agent deems appropriate. The terms, conditions and procedures for application and acceptance are set out in “Appendix E – Terms, Conditions and Procedures for Application and Acceptance” of this Offer Document.

PLAN OF DISTRIBUTION

Pursuant to the terms and conditions contained in the Underwriting and Placement Agreement as disclosed in the section entitled “Plan of Distribution – Management, Underwriting and Placement Arrangements” of this Offer Document, the Underwriter and Placement Agent has agreed to subscribe for and/or procure subscriptions for the Placement Shares at the Invitation Price.

In the event of an under-subscription for the Placement Shares as at the close of the Invitation, that number of Placement Shares not subscribed for shall be made available to satisfy excess applications for the Offer Shares to the extent that there is an over-subscription for the Offer Shares as at the close of the Invitation.

Subscribers for and purchasers of the Placement Shares may be required to pay brokerage of up to 1.0% of the Invitation Price to the Underwriter and Placement Agent or any sub-placement agent as may be appointed by the Underwriter and Placement Agent as well as stamp duties and other charges.

SUBSCRIPTION FOR THE NEW SHARES

Our Independent Director, Mr. Steven Petersohn, has indicated his interest to subscribe for 350,000 Invitation Shares pursuant to the Invitation. In the event that Mr. Steven Petersohn is allotted such number of Invitation Shares, he will be interested in approximately 0.06% of our post-Invitation issued share capital. Save for the foregoing, none of our Directors or Substantial Shareholders intends to subscribe for the Invitation Shares pursuant to the Invitation. As far as we are aware, none of our Independent Directors, the members of our Company’s management or employees intends to subscribe for more than 5.0% of the Invitation Shares in the Invitation.

To the best of our knowledge, as at the date of this Offer Document, we are not aware of any person who intends to subscribe for more than 5.0% of the Invitation Shares in the Invitation.

However, through a book-building process to assess market demand for our Shares, there may be person(s) who may indicate an interest to subscribe for more than 5.0% of the Invitation Shares. If such person(s) were to make an application for more than 5.0% of the Invitation Shares and are subsequently allotted such number of Shares, we will make the necessary announcements at an appropriate time. The final allotment of Shares will be in accordance with the shareholding spread and distribution guidelines as set out in Rule 406 of the Catalist Rules.

No Shares shall be issued and allotted and/or allocated on the basis of this Offer Document later than six (6) months after the date of registration of this Offer Document by SGX-ST, acting as agent on behalf of the Authority.

MANAGEMENT, UNDERWRITING AND PLACEMENT ARRANGEMENTS

Management and Sponsorship Agreement

Pursuant to the Management and Sponsorship Agreement dated 1 November 2021 entered into between our Company and RHTC as the Issue Manager and Full Sponsor, our Company appointed RHTC to manage and sponsor the Listing. RHTC will receive a management fee from our Company for its services rendered in connection with the Invitation.

The Issue Manager and Full Sponsor may in its absolute discretion, by notice in writing to our Company, rescind or terminate the Management and Sponsorship Agreement if, at any time prior to the date and time of the commencement of trading of our Shares on Catalist, *inter alia*:

PLAN OF DISTRIBUTION

- (a) the Issue Manager and Full Sponsor becomes aware of any material breach by our Company and/or its agent(s) of any of the warranties, representations, covenants or undertakings given by our Company to the Issue Manager and Full Sponsor in the Management and Sponsorship Agreement; or
- (b) there shall have been, since the date of the Management and Sponsorship Agreement, any change or prospective change in or any introduction or prospective introduction of any legislation, regulation, policy, directive, guideline, rule or byelaw by any relevant government or regulatory body, whether or not having the force of law, or any other occurrence of similar nature that would materially change the scope of work, responsibility or liability required of the Issue Manager and Full Sponsor and make it impracticable, inadvisable or inexpedient to proceed with any of the transactions contemplated in the Management and Sponsorship Agreement; or
- (c) there is a conflict of interest for the Issue Manager and Full Sponsor, or any dispute, conflict or disagreement with our Company or our Company wilfully fails to comply with any advice from or recommendation of the Issue Manager and Full Sponsor.

Underwriting and Placement Agreement

Pursuant to the Underwriting and Placement Agreement dated 1 November 2021 entered between our Company and UOBKH, our Company has appointed UOBKH:

- (a) as the Underwriter to underwrite the Offer Shares for a commission of 3.5% of the Invitation Price for each Offer Share, payable by our Company. The Underwriter and Placement Agent may, at its absolute discretion, appoint one (1) or more sub-underwriters to underwrite the Offer Shares; and
- (b) as the Placement Agent to subscribe and/or procure subscriptions for the Placement Shares for a placement commission of 3.5% of the Invitation Price for each Placement Share, payable by our Company. Subject to any applicable laws and regulations, the Underwriter and Placement Agent may, at its absolute discretion, appoint one (1) or more sub-placement agents for the Placement.

The Underwriting and Placement Agreement and the obligations of the Underwriter and Placement Agent under the Underwriting and Placement Agreement are conditional upon, amongst others:

- (a) such approvals as may be required for the transactions described in the Underwriting and Placement Agreement and in the Offer Document being obtained, and not withdrawn or amended, on or before the date on which our Company is admitted to Catalist (or such other date as our Company and the Underwriter and Placement Agent may agree), and the compliance in full to the satisfaction of all the relevant authorities granting such approvals of all conditions (if any) attaching or in relation thereto on or before the date on which our Company is admitted to Catalist (or such other date as our Company and the Underwriter and Placement Agent may agree);

PLAN OF DISTRIBUTION

- (b) the compliance by our Company with all applicable laws and regulations concerning the Invitation, the admission of our Company to Catalist and the listing and quotation of all the issued Shares, the Invitation Shares and the Option Shares on Catalist and the transactions contemplated in the Underwriting and Placement Agreement and the Offer Document and no new laws, regulations and directives having been promulgated, published and/or issued and/or having taken effect or any other similar matter having occurred which, in the reasonable opinion of the Underwriter and Placement Agent, have or may have a material adverse effect on the Invitation and the Listing; and
- (c) there having been, in the opinion of the Underwriter and Placement Agent, no material adverse change or any development likely to result in a material adverse change in the business, trading, operational, financial or other condition of our Group between the date of the Underwriting and Placement Agreement and the date of Listing nor the occurrence of any event nor the discovery of any fact rendering untrue, incorrect or misleading in any material respect, as at the date of Listing, any of the warranties or representations nor any breach by our Company of any of its obligations under the Underwriting and Placement Agreement.

Other than pursuant to the Underwriting and Placement Agreement, there are no contracts, agreements or understandings between our Company and any person or entity that would give rise to any claim for brokerage commission, finder's fees or other payments in connection with the subscription of the Invitation Shares.

Save as aforesaid, no commission, discount or brokerage, has been paid or other special terms granted within the two (2) years preceding the Latest Practicable Date or is payable to any Director, promoter, expert, proposed Director or any other person for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for any shares or debentures in our Company.

Pursuant to the Management and Sponsorship Agreement and the Underwriting and Placement Agreement, our Company will hold the Issue Manager and Full Sponsor, the Underwriter and Placement Agent or each of the sub-underwriter(s) or sub-placement agent(s), and the affiliates, associated companies and related companies and corporations of the Issue Manager and Full Sponsor, the Underwriter and Placement Agent or each of the sub-underwriter(s) or sub-placement agent(s), as well as their respective directors, employees and agents (including the directors and employees of such agents) ("**Indemnified Persons**") fully and effectively indemnified against all liabilities, costs and expenses arising out of any claim brought or threatened to be brought against any of them in relation to the Invitation and the listing of our Company on Catalist (whether or not such claim is successful, compromised or settled) for whatever reasons, including but not limited to:

- (a) any failure by our Company or any companies within our Group to comply with any requirements of any statute or statutory regulation, governmental or ministerial order or decree, or decision or circular of the SGX-ST (including the Catalist Rules) or any other authority (including without limitation to the foregoing, any directive or order by the Authority or the SGX-ST pursuant to the SFA and the Catalist Rules);
- (b) the Offer Document not containing all information required pursuant to Section 243 of the SFA or material in the context of the Invitation, or any statement contained therein or in any information which is otherwise supplied by our Company to the Issue Manager and Full Sponsor and the Underwriter and Placement Agent in connection with the Invitation or the Listing being untrue, incorrect or misleading;

PLAN OF DISTRIBUTION

- (c) any actual or alleged misrepresentation or in connection with any actual or alleged material inaccuracies in, or actual or alleged material omission in the Offer Document;
- (d) any actual or alleged material breach of our Company of any representations and warranties or any obligations of our Company as contained in the Management and Sponsorship Agreement and the Underwriting and Placement Agreement, respectively;
- (e) any failure or delay by our Company in performing the obligations in the Management and Sponsorship Agreement or the Underwriting and Placement Agreement; or
- (f) any exercise by the Indemnified Persons of any of the rights and authorities granted to them under the Management and Sponsorship Agreement or the Underwriting and Placement Agreement,

including in any such case (but without prejudice to the generality of the foregoing) all costs, charges and expenses which the Indemnified Persons incur or bear in disputing any such claim made against any of them or in establishing any claim on their part under the foregoing provisions, in each case except in relation to any claim, action or proceeding which may be incurred or suffered or brought against any of the Indemnified Persons arising from the wilful default, fraud or gross negligence by any of the Indemnified Persons. For the avoidance of doubt, the indemnity contained in:

- (a) the Management and Sponsorship Agreement is without prejudice to the right of termination of the Issue Manager and Full Sponsor under the Management and Sponsorship Agreement; and
- (b) the Underwriting and Placement Agreement is without prejudice to the right of termination of the Underwriter and Placement Agent under the Underwriting and Placement Agreement.

The Management and Sponsorship Agreement and the Underwriting and Placement Agreement are each conditional upon the other not being terminated or rescinded pursuant to the provisions of the Management and Sponsorship Agreement and the Underwriting and Placement Agreement (as the case may be), and may be terminated on the occurrence of certain events, including those specified above. In the event that the Management and Sponsorship Agreement or the Underwriting and Placement Agreement is terminated, our Company reserves the right, at the absolute discretion of our Directors, to cancel the Invitation.

INTERESTS OF THE ISSUE MANAGER AND FULL SPONSOR, AND THE UNDERWRITER AND PLACEMENT AGENT

In the reasonable opinion of our Directors, RHTC and UOBKH do not have a material relationship with our Company save as disclosed below and in the section entitled “Plan of Distribution – Management, Underwriting and Placement Arrangements” of this Offer Document:

- (a) RHTC is the Issue Manager and Full Sponsor in relation to the Listing;
- (b) RHTC will be the continuing Sponsor of our Company for a period of at least three (3) years from the date our Company is admitted and listed on Catalist; and
- (c) UOBKH is the Underwriter and Placement Agent in relation to the Listing.

OFFER DOCUMENT SUMMARY

The information contained in this summary is derived from, and should be read in conjunction with, the full text of this Offer Document. As it is a summary, it does not contain all of the information that prospective investors should consider before investing in our Shares. Prospective investors should read this entire Offer Document carefully, especially the section entitled “Risk Factors” of this Offer Document and our financial statements and related notes before deciding on whether or not to invest in our Shares.

Under no circumstances should any information in this summary be regarded as a representation or warranty by our Company, the Issue Manager and Full Sponsor and/or the Underwriter and Placement Agent that such information will not change.

OUR GROUP

Our Company was incorporated in the Cayman Islands on 18 December 2015 under the laws of the Cayman Islands as an exempted company with limited liability, under the name of “Trans-China Automotive Holdings Limited”. Our Company’s registration number is 306871. Our Company is the holding company of our indirect wholly-owned primary operating subsidiaries in the PRC, namely: (i) Foshan Shenbao Automobile, which owns and operates the Foshan BMW Dealership; (ii) Shenzhen Chuangfengbao Automobile, which owns and operates the Shenzhen BMW Dealership; (iii) Guangzhou Changbao Automobile, which owns and operates the Guangzhou BMW Dealership; (iv) Chongqing Qingdebao Automobile, which owns and operates the Chongqing BMW Dealership; (v) Shenzhen Bright Focus Automobile, which owns and operates the Shenzhen McLaren Showroom; (vi) Changsha Bright Focus Automobile, which owns and operates the Changsha McLaren Showroom; (vii) Guangzhou Ruisheng Automobile, which owns and operates the Guangzhou McLaren Showroom (and the Guangzhou McLaren Workshop); (viii) Wuhan Ruisheng Automobile, which owns and operates the Wuhan McLaren Showroom; and (ix) Shenzhen Qifeng Automobile, which owns and operates the Shenzhen Lotus Showroom.

Please refer to section entitled “Group Structure” of this Offer Document for further details.

OUR BUSINESS

We specialise in the business of automobile dealerships in the premium and ultra-premium market segment in the PRC, which includes: (i) the sale of automobiles; and (ii) the provision of after-sales services, which include maintenance and repair services, and sale of automobile parts and accessories. As an ancillary business, our Group also provides automobile agency services, which include related automobile registration, financing and insurance services in the PRC. As at the Latest Practicable Date, we carry automobile brands comprising BMW, McLaren and Lotus, and have dealerships in cities in the PRC, namely in Foshan, Shenzhen, Guangzhou, Chongqing, Changsha and Wuhan.

Please refer to the section entitled “General Information on our Group – Business Overview” of this Offer Document for further details.

OFFER DOCUMENT SUMMARY

COMPETITIVE STRENGTHS

We believe we have the following competitive strengths:

- **We carry well-established automobile brands and have strategic presence in key automobile markets in geographically affluent provinces in the PRC**

We carry automobile brands such as BMW and McLaren, which are well-established brands both globally and in the PRC. Our strategic focus is to concentrate primarily on the premium and ultra-premium market segments of automobiles because we believe that the premium and ultra-premium market segments of automobiles provide more stable gross margins on new automobile sales and the after-sales service revenue of the premium and ultra-premium market segments of automobiles is more resilient and more profitable compared to that of mass-market brand automobiles. We have therefore concentrated our core business in geographically affluent provinces in the PRC, by developing a strategic network of sizeable dealership and showrooms and establishing a strong presence in key automobile markets there. The strength of the automobile brands we carry, coupled with our focused sales and marketing activities, has been a key contributor to our growth.

- **We maintain strong business relationships with BMW and McLaren**

We have established relationships with BMW and McLaren, both in terms of the length of time that we have been working together and the depth of our working relationships with them. In addition, BMW has awarded our Group with, amongst others, the BMW Best Dealer General Manager Award in 2016 and 2017, the BMW Dealer Excellence Award in 2017 and 2018, and the Aftersales High Performance Prize in 2019 and other various sales performance awards to recognise our good sales performance and superior after-sales services. McLaren has awarded our Changsha McLaren Showroom with the Best Marketing Award for 3Q2019 and our Shenzhen McLaren Showroom as Retailer of the year in 2019. Further, our Changsha McLaren Showroom was ranked No. 1 in After-sales amongst small-scale McLaren dealers in China for 2020, and our Shenzhen McLaren Showroom was ranked No. 2 in After-sales amongst large-scale McLaren dealers in China for 2019. As such, our Group is confident that the business relationships with BMW and McLaren will continue and grow further.

- **We have a customer-focused strategy which places an emphasis on providing consistent quality services**

We place great emphasis on understanding the needs of our customers and providing them with consistent quality services. In keeping with the premium branding and image of the automobiles we sell, we ensure that our service standards match up to such expectations of the automobile OEMs by putting the right people in the right place to provide sales or after-sales services of the highest standards. In recognition of our consistent quality services, we have received numerous awards from BMW such as the BMW Best Aftersales Service Manager and the National Best Practice award in 2018, and the Aftersales High Performance Prize in 2019, and have consistently attained high rankings within the BMW dealership network in the PRC.

OFFER DOCUMENT SUMMARY

- **We are able to expand our Group's dealerships both organically and through acquisitions**

With our extensive industry experience and expertise, strong and established relationships with BMW and McLaren and strong pool of experienced and dedicated employees, we have the capability to expand our BMW dealership and McLaren showroom operations in a timely manner either by increasing the scale of our existing operations, or through setting up or acquiring other BMW dealerships or McLaren showrooms.

We also believe that our extensive industry experience and expertise would enable us to diversify to other premium and ultra-premium automobile brands, whether by way of setting up new dealerships or acquiring existing dealerships under other premium and ultra-premium automobile brands.

- **We have an experienced and committed management team with proven track record**

We have an experienced and dedicated management team, led by our founder and Executive Director, Executive Chairman and CEO, Mr. Francis Tjia, our Executive Director and CFO, Mr. Michael Cheung, our COO (BMW), Mr. Roger Chan, and our COO (Premium Luxury), Mr. Raymond Woo.

Mr. Francis Tjia has more than 20 years of experience in, as well as in-depth knowledge and understanding of, the automobile industry in the PRC which is essential to our Group's continual growth. Mr. Michael Cheung has more than 10 years of experience in the finance and accounting sector, and out of that time has spent more than five (5) years in the automobile industry. Mr. Raymond Woo and Mr. Roger Chan each have more than 10 years of relevant experience in the automobile industry in the PRC.

Please refer to the section entitled "General Information on our Group – Competitive Strengths" of this Offer Document for further details.

BUSINESS STRATEGIES AND FUTURE PLANS

Our business strategies and future plans for the growth and expansion of our business are described below:

- **Increasing the concentration of our business in regions where we operate our existing business**

We intend to increase the concentration of our business in the regions where we have already established our existing presence. Our dealerships are currently strategically located in cities with affluent populations in the southern coastal region of PRC, namely Shenzhen, Foshan, Guangzhou, and other selected regions of PRC such as Chongqing. Out of these, Shenzhen, Guangzhou and Foshan are located in the Guangdong province in the GBA, which according to the Independent Market Research Report has the largest population of high-net-worth individuals in the PRC, making it a ripe market for luxury products. We thus aim to continue capitalising on the strong growth potential in these areas, and for such growth to take place in the form of organic growth which involves setting up new dealerships, as well as acquisition of existing dealerships.

Through organic growth, we will expand our dealership network by capitalising on our know-how, relationships and positive brand image established by our existing dealerships to secure new dealerships. We may also expand our dealerships through acquisitions of existing dealerships.

OFFER DOCUMENT SUMMARY

- **Expanding our business through growing our dealership network to new regions, diversifying to other premium and ultra-premium automobile brands, and expanding and diversifying into complementary businesses**

Growing our dealership network to new regions

As mentioned above, our dealerships are currently strategically located in cities with affluent populations in the southern coastal region of PRC. We nevertheless believe that there is significant market potential and demand for automobiles and automobile-related services in the southern coastal region as well as other regions of PRC, and in particular the GBA (in which we already have operations in Shenzhen, Foshan, Guangzhou) which leads the PRC in terms of economic development and has a higher propensity for consumption than other regions of the PRC.

Similar to how we intend to undertake organic growth in the cities we already operate in through the setting up of new dealerships, we will also capitalise on new dealership opportunities made available by our automobile OEMs in new regions which we intend to expand to. We may also grow our business in new regions through the acquisition of existing dealerships.

In time to come, we intend to expand our business beyond the PRC and into other parts of Asia. We aim to replicate automobile-related business models which have found success in the PRC and particular those which have been successful for our Group, in other parts of Asia.

Diversifying to other premium and ultra-premium automobile brands

In line with our strategy to focus on premium and ultra-premium automobile brands, we intend to secure new dealerships for other premium and ultra-premium automobile brands. With our aggregated group resources as well as industry experience and expertise, we believe that we have the capability to diversify to other premium and ultra-premium automobile brands, whether by way of setting up new dealerships or acquiring existing dealerships of other premium and ultra-premium automobile brands.

Expanding and diversifying into complementary businesses

We also strive towards broadening our business scope upstream, downstream, horizontally and vertically, into related ventures which would complement our existing business scope, both in the PRC and overseas. For example, we may expand our businesses through vertical integration which we believe will complement our current and future businesses, such as increasing or expanding the range of automobile agency services which we currently provide. In particular, we may explore opportunities to collaborate with suitable partners, either through joint ventures or strategic alliances, to expand our pre-owned automobile sales business and automobile-related services business.

Please refer to the section entitled “General Information on our Group – Business Strategies and Future Plans” of this Offer Document for further details.

OFFER DOCUMENT SUMMARY

PROSPECTS

Going forward, in light of our competitive strengths and barring any unforeseen circumstances, our Directors are confident of the prospects and outlook of our business, due to the following factors:

- **Strong demand for premium and ultra-premium automobile brands in the PRC**

The PRC has been experiencing rapid economic growth, with nominal GDP per capita increasing at a CAGR of 7.6% from RMB54,000 in 2016 to RMB72,300 in 2020.⁽¹⁾ Our Company operates in a number of cities which have comparably high rates of GDP increase. From 2016 to 2020, the nominal GDP of Chongqing, Shenzhen and Guangzhou have grown at a faster rate than the overall GDP of the PRC as a whole, and steady growth is further anticipated for the period from 2020 to 2025.⁽¹⁾ Such growth has been supported by government stimulus policies in the PRC, which have been formulated with a view to maintaining macroeconomic stability through 2025.

In addition to the overall economic growth of the PRC, the number of high net worth individuals (with net asset value of RMB10 million or above) grew by 54.4% from 1.58 million persons in 2016 to 2.44 million persons in 2020, and is further projected to grow at a CAGR of 8.5% from 2020 to 2025.⁽¹⁾

Shenzhen, Guangzhou, Chongqing and Foshan are key cities in which our Company operates our BMW dealerships, and out of which, Shenzhen, Guangzhou and Foshan are located in the Guangdong province in the GBA. The GBA is a region spanning Hong Kong, Macao, and nine (9) cities in the Guangdong province, and which leads the PRC in terms of economic development, and owing to its wealth per capita has a higher propensity for consumption than other regions of the PRC. Guangdong province, in particular, has the largest population of high-net-worth individuals in the PRC, making it an especially lucrative market. High-net-worth individuals are more likely to contribute to and drive consumer demand for premium and ultra-premium automobiles, given their spending power and higher propensity to spend on aspirational products such as premium and ultra-premium automobiles, which are often regarded as status symbols.

Driven by higher household incomes and the growing number of high-net-worth individuals, demand for premium and ultra-premium automobiles has been and is expected to continue thriving. New premium automobile sales grew from 2.3 million vehicles in 2016 to 3.5 million vehicles in 2020, and new ultra-premium automobile sales increased from 81,300 vehicles in 2016 to 100,500 vehicles in 2020. In fact, the sales volume for new premium and ultra-premium automobiles increased 9.1% year-on-year in 2020 despite the 11.1% slide in the overall automobile market in the PRC for 2020 brought on by the COVID-19 pandemic.⁽¹⁾ The Independent Market Research Consultant has stated in the Independent Market Research Report the combined premium and ultra-premium segments in terms of volume as a percentage of all new automobile sales in the PRC, is expected to increase from 17.9% in 2020 to 22.9% in 2025.⁽¹⁾

OFFER DOCUMENT SUMMARY

Furthermore, penetration rates for premium and ultra-premium automobile ownership has also been strong. The premium automobile ownership of the automobile population (referring to the population of persons owning and/or using personal automobiles) increased from 17.4 million vehicles in 2016 to 29.0 million vehicles in 2020, representing a CAGR of 13.7% for the relevant period, and the Independent Market Research Consultant has stated in the Independent Market Research Report that this is expected to further increase to 46.3 million vehicles in 2025, with an expected strong CAGR of 9.8% for the period from 2020 to 2025.⁽¹⁾ The ultra-premium automobile ownership of the automobile population is expected to exceed 1 million vehicles for the first time in the PRC in 2021, and to reach 1.4 million vehicles in 2025.⁽¹⁾

Overall, we aim to capitalise on the growing higher-income population in the PRC, which will continue to have a positive effect on premium and ultra-premium vehicle sales.

- **Promising prospects on BMW automobile sales and after-sales services in the PRC**

BMW, the main brand of automobiles sold by our Group and for which we have established BMW dealerships to provide BMW-specific after-sales and ancillary services, is one of the leading automobile brands in the PRC.

In 2016 and 2020, BMW ranked as the second-highest brand in the premium automobile market in the PRC in terms of sales volumes. In 2020, BMW delivered 761,100 cars in the PRC (accounting for about 21.7% of all new premium automobile sales), and recording a 7.6% year-on-year growth.⁽¹⁾ As of February 2021, the BMW dealership network comprised a total of 103 BMW dealership groups and 636 BMW sales locations which were operational in the PRC.⁽¹⁾ In 2020, the BMW brand sold an average of 1,342 vehicles per dealership.⁽¹⁾ Our Group's sales per dealership were well above the national average, at 2,516 vehicles per dealership. Our BMW dealerships contributed to 11.3%, 9.4%, 14.5% and 38.1% of all BMW sales in Shenzhen, Guangzhou, Chongqing and Foshan respectively.⁽¹⁾

There is not only high demand for new BMW automobiles, but also growing demand for after-sales services of BMW automobiles. As a premium brand with a high retail price, BMW owners consider their cars to be valuable assets and normally return to dealerships that can offer original, high-quality parts and more trustworthy service skills. This may largely be attributable to the fact that BMW offers a 3-year warranty for its new automobiles in the PRC; at least 95% of BMW owners return to dealership stores for repairs and maintenance within the warranty period.⁽¹⁾

We believe that backed by the robust demand, BMW expects to open more dealerships in different locations in the PRC, especially the second and third tier cities. Given our strong business relationship with BMW, we believe that we are able to secure approvals to open more BMW dealerships in future.

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- **Promising prospects for the new energy vehicle market in the PRC**

The PRC has become the world's largest new energy vehicle market, and according to the Independent Market Research Report contributed to more than 50% of global sales volumes of electric vehicles in 2020.⁽¹⁾ It is further estimated that nearly one (1) in five (5) new vehicles purchased in 2025 is likely to be an electric vehicle.⁽¹⁾ With developing infrastructure, the cost of owning an electric vehicle has been reduced, and in fact it is estimated that the overall cost of ownership of electric vehicle and the conventional "internal combustion engine" models have become comparable sometime in late 2020 or early 2021.⁽¹⁾

Government subsidies and favourable industrial investment policies have contributed to the electric vehicle industry's robust growth since 2016 and will likely continue to do so.⁽¹⁾ In addition, the PRC government has extended a tax exemption for new energy vehicles until the end of 2022, in support for the innovation and development of new energy vehicles.

OEMs such as BMW have launched a number of new energy vehicle versions of automobile models and in fact are planning further new energy vehicle launches through to 2025. In keeping with this growing market, our Group's dealerships carry new energy vehicle versions of BMW automobiles such as the BMW 5 Series, BMW X1, BMW X5 and BMW iX3, and we intend to continue carrying new energy vehicle versions as and when launched by BMW or our other OEM partners. Our BMW dealerships are also up-to-date with the latest technology and infrastructure for the provision of after-sales services for the new energy vehicle models we carry.

Our Group intends to continue keeping abreast of this trend, and taking into account the fact that our Distributors are also increasingly offering various versions of automobile models which are new energy vehicles, we do anticipate a gradual transition from sale of traditional internal combustion energy vehicles to more sales of new energy vehicles. We do not however expect this to result in material changes to our Group's business model or significant impact to our Group's financials and/or operations for the next 12 months from the date of the Listing.

Note:

(1) According to the Independent Market Research Report as set out in Appendix D of this Offer Document.

Please refer to the section entitled "General Information on our Group – Prospects" of this Offer Document and "Appendix D – Independent Market Research Report of the Independent Market Research Consultant" of this Offer Document for further details.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The following summary consolidated financial information should be read in conjunction with the section entitled "Management's Discussion and Analysis of Financial Position and Results of Operations", our Audited Consolidated Financial Statements, Unaudited Interim Condensed Consolidated Financial Statements, Unaudited Pro Forma Consolidated Financial Information, and the accompanying notes as set out in Appendices A, B and C of this Offer Document.

OFFER DOCUMENT SUMMARY

Selected items from the consolidated statements of comprehensive income of our Group

RMB'000	Audited			Unaudited	
	FY2018	FY2019	FY2020	1Q2020	1Q2021
Revenue	3,533,914	3,769,503	4,213,990	696,511	1,293,185
Gross profit	215,715	285,272	316,149	58,620	112,953
Profit before income tax	19,791	48,874	136,720	6,513	60,492
Profit for the year/period	2,812	23,557	109,909	2,907	46,839
Pre-Invitation EPS (\$ cents)⁽¹⁾⁽²⁾	0.1	0.9	4.4	0.1	1.9
Post-Invitation EPS (\$ cents)⁽²⁾⁽³⁾	0.1	0.8	3.8	0.1	1.6

Selected items from the consolidated statements of financial position of our Group

RMB'000	Audited			Unaudited		
	As at 31 December 2018	As at 31 December 2019	As at 31 December 2020	Pro Forma As at 31 December 2020	As at 31 March 2021	Pro Forma As at 31 March 2021
Current assets	1,090,305	1,004,141	1,118,748	1,118,748	1,145,113	1,145,113
Non-current assets	481,156	464,364	590,310	590,310	578,782	578,782
Total assets	1,571,461	1,468,505	1,709,058	1,709,058	1,723,895	1,723,895
Current liabilities	1,114,347	969,888	1,048,849	1,048,849	1,077,354	1,077,354
Non-current liabilities	560,859	573,065	580,748	580,748	522,393	522,393
Total liabilities	1,675,206	1,542,953	1,629,597	1,629,597	1,599,747	1,599,747
Total (deficits)/equity ⁽⁴⁾	(103,745)	(74,448)	79,461	79,461	124,148	124,148
Share capital	284,435	292,422	330,175	33,017	330,175	33,017
Share premium	—	1,526	8,316	—	8,316	—
Reserves	(138,683)	(142,456)	(137,584)	57,059	(139,736)	54,907
Accumulated losses	(249,497)	(225,940)	(121,446)	(10,615)	(74,607)	36,224
NAV per Share (\$ cents)⁽⁵⁾⁽⁶⁾	(4.1)	(2.9)	3.2	3.2	5.1	5.1

Notes:

- (1) For comparative purposes, the pre-Invitation EPS for the Period Under Review have been computed based on the profit for the financial year/period and our Company's pre-Invitation issued share capital of 499,323,950 Shares.
- (2) Based on exchange rates of S\$1: RMB4.914, S\$1: RMB5.062, S\$1: RMB5.004, S\$1: RMB5.020 and S\$1: RMB4.862, being the average exchange rates for FY2018, FY2019, FY2020, 1Q2020 and 1Q2021 respectively.
- (3) For comparative purposes, the post-Invitation EPS for the Period Under Review have been computed based on the profit for the financial year/period and our Company's post-Invitation issued share capital of 584,323,950 Shares.
- (4) Please refer to the section entitled "Management's Discussion and Analysis of Financial Position and Results of Operations" of this Offer Document for further details on our Group's historical net liability position recorded in FY2018 and FY2019.

OFFER DOCUMENT SUMMARY

- (5) For comparative purposes, the NAV per Share has been computed based on our Company's pre-Invitation issued share capital of 499,323,950 Shares.
- (6) Based on exchange rates of S\$1: RMB5.046, S\$1: RMB5.178, S\$1: RMB4.940 and S\$1: RMB4.873, being the closing exchange rates as at 31 December 2018, 2019, 2020 and 31 March 2021 respectively.

CONTACT DETAILS

Our registered office is at the offices of Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The business address for our Hong Kong office is at Unit 3002, 30th Floor, 88 Hing Fat Street, Causeway Bay, Hong Kong and our telephone number and facsimile number for our Hong Kong office is +852 3907 6000 and +852 2806 2323 respectively. The business address for our Shenzhen head office in the PRC is at No. 8 Changxing North Road, Shengping Community, Longcheng Street, Longgang District, Shenzhen and our telephone number and facsimile number for our Shenzhen head office in the PRC is +86 (0755) 3362-6688 and +86 (0755) 8257-5563 respectively. Our website is www.tca-auto.com and our email address is info@tca-auto.com.

Information contained on our website does not constitute part of this Offer Document and should not be relied upon.

THE INVITATION

Invitation Size	:	85,000,000 Invitation Shares by way of the Offer and the Placement. The Invitation Shares, upon issue and allotment, will rank <i>pari passu</i> in all respects with the existing issued Shares.
Invitation Price	:	S\$0.23 for each Invitation Share, payable in full on application.
The Invitation	:	The Invitation comprises an offering of: (a) 2,900,000 Offer Shares at the Invitation Price, to members of the public in Singapore; and (b) 82,100,000 Placement Shares at the Invitation Price, for placement to retail and institutional investors in Singapore, subject to and on the terms and conditions of this Offer Document.
Re-allocation	:	The Invitation Shares may be reallocated between the Placement and the Offer at the discretion of the Issue Manager and Full Sponsor and the Underwriter and Placement Agent (in consultation with our Company).
Purpose of the Invitation	:	Our Directors believe that the listing of our Company and the quotation of our Shares on Catalist will enhance our public image locally in the PRC and overseas and enable us to raise funds from the capital markets for the expansion of our business operations. The Invitation will also provide members of the public, our management, employees and business associates as well as those who have contributed to our success with an opportunity to participate in the equity of our Company. In addition, the proceeds of the issue of Invitation Shares will provide us with additional capital to finance our business expansion and for general working capital of our Company.
Listing Status	:	Prior to the Invitation, there has been no public market for our Shares. Our Shares will be quoted in Singapore dollars on Catalist, subject to admission of our Company to Catalist and permission for dealing in, and for quotation of, our Shares being granted by the SGX-ST.
Use of Proceeds	:	Please refer to the section entitled “Use of Proceeds and Listing Expenses” of this Offer Document for more details.
Risk Factors	:	Investing in our Shares involves risks which are described in the section entitled “Risk Factors” of this Offer Document.

INVITATION STATISTICS

Invitation Price	S\$0.23

Pro Forma NAV⁽¹⁾

NAV per Share based on the unaudited pro forma consolidated balance sheet of our Group as at 31 March 2021 ("**Pro Forma NAV**"):

(a) before adjusting for the estimated net proceeds from the Invitation and based on the pre-Invitation issued share capital of 499,323,950 Shares	5.10 cents
(b) after adjusting for the estimated net proceeds from the Invitation and based on the post-Invitation issued share capital of 584,323,950 Shares	7.15 cents

Premium of Invitation Price over the Pro Forma NAV per Share as at 31 March 2021:

(a) before adjusting for the estimated net proceeds from the Invitation and based on the pre-Invitation issued share capital of 499,323,950 Shares	351.0%
(b) after adjusting for the estimated net proceeds from the Invitation and based on the post-Invitation issued share capital of 584,323,950 Shares	221.7%

EPS⁽²⁾

EPS based on the audited consolidated statements of comprehensive income of our Group for FY2020 and the pre-Invitation issued share capital of 499,323,950 Shares	4.40 cents

EPS based on the audited consolidated statements of comprehensive income of our Group for FY2020 and the pre-Invitation issued share capital of 499,323,950 Shares, assuming that the Service Agreements had been in place since the beginning of FY2020	4.29 cents

PER⁽²⁾

Ratio of Invitation Price to EPS of our Group for FY2020 based on the pre-Invitation issued share capital of 499,323,950 Shares	5.23 times

Ratio of Invitation Price to EPS of our Group for FY2020 based on the pre-Invitation issued share capital of 499,323,950 Shares, assuming that the Service Agreements had been in place since the beginning of FY2020	5.36 times

Net Operating Cash Flow⁽²⁾⁽³⁾

Net operating cash flow per Share based on the audited consolidated statements of cash flows of our Group for FY2020 and our Company's pre-Invitation issued share capital of 499,323,950 Shares	4.28 cents

Net operating cash flow per Share based on the audited consolidated statements of cash flows of our Group for FY2020 and our Company's pre-Invitation issued share capital of 499,323,950 Shares, assuming that the Service Agreements had been in place since the beginning of FY2020	4.17 cents

INVITATION STATISTICS

Invitation Price to Net Operating Cash Flow per Share⁽²⁾⁽³⁾

Ratio of Invitation Price to net operating cash flow per Share of our Group for FY2020 based on the pre-Invitation issued share capital of 499,323,950 Shares	5.37 times

Ratio of Invitation Price to net operating cash flow per Share of our Group for FY2020 based on the pre-Invitation issued share capital of 499,323,950 Shares, assuming that the Service Agreements had been in place since the beginning of FY2020	5.52 times

Market Capitalisation

Market capitalisation based on the Invitation Price and the post-Invitation issued share capital of 584,323,950 Shares	S\$134.4 million

Notes:

- (1) Based on an exchange rate of S\$1: RMB4.873, being the closing exchange rate as at 31 March 2021.
- (2) Based on an exchange rate of S\$1: RMB5.004, being the average exchange rate for FY2020.
- (3) Net operating cash flow refers to net cash flows from operating activities.

RISK FACTORS

An investment in our Shares involves a number of risks, some of which, including market, liquidity, credit, operational, legal and regulatory risks, could be substantial and are inherent in our business.

Prospective investors should carefully consider and evaluate each of the following risk factors and all other information contained in this Offer Document (including the financial statements and the notes thereto) before deciding to invest in our Shares. Some of the following considerations relate principally to the industry in which we operate and our business in general. Other considerations relate principally to general social, economic, political and regulatory conditions, the securities markets and ownership of our Shares, including possible future dilution in the value of our Shares. These are not the only risks we face. Factors that affect the price of our Shares may change, and the following should not be construed as a comprehensive listing of all the risk factors. There may be additional risks not presently known to us or that we currently believe to be immaterial, which could turn out to be material. Our business, financial condition, results of operations and/or prospects could be materially and adversely affected by any of these risks, should they occur or turn out to be material. The market price of our Shares could decline due to any of these risks, and investors may lose part or all of their investments in our Shares.

This Offer Document also contains forward-looking statements which involve risks and uncertainties. Our actual results of operations could differ materially from those anticipated in these forward-looking statements due to a variety of factors, including the risks described below and elsewhere in this Offer Document. Please refer to the section entitled “Cautionary Note Regarding Forward-Looking Statements” of this Offer Document.

Before deciding to invest in the Shares, prospective investors should seek professional advice from their advisors about their particular circumstances.

To the best of our Directors’ knowledge and belief, all risk factors which are material to investors in making an informed judgement about our Group have been set out below.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our business is reliant on our dealership agreements with the automobile OEMs for the rights to operate our dealerships and showrooms and for our supply of new automobiles and automobile parts and accessories

We rely on the automobile OEMs for the rights to operate our dealerships and showrooms and for the supply of new automobiles and automobile parts and accessories. For example, in respect of our BMW dealerships, our rights to operate the dealerships and the supply of new automobiles and spare parts are governed by the dealership agreements we entered into with the BMW Distributors.

All our dealership agreements must generally be renewed periodically and typically have a term of three (3) years. Our BMW dealership agreements are expected to be due for renewal in end 2023 and our McLaren dealership agreements will be renewed before the end of FY2021. The Distributors which we have existing dealership agreements with have the right to terminate our dealership agreements with written notice for a variety of reasons, including loss of use of the properties on which our dealerships or showrooms are located.

RISK FACTORS

Whilst there have not been past incidents of our Group facing difficulties in the renewal of our dealership agreements, there can be no assurance that we will in the future be able to renew our dealership agreements on a timely basis, on commercially acceptable terms, or at all, or that our dealership agreements will not be terminated by the Distributors for various reasons, including changing their business strategies or taking direct control of the retail distribution of their automobiles in the PRC.

There can be no assurance that the automobile OEMs will not make any decision to restrict, limit or reduce the number of dealerships and/or showrooms available to us as part of any change in their future strategies. Whilst we have not faced an incident of an automobile OEM making such a decision previously and no restrictions on diversifying to other premium and ultra-premium automobile brands are provided for in our existing dealership agreements, our Group's existing dealership agreements do not restrict us from working with new automobile brands and/or acquiring or setting up other dealerships and showrooms, although there are restrictions on the sale of other automobile OEM products such as vehicles at the relevant dealership or showroom to which the dealership agreement relates. Nevertheless, there is no assurance that the automobile OEMs will not in the future decide to restrict, limit or reduce the number of dealerships and/or showrooms they allow us to operate, or fail to renew or terminate our dealership agreements, or upon renewal of the dealership agreements seek to negotiate for the introduction of new terms which will have the effect of restricting us from working with new automobile brands and/or acquiring or setting up other dealerships and showrooms. If any of the foregoing events occur, this may restrict our ability to carry out our business expansion plans and our results of operations, financial condition and growth prospects may be materially and adversely affected.

Further, our Group faces issues of non-compliance with designated land usage in relation to properties on which certain of our dealerships and showrooms are located, which may result in confiscation of such properties by the PRC governmental authorities or imposition of penalties by the PRC governmental authorities on our Group. Each of the BMW dealership agreements and the McLaren dealership agreements contain provisions which provide either the BMW Distributors or the McLaren Distributor (as the case may be) with a right to terminate the agreement in the event that our Group loses our right to the premises over which the relevant dealership or the showroom is located. As such, any confiscation of the relevant properties resulting from the land use issues mentioned may potentially entitle the relevant Distributor to terminate the relevant dealership agreements between the Distributor and our Group, which amongst others will result in our Group's inability to continue with our dealership operations for the relevant dealership, and such a loss of business operations may in turn trigger events of default under our financing arrangements. Whilst our Group has not previously experienced a confiscation of any of the properties we occupy, there is no assurance that this will not occur in the future or result in the aforementioned adverse consequences. If any of the foregoing occurs, this may potentially result in a material adverse effect on our business, results of operations, financial position and growth prospects. For further details, please refer to the sections entitled "Risk Factors – Risks Relating to our Business and Industry – Our Group may not have valid titles or rights to use certain properties and the required permits for construction, development and carrying out of our business operations on certain properties occupied by us" and "General Information on our Group – Material Properties and Fixed Assets" of this Offer Document.

We are primarily dependent on the sales of BMW and McLaren automobiles

We are dependent on the sales of BMW and McLaren automobiles. Revenue from our sales of new BMW automobiles accounted for approximately 81.2%, 81.3%, 82.5%, and 87.3% of our total revenue for FY2018, FY2019, FY2020 and 1Q2021. Revenue from our sales of new McLaren automobiles accounted for approximately 6.0%, 5.0%, 5.2% and 3.0% of our total revenue for FY2018, FY2019, FY2020 and 1Q2021.

RISK FACTORS

Our BMW automobiles are supplied by the BMW Distributors and our McLaren automobiles are supplied by the McLaren Distributor. Whilst we have not faced previous incidences of the BMW Distributors, the McLaren Distributor and/or any of their subsidiaries or divisions terminating or not renewing their arrangements with our Group, if this occurs in the future and in the event we are unable to find alternative brands of automobiles for distribution, our business, results of operations, financial position and growth prospects may be materially and adversely affected.

The success of our business significantly depends on the automobile OEMs

As our new automobile and automobile parts and accessories sales account for a substantial portion of our revenue, we are significantly dependent on the automobile OEMs in several aspects. Automobile OEMs may act in a manner or be subject to events that in turn could cause us to incur costs and expenses or experience delivery delays. As a result, our business, results of operation, financial position and growth prospects may be materially and adversely affected. The success of our business depends on the products and support of the automobile OEMs in relation to, among other things:

(a) Supply of high-quality and popular new automobiles and automobile parts and accessories

Our new automobile sales are influenced by the automobile OEMs' abilities to anticipate changes in consumer tastes, preferences and requirements, including those driven by cultural or environmental changes, and to manufacture and deliver to us in sufficient quantities and on a timely basis, at a desirable, high quality and price competitive mix of new automobiles and automobile parts and accessories to sell to our customers.

The automobile OEMs may be affected by a variety of factors, including economic downturns or recessions, increase in interest rates, poor product mix and/or unappealing design, or decline in brand reputation, resulting in a change in demand for their automobiles or automobile parts and accessories. The automobile OEMs may also alter their annual output due to reasons mentioned above, thus altering the supply of new automobiles or automobile parts and accessories to all their BMW dealerships and McLaren showrooms, including us. The automobile OEMs may also fail to supply us with the automobiles we expect to receive under our allocated sales quota. If the automobile OEMs are materially affected and their ability to design, market or manufacture new automobiles or automobile parts and accessories are impacted, or if the automobile OEMs are not able to anticipate changes in consumer tastes, preferences and requirements and/or deliver to us insufficient quantities, or decide unilaterally to alter the supply of new automobiles and automobile parts and accessories to us, or if the automobile OEMs for any reason fail to maintain their brand reputation or goodwill or the quality of the automobiles they manufacture and distribute, our business operation will be disrupted and our results of operations, financial condition and growth prospects may be materially and adversely affected.

(b) Product defects and automobile recalls

The automobile OEMs may be adversely affected by product defects. Several automobile OEMs have experienced large scale recalls of certain types of automobiles in the global market due to product defects discovered. We cannot assure you that such product defects will not materially and adversely affect our revenue and results of operations in the future. Our Group has experienced over 30 instances of automobile recalls during the Period Under Review which relate to product defects with the automobiles, and there is no assurance that there will not be future automobile recalls affecting the automobile OEMs or the automobile models we sell. Under our dealership agreements, we are generally obliged to bear our communication, administrative and management expenses relating to a recall and proactively reach out to the end customers to inform them of the same and to return the automobiles. All other reasonable costs incurred by us such as the labour costs expended by us in repairing the automobiles and the costs of the automobile parts and accessories which the automobiles are to be repaired with are borne by the automobile OEMs.

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Our customers' confidence in the quality and safety of the automobiles may be impaired due to such product defects which may have an adverse effect on the automobile OEMs and our Group's reputation. As a result, any product defects (which are subsequently made known to the customers through recalls or otherwise) may lead to cancellation of orders placed by our customers and drop in demand for our automobiles, which in turn may materially and adversely affect our results of operations and financial position. There can be no assurance that product defects on the part of the automobile OEMs will not materially and adversely affect our results of operations, financial position and growth prospects going forward.

(c) Branding, marketing and promotional activities of the automobile OEMs

Our automobile sales business is strongly influenced by the branding of the automobile OEMs as well as promotional and marketing activities of the automobile OEMs designed to spur consumer demand for automobiles, including sales and marketing events jointly organised by automobile OEMs and us. Our marketing and advertising expenses amounted to approximately RMB9,845.3 million, RMB9,840.9 million, RMB13,328.6 million and RMB1,811.5 million in FY2018, FY2019, FY2020 and 1Q2021 respectively, and constituted 0.3%, 0.3%, 0.3% and 0.1% of our total revenue for FY2018, FY2019, FY2020 and 1Q2021 respectively. Any reduction of these advertising, marketing and promotional efforts by automobile OEMs may adversely affect sale of automobiles and after-sales services at our dealerships. Further, in the event of negative publicity relating to automobile OEMs which adversely affects the image, quality and confidence associated with the branding and reputation of such automobile OEMs, the negative publicity may have an adverse impact on our sales of automobiles manufactured by such automobile OEMs, which may materially and adversely affect our results of operations, financial position and growth prospects.

The automobile OEMs periodically offer discounts, complimentary products or services, and/or extended product warranties. The automobile OEMs also assist us with our advertising, marketing and promotional activities and the production of flyers, brochures and other promotional and point-of-sale materials. We conduct our marketing activities in accordance with, amongst others, recommendations made by the automobile OEMs from time to time. In addition, we rely on the automobile OEMs for the training of our sales personnel and automotive engineers and technicians to a certain extent. As a result, changes or restrictions in these promotional and marketing activities and training by the automobile OEMs may materially and adversely affect our results of operations, financial position and growth prospects.

It should be noted that one (1) of our Distributors, BMW Brilliance, is a joint venture company between the BMW Group and Brilliance Automotive Holdings Limited, a subsidiary of Huachen Automotive Group Holdings Company Limited. Based on publicly available information, Huachen Automotive Group Holdings Company Limited is undergoing restructuring proceedings and the Shenyang Intermediate People's Court ruled in March 2021 in favor of merging Huachen Automotive Group Holdings Company Limited with 11 other group companies in a joint rehabilitation.¹ Although the proceedings in relation to Huachen Automotive Group Holdings

¹ This information was extracted from a media release entitled "BMW's Chinese partner reveals unauthorized loan guarantees for parent" published by Nikkei Asia on 14 April 2021, which can be accessed at: <https://asia.nikkei.com/Business/Automobiles/BMW-s-Chinese-partner-reveals-unauthorized-loan-guarantees-for-parent>, data accessed on 17 September 2021. Nikkei Asia has not provided its consent, for purposes of Section 249 of the SFA, to the inclusion of the information cited and attributed to it in this document and therefore is not liable for such information under Sections 253 and 254 of the SFA. While our Company, the Issue Manager and Full Sponsor, and the Underwriter and Placement Agent have taken reasonable actions to ensure that the information is reproduced in its proper form and context and that the information is extracted accurately and fairly, none of our Company, the Issue Manager and Full Sponsor, and the Underwriter and Placement Agent or any other party has conducted an independent review of this information or verified the accuracy of the contents of the relevant information.

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Company Limited remain ongoing as of the Latest Practicable Date, in the event that the proceedings or any restructuring or liquidation of Huachen Automotive Group Holdings Company Limited has any downstream impact on BMW Brilliance and its operations, this may consequently have a material and adverse effect on our results of operations, financial position and growth prospects. The terms of the dealership agreements with BMW Brilliance provide that BMW Brilliance may terminate the dealership agreement if it becomes insolvent, or a petition for bankruptcy is filed in respect of BMW Brilliance's assets. Although, the dealership agreements are binding on BMW Brilliance and its successors and BMW Brilliance's obligations under such agreements continue notwithstanding any restructuring proceedings at the level of its shareholders, there is no assurance that BMW Brilliance will not itself face any insolvency or bankruptcy proceedings in the future, whether in connection with Huachen Automotive Group Holdings Company Limited's restructuring proceedings.

In the event that BMW Brilliance itself faces insolvency or bankruptcy (whether as a result of Huachen Automotive Group Holdings Company Limited undergoing restructuring proceedings or otherwise), and in the event that the BMW Group does not restructure its business in the PRC to mitigate the impact of such insolvency or bankruptcy, such as by entering into arrangements directly with our Group to allow the continuation of its operations in the PRC, this may consequently have a material and adverse effect on our results of operations, financial position and growth prospects.

Our Group may not have valid titles or rights to use certain properties and the required permits for construction, development and carrying out of our business operations on certain properties occupied by us

Properties occupied by our Group primarily comprise dealerships, showrooms and ancillary buildings. Any dispute or claim in relation to the title to the properties occupied by us, including any litigation involving allegations of illegal or unauthorised use of these properties, may result in penalties imposed against us or us having to relocate our business operations and may materially and adversely affect our operations, financial position, reputation and growth prospects. In addition, there can be no assurance that the PRC government will not amend or revise existing property laws, rules or regulations to require additional approval, licenses or permits, or to impose stricter requirements to obtain or maintain the title certificates required for the properties occupied by our Group.

Majority of our Group's dealerships and showrooms are located on land leased from independent third parties (some of which are master tenants who in turn sublease the land to us), save for the Chongqing BMW Dealership, which is presently located on the Chongqing Property which is owned by Chongqing Baize, a subsidiary of our Group. According to the PRC laws, the PRC government implements a land usage management system and designated land usage is required to be complied with by relevant entities and individuals. For the operations of automobile dealerships and showrooms, such land is required to be zoned for commercial use, and for operations of automobile maintenance and repair, the land must be zoned for other commercial services use. Our Shenzhen BMW Dealership, Guangzhou BMW Dealership, Guangzhou McLaren Showroom and Guangzhou McLaren Workshop are located on land zoned for industrial use, warehousing use, culture and sports use and industrial use respectively. Our remaining six (6) dealerships and showrooms under operation including the Foshan BMW Dealership and Chongqing BMW Dealership, are located on land zoned for commercial use. Please refer to the section entitled "General Information on our Group – Material Properties and Fixed Assets" of this Offer Document for further details of the properties that we own and/or occupy.

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It should also be noted that although we are not the landlord of the lands where our Shenzhen BMW Dealership, Guangzhou BMW Dealership, Guangzhou McLaren Showroom and Guangzhou McLaren Workshop are located, given that we are the lessee of the respective premises, we may be subject to the obligations to use the property in accordance with its designated use, as the PRC laws in the Guangdong province and/or Guangzhou Municipality (where these properties are located) also impose such obligations on the user of the premises and/or the lessee of such property.

Lack of Building Ownership Certificates

The building situated on the land comprising the Guangzhou BMW Dealership (“**Guangzhou BMW Building**”) lacks its respective building ownership certificates and as our Group is merely a sublessee of the land (the “**Guangzhou BMW Land**”), our Group is not aware of whether the property has obtained the requisite approvals during the process of construction, as the responsibility of obtaining of such building ownership certificates would be within the capacity of the landlord of the Guangzhou BMW Land.

According to the PRC laws in Guangzhou, for the failure to obtain the requisite construction approvals, the relevant PRC government departments for land shall require the occupants or users of the land to make rectifications within a prescribed time limit and may impose a penalty in an amount equal to between 5.0% to 10.0% of the cost of construction. Where there is a failure to make corrections within the prescribed time limit, the respective construction may be demolished and a penalty in an amount equal to 10.0% of the cost of construction may be imposed.

In the event that our Group is required to make rectifications within a prescribed time limit and fails to do so, the maximum potential fines or penalties that may be imposed on us, if any, will not exceed RMB6.3 million based on the cost of construction paid by our Group. The terms of our lease agreement with the landlord of the Guangzhou BMW Land also provide that the landlord has a right to require compensation from our Group if it sustains losses as a result of the lack of requisite permits for the operation of our Group’s business, although in the unlikely event that the landlord seeks to require such compensation, our Group intends to negotiate with the landlord not to enforce such rights given that the responsibility of obtaining of such building ownership certificates would be within the capacity of the landlord of the Guangzhou BMW Land in the first place. Based on the fact that our Group is merely a sublessee of the Guangzhou BMW Land and is therefore not in a position to confirm whether the property has obtained the requisite approvals during the process of construction, and the fact that the responsibility of obtaining such building ownership certificates would be within the capacity of the landlord and is not within our Group’s capacity, the Legal Adviser to the Invitation as to PRC Law, JTGC, is of the view that in the event that the landlord seeks to enforce its contractual rights to compensation under the lease agreement, the likelihood of the landlord fully succeeding in such claim is low.

Non-Compliance with Designated Land Use

We are also unable to obtain valid titles or rights to use certain properties or the required permits for construction and development on the properties occupied by the Shenzhen BMW Dealership, Guangzhou BMW Dealership, Guangzhou McLaren Showroom and Guangzhou McLaren Workshop, which have contributed the following percentage of our Group’s total revenue for FY2020 and 1Q2021 respectively.

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	FY2020	1Q2021
Shenzhen BMW Dealership	26.9%	25.4%
Guangzhou BMW Dealership	18.7%	19.1%
Guangzhou McLaren Showroom	1.3%	0.4%
Guangzhou McLaren Workshop	Less than 0.1%	Less than 0.1%

Notwithstanding that based on the reasons which are further detailed in the section entitled “General Information on our Group – Material Properties and Fixed Assets” of this Offer Document, the Legal Adviser to the Invitation as to PRC Law, JTGC, is of the view in relation to the lands occupied by the Shenzhen BMW Dealership, the Guangzhou BMW Dealership, the Guangzhou McLaren Showroom and the Guangzhou McLaren Workshop, that the risk of the relevant PRC government authorities imposing any fines or penalties on our Group for the non-compliant usage of these relevant lands including the lack of building ownership certificates and the risk of the relevant PRC government authorities confiscating any of the relevant lands is low, there is nonetheless, no guarantee that our Group will not be subject to confiscation of any of the relevant lands by the PRC government authorities, or subject to potential fines or penalties imposed on our Group, which will vary based on the laws in the respective local provinces. Any fines or penalties imposed on our Group in relation to the lands occupied by the Shenzhen BMW Dealership, Guangzhou BMW Dealership, Guangzhou McLaren Showroom and Guangzhou McLaren Workshop, as well as the costs involved with any required relocation process, may have an adverse impact on our business, results of operations, financial position and future prospects.

In respect of the property occupied by the Shenzhen BMW Dealership, according to the PRC laws in Shenzhen, in the event of non-compliance with the designated land usage, the relevant PRC government departments for land shall require the occupants or users of the land to make rectifications within a prescribed time limit and may impose a penalty in an amount equal to 20.0% of the assignment price which was paid to obtain the land use rights. Where there is a failure to make corrections with the prescribed time limit, the respective land can be confiscated by the PRC government authority.

In respect of the properties which are occupied by the Guangzhou BMW Dealership, Guangzhou McLaren Showroom and Guangzhou McLaren Workshop under sub-leasing arrangements entered into by our Group, according to the PRC laws in Guangzhou, in the event of non-compliance with the designed land usage, the relevant PRC government departments for land shall require the occupants or users of the land to make rectifications within a prescribed time limit, and a fine of between RMB50 to RMB100 per square metre will be imposed for each day following the expiry of the prescribed time limit until the rectification is made.

Following from the above, it is also noted that each of our Group’s BMW dealership agreements and the McLaren dealership agreements entered into with the relevant Distributors contain provisions which provide either the BMW Distributor or the McLaren Distributor (as the case may be) with a right to terminate the agreement in the event that our Group loses our right to the premises over which the relevant dealership or the showroom is located. As such, any necessary relocation of the Shenzhen BMW Dealership, Guangzhou BMW Dealership, Guangzhou McLaren Showroom and Guangzhou McLaren Workshop resulting from the land use issues mentioned may potentially entitle the Distributor to terminate the relevant dealership agreements between the Distributor and our Group. The loss of any of our dealership agreements may have an adverse impact on our business, results of operations, financial position and future prospects.

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Non-Registration of Leases

Out of our Group's 15 leases which are required to be registered with the relevant local branch, seven (7) remain unregistered. As the registration process for leases is within the capacity of the relevant landlord for which our Group is not able to exert control over, we accordingly do not foresee that we will be able to register the aforesaid unregistered leases in the near future by ourselves. Under the PRC laws, while non-registration of a lease does not render such lease invalid or enforceable, the potential penalty would be a maximum penalty of RMB10,000 which may be imposed for each lease that is not registered with such liability falling on both parties of the relevant lease agreement. Accordingly, the maximum potential fines or penalties that may be imposed under the Management Rules of Commodity House Leasing (商品房屋租赁管理办法) and other local law on our Group arising from non-registration of the seven (7) leases, would be approximately RMB70,000.

Lack of Fire Protection Permit

Pursuant to PRC laws, an entity which has undergone renovation is required to conduct an acceptance check for fire protection and subsequently to submit the results of such checks to the competent housing and urban-rural department of the PRC government authorities ("**Fire Protection Procedures**") for record purposes. It is to be noted that our Guangzhou McLaren Workshop had incorporated all the required fire safety equipment and conducted the necessary checks, however, has not submitted the results of such checks to the relevant PRC government authorities as the record filing process requires the cooperation of the landlord for the land occupied by the Guangzhou McLaren Workshop. At present, our Group faces certain practical difficulties in obtaining the support and cooperation of Cencun Joint Stock Cooperative Economic Association, Changxing Street, Tianhe District, Guangzhou (广州市天河区长兴街岑村股份合作经济联社) (the "**Guangzhou McLaren Workshop Landlord**"), the landlord of the property on which the Guangzhou McLaren Workshop is located, to assist with necessary record filing process, and accordingly we do not foresee such Fire Protection Procedures being completed for the Guangzhou McLaren Workshop in the near future.

In respect of the non-compliance with the Fire Protection Procedures, according to the PRC laws, the PRC government authorities may order our Group to make a rectification and impose a fine of no more than RMB5,000. Notwithstanding the foregoing, it has been noted, amongst others, that our Group has on 4 July 2021 obtained a confirmation letter issued by Guangzhou Tianhe District Fire Rescue Brigade, the competent PRC government authority in charge of fire protection for the operations of automobile maintenance and repair confirming that our Group has no record of administrative punishment imposed by such relevant PRC government authorities due to a violation of relevant laws and regulations. Based on the foregoing and the fact that there are no significant changes in current policies and regulations, the Legal Adviser to the Invitation as to PRC Law, JTGC, is of the view that the risk of the relevant PRC government authorities imposing material fines or penalties on Guangzhou Ruisheng Automobile for failure to carry out the Fire Protection Procedures, is low.

The terms of our lease agreement with the landlord for the Guangzhou McLaren Workshop Land also provide that the landlord has a right to require compensation from our Group if it sustains losses as a result of the lack of requisite permits for the operation of our Group's business, although in the unlikely event that the landlord seeks to require such compensation, our Group intends to negotiate with the landlord not to enforce such rights given that record filing process had required the cooperation of the landlord in the first place. Based on the fact that the results of the checks have not been submitted to the relevant PRC government authorities as our Group presently faces certain practical difficulties in obtaining the support and cooperation of the Guangzhou McLaren Workshop Landlord to assist with doing so, the Legal Adviser to the Invitation as to PRC Law, JTGC, has advised that in the event that the landlord seeks to enforce its contractual rights to compensation under the lease agreement, the likelihood of the landlord fully succeeding in such claim is low.

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Please also refer to the section “General Information on our Group – Material Properties and Fixed Assets” of this Offer Document for further details.

Government policies on automobile imports, purchases and ownership may materially affect our results of operations

Government policies on automobile imports, purchases and ownership may materially affect our business because of their influence on consumer behaviour. Quotas or other measures imposed by local governments in the PRC to control the number of passenger vehicles in the cities where our dealerships are located may affect our passenger vehicle sales.

In particular, our cost of sales is mainly dependent on, amongst other factors, any changes in import tariffs in the PRC. Since May 2018, custom duties payable to the China Customs for import of new automobiles have been calculated based on 15.0% of the cost of a new automobile. Any increase in the charges imposed by the Chinese Customs will significantly affect our cost of sales.

Out of the cities in which we have business operations, relevant regulations restricting the number of new automobiles have been implemented in Guangzhou, where the operations of our Group in the city have contributed towards 20.0% and 19.6% of our Group’s total revenue for FY2020 and 1Q2021 respectively, as well as Shenzhen, where the operations of our Group in the city have contributed towards 29.7% and 26.1% of our Group’s total revenue for FY2020 and 1Q2021 respectively. In these two (2) cities, applicants for automobile license plates are required to register with the local quota allocation management offices, and the license plate quota has an allocation cycle of 12 months. An applicant who meets the relevant requirements can receive a valid code, with which the applicant can participate in a license plate quota lottery or bidding process to obtain a licence. For the licence plate quota allocated through bidding, an applicant is required to pay a fee in accordance with the outcome of the bid in order to obtain the licence plate.

On 29 December 2014, the Shenzhen People’s Government announced the implementation of a quota on the number of car licence plates with effect from 6.00 p.m. on 29 December 2014. The quota is temporarily set per year and would be adjusted from time to time depending on the road carrying capacity and environmental protection needs. The quota could be acquired through lottery or bidding. Such quota may lead to a decrease in our passenger vehicle sales of our dealerships located in affected areas, thereby materially and adversely affecting our financial position, results of operations and growth prospects. The quota for FY2020 is 120,000 vehicles.

According to the Measures on Adjusting and Controlling the Total Quantity of Medium and Small Vehicles in Guangzhou (广州市中小客车总量调控管理办法的通知), which was promulgated and took effect on 21 November 2019, the incremental license plate quota in Guangzhou is allocated through lottery schemes for new energy automobiles and through lottery and bidding for ordinary automobiles. The allocation cycle for incremental license plate quota is 12 months.

Changes and development in government policies concerning or affecting automobile sales and other automobile-related services could adversely affect our business, financial condition and results of operations

Government policies and the relevant regulations on the automobile industry may have an adverse effect on our business and growth prospects. For example, the PRC has now implemented the newest “China 6 standard” for light-duty vehicle emissions, pursuant to the Announcement on Relevant Requirements for Adjustments to the Implementation of the China Six Emission Standard for Light-duty Vehicles (关于调整轻型汽车国六排放标准实施有关要求的公告), which was jointly issued by the Ministry of Ecology and Environment, the Ministry of Industry and

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Information Technology, MOFCOM and the General Administration of Customs of China on 13 May 2020 (“**China 6 Standard**”). With the China 6 Standard in place, light-duty vehicles conforming with the previous “China 5 standard” are prohibited from production, and imported light-duty vehicles must also comply with the China 6 Standard. There is no assurance that the automobile emission standards will not change in the future. If a higher standard is set by the PRC government authorities, the automobiles models that our Group is allowed to sell at that time may have to be re-evaluated and our sales activities and marketing strategies may be affected, which may adversely affect the sales volume of our dealerships. If, at the time that a new emission standard is implemented, we still hold automobiles in our inventory which have not been sold and do not comply with the new emission standard, such automobile inventory may become obsolete. As a result, this may materially and adversely affect our results of operations, financial position and growth prospects.

The PRC government may introduce other policies, guidelines, rules and regulations from time to time to regulate the 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 materially and adversely affect our results of operations, financial position and growth prospects.

Our business operations are subject to restrictions imposed by, and significant influence from the automobile OEMs

The automobile OEMs may subject our business operations to various restrictions including:

- (a) setting geographical limitations on our business, restricting our ability to establish or acquire new dealerships;
- (b) precluding us from obtaining additional dealership rights for failing to meet the relevant automobile OEM’s performance criteria, including but not limited to sales results, customer satisfaction ratings and dealership presentation;
- (c) setting price guidelines for the retail sale of their new automobiles or certain automobile parts and accessories, which may affect the gross profit margins of our Group; and
- (d) precluding us from entering into dealership agreements with competing brands or other products. Please refer to the paragraph above entitled “Risk Factors – Risks Relating to our Business and Industry – Our business is reliant on our dealership agreements with the automobile OEMs for the rights to operate our dealerships and showrooms and for our supply of new automobiles and automobile parts and accessories” for further details.

The restrictions imposed by, and significant influence from, the automobile OEMs on our business could materially and adversely affect our results of operations, financial position and growth prospects.

Please also refer to the paragraph above entitled “Risk Factors – Risks Relating to our Business and Industry – Our business is reliant on our dealership agreements with the automobile OEMs for the rights to operate our dealerships and showrooms and for our supply of new automobiles and automobile parts and accessories” for details of the risk that our Group may be faced with, including restrictions from our Distributors in working with new automobile brands and/or acquiring or setting up other dealerships and showrooms.

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There can be no assurance that we will continue to receive incentive rebates from automobile OEMs

Our purchase arrangements with automobile OEMs often include purchase volume or sales-based incentive rebates, which are determined with reference to the number of new automobiles we purchase or sell, and adjusted based on our completion of certain targets set by the relevant automobile OEMs, including customer satisfaction indexes and dealership and showroom retail standards.

We recorded rebates of approximately RMB374.5 million, RMB327.6 million, RMB325.0 million and RMB109.0 million for FY2018, FY2019, FY2020 and 1Q2021 respectively, which constituted 10.6%, 8.7%, 7.7%, and 8.4% of our Group's total revenue for FY2018, FY2019, FY2020 and 1Q2021 respectively. Whilst we have to date consistently been able to meet the sales targets set by the relevant automobile OEMs, there can be no assurance that the automobile OEMs will continue to offer incentive rebates to us or that we will in the future be able to meet the sales targets which allow us to qualify for such rebates, which will impact our gross profit margins. Should some or all automobile OEMs cease to offer such rebates, or alter the conditions by which such rebates are granted, our financial position and results of operations may be materially and adversely affected.

Our sales of automobiles are dependent on the market demand for automobiles and seasonality

Our sales of automobiles are dependent on the overall market demand for automobiles, which may be affected by a variety of factors, such as economic conditions, personal disposable income and level of intervention from the government in the PRC.

Substantially all of our revenue is generated within the PRC. There may be a seasonal pattern in the spending behavior of PRC consumers. Periods prior to major holidays in the PRC, such as the Chinese New Year, the International Labor Day holiday in May and the National Day holiday in October, may see significant fluctuations in demand, with a general increase in demand for new automobile sales and/or aftersales services. As a result of these fluctuations, comparisons of sales and operating results between different periods within a single financial year, or between the same periods in different financial years, may not be meaningful and should not be relied upon as indicators of our performance.

Our ability to meet consumer demands for new automobiles and automobile parts and accessories is dependent in part on our ability to maintain a reasonable level of inventory of these products

Our Group aims to stock a reasonable level of inventory of new automobiles and automobile parts and accessories to respond to consumer demands effectively. Our average inventory turnover days were 34 days, 37 days, 31 days and 19 days for FY2018, FY2019, FY2020 and 1Q2021 respectively. We aim to actively control our inventory turnover efficiency, as slow-moving inventories may be more difficult to sell and/or result in higher levels of write-offs, thereby increasing our overall cost of sales and reducing our profit margins. If we overstock inventory, our required working capital may increase and we may incur additional financing costs. If we understock inventory, our ability to meet consumers' demands may be affected, which may in turn affect our reputation, cause us to forgo revenue, and materially and adversely affect our results of operations and financial position.

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Whilst we have endeavoured to maintain sufficient inventory of the appropriate model of automobiles to meet the demand of our customers during the Period Under Review, there can be no assurance that we will not experience understocking or overstocking in future, or that any such instances would not adversely affect our reputation, results of operations and financial condition.

We are dependent on our management team and key management personnel

We believe that the success and growth of our business depends significantly on the expertise and experience of our Executive Directors and Executive Officers. Our Executive Director, Executive Chairman and CEO, Mr. Francis Tjia, is our founder and has been an executive director of our Group since its establishment in 2009. He has been instrumental in our Group's overall management, formulating our Group's strategic focus and directions, developing and maintaining relationships with our suppliers and customers as well as overseeing our Group's general operations. Mr. Francis Tjia is supported by key management personnel, namely Mr. Michael Cheung, our Executive Director and CFO, and Mr. Roger Chan and Mr. Raymond Woo, our COOs for BMW and Premium Luxury respectively. Our continued success and growth will depend, to a large extent, on our ability to retain the services of our Executive Directors and Executive Officers. The loss of services of any of our key management personnel without suitable and timely replacements may materially and adversely affect our business, results of operations, financial position and growth prospects.

Notwithstanding that each of our Executive Directors, namely, Mr. Francis Tjia and Mr. Michael Cheung, have entered into a service agreement with our Company for a period of three (3) years, there can be no assurance that we will be successful in retaining them or hiring qualified management personnel to replace them should such a need arise. Please refer to section entitled "Directors, Executive Officers and Employees – Service Agreements" of this Offer Document for further details on the service agreements.

The growth and success of our Group is also dependent on our ability to retain the services of our key management personnel and to train new employees. Moreover, the process of hiring employees with the required attributes may be time consuming and competitive. If our key management personnel are unable or unwilling to continue in their present positions, and we are unable to hire suitable replacements in a timely manner or at all, our business, financial position and results of operations may be adversely affected.

In addition, our dealership agreements with the BMW Distributors also generally impose obligations on the shareholders and the senior management for the relevant Group company (which, in the case of the senior management would generally be our Executive Directors and Executive Officers) to ensure the fulfilment by the relevant Group company of its obligations under the dealership agreements. The dealership agreements with the BMW Distributors also provide that the BMW Distributors have the right to terminate the agreements in the event that any of the shareholders or the senior management for the relevant Group company commit acts which damage the reputation of BMW, or disputes arise between such persons which would substantially impair the fulfilment of the agreements, or such persons are no longer capable of managing the dealership operations (whether by virtue of death, incapacity or otherwise) and the BMW Distributors have not been informed of the same. The dealership agreements with the McLaren Distributor also provide that the McLaren Distributor has the right to terminate the agreements in the event that the relevant Group company's principals, shareholders or officers have been fraudulent in any of its dealings with customers, potential customers, McLaren, McLaren's associated companies or otherwise in connection with the McLaren Distributor's rights and obligations under the agreements. The existing arrangement with the Lotus Distributor does not however provide for similar grounds of termination for such incidents. Whilst none of the foregoing incidents have previously arisen, there is no assurance that they will not occur in the future. If such

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incidents occur in the future, it may result in an adverse impact to our business operations which may be further aggravated should any of our dealership agreements with our BMW Distributors or the McLaren Distributor be consequently terminated on such grounds, and our business, financial position and results of operations may be adversely affected.

We are dependent on the continued service of, and our ability to attract, train, motivate and retain, our dealership management, sales personnel and automotive engineers and technicians

Our Group is dependent on the continued service of, and our ability to attract, train, motivate and retain, our dealership management, sales personnel and automotive engineers and technicians for the performance and continued success of our business. There can be no assurance that we will be able to attract, train, motivate and retain the necessary personnel to grow and develop our business, continue to deliver high-quality sales or customer service or open new dealerships and showrooms. Our financial position, management of our dealerships and results of operations may be materially and adversely affected if we fail to attract and retain the experienced personnel we need.

We may face significant competition from other automobile dealers carrying the same brands or types of automobiles as us, and other automobile dealers carrying any other brands or types of automobiles, in particular brands of automobiles in the premium and ultra premium market which our Group operates in

We face competition from other automobile dealers which carry the same brands or types of automobiles that we distribute, as well as automobile dealers carrying any other brands or types of automobiles, in particular brands of automobiles in the premium and ultra-premium market segment which our Group operates in. If our dealerships are not competitive in terms of quality, service, delivery time and price as compared to other automobile dealers, or if the automobiles that we carry are not competitive in the market in terms of brand, model, quality and price as compared to other automobile brands, our business, financial position and results of operations may be adversely affected. Increasing competition from existing and potential competitors may result in reduced revenue and loss of market share which may have an adverse effect on our business, financial position and results of operations.

Our business and operations may be materially and adversely affected due to epidemics and other outbreak of diseases, including the global pandemic outbreak of COVID-19

An epidemic or outbreak of communicable diseases such as COVID-19, Middle East Respiratory Syndrome, Ebola, Severe Acute Respiratory Syndrome or other contagious disease may have an adverse effect on our business, financial position, results of operations and growth prospects.

In particular, if our employees and/or employees of our suppliers or subcontractors are infected or suspected of being infected with any communicable diseases, this may result in the temporary closure of the affected premises or offices and quarantine of the relevant employees to prevent the spread of the disease. This may also further result in delays and may have a material and adverse impact on our business, financial position, results of operations and future prospects.

The global pandemic outbreak of COVID-19 which began in 2020 as announced by the World Health Organisation has disrupted our operations in the PRC, as well as the operations of our automobile OEMs. Due to the COVID-19 outbreak, a number of governments around the world have imposed nationwide restrictions to curb the spread of COVID-19, including quarantine measures, travel restrictions and the closure of workplaces, shops and other public venues.

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For instance, the recent global outbreak of COVID-19 resulted in the closure by law of our dealerships and showrooms for a period of about four (4) to six (6) weeks in 1Q2020 during the peak of the COVID-19 outbreak in the PRC. Following the reopening of our dealerships and showrooms, we have, from time to time as may be required depending on factors such as the level of outbreaks in the locality, implemented measures such as temperature taking for employees and customers, frequent cleaning and disinfection of common areas, restricting the number of customers to our dealerships per day and the duration of visits, ensuring that customers comply with safe distancing and other guidelines imposed under relevant local PRC laws, restricting customers' access only to designated areas, ensuring split teams for our employees, and strict movement control of our employees and the customers, which has resulted in increased labour costs and potential loss of sales.

The COVID-19 outbreak has also had an adverse impact on the ability of the automobile OEMs to deliver orders for new automobiles and automobile parts and accessories, and other automobile-related products in a timely manner, due to worldwide disruptions in the supply chain of automobile parts and the manufacturing process by their automobile manufacturers. In the event this occurs, our Company may be faced with potential complaints or claims, and which if not addressed, may result in a loss of our reputation and an adverse impact to our Group. Although our Group did not face any material complaints or claims during the Period Under Review, there is no assurance that these will not materialise or take place in the future. In FY2020, our BMW and McLaren dealerships experienced a shortage of supply of BMW and McLaren automobiles as compared to the number of orders placed for BMW and McLaren automobiles, respectively. This shortage was mainly in respect of McLaren automobiles which was attributable to a reduced supply of new automobiles from the McLaren Distributor during this period, which arose because of production disruption and stoppage of McLaren automobiles in the United Kingdom as a result of the COVID-19 pandemic in FY2020. As such shortage was due to a shortage on the automobile OEM's end which was not within the control of our Group, our Group was not able to identify specific internal control measures to implement so as to prevent a reoccurrence of such incident as concurred with by our internal auditors. Whilst this shortage issue has since improved, a repeat of such incidents may directly impact our volume of sales and may have an adverse effect on our business, financial position and results of operations.

While we have experienced a relatively positive recovery of 30.7% in sales for the 6-month period ended 31 December 2020 which resulted in our Group achieving an overall increase by 11.8% in revenue for FY2020 as compared to FY2019, where our Group experienced a sharp decline by 11.3% in sales for the 6-month period ended 30 June 2020 as compared to the previous 6-month period ended 31 December 2019, there is nevertheless no assurance that there will not in the future be a resurgence or repeated outbreak of COVID-19 in the form of new viral strains or otherwise. If this happens, we may again be subject to closure by law of our dealerships and showrooms, or face a decrease in our sales which would have an adverse effect on our business, financial position, results of operations and growth prospects.

We may not be able to sustain our growth rate and financial performance in the future

Our profit before tax for FY2018, FY2019, FY2020 and 1Q2021 was approximately RMB19.8 million, RMB48.9 million, RMB136.7 million and RMB60.5 million respectively, representing a CAGR of approximately 90.4% between FY2018 and FY2020.

Sales of automobiles will fluctuate depending on each stage of the life cycle of a particular automobile model. Sales of a particular automobile model will typically be higher when it is newly launched and will decline towards the end of its life cycle. Further, sales of new automobiles and the financial performance of our Group are affected by the automobile OEMs' ability to launch new

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automobile models, the demand for premium and ultra-premium automobiles as well as the purchasing power of consumers in the PRC. Accordingly, this may result in the sales of our automobiles being cyclical.

Accordingly, there can be no assurance that we will be able to achieve similar growth rates and financial performance in the future. If we are unable to maintain adequate revenue and profit growth, our financial position could also be adversely affected. If we are unable to manage our growth effectively, we may not be able to take advantage of market opportunities, execute our business plans, or respond to competitive pressure.

We may face rising labour costs and labour shortage

Our ability to meet our labour requirements may be subject to numerous external factors, including the availability of a sufficient number of suitable persons in the relevant job segment, prevailing labour costs including wage rates and applicable levies, demographics, and health and insurance costs.

Our growth plans will require us to hire, train and retain a significant number of new employees in the future. As we face competition from our competitors for labour, we may have to increase wages and employee benefits to attract and retain qualified personnel or risk considerable employee turnover. If we are unable to hire, train and retain qualified employees at a reasonable cost, we may be unable to execute our growth strategy and our business, financial position and results of operations may be adversely affected.

Our Group may be involved in disputes and legal and other proceedings arising out of our operations from time to time and may face significant liabilities as a result

Our Group may be involved, from time to time, in legal proceedings arising in the ordinary course of our operations. Litigation arising from any failure, injury or damage from our Group's operations may result in the relevant member of our Group being named as defendant in lawsuits asserting large claims against such member of our Group or subject such member of our Group to significant regulatory penalties. Disputes may also lead to legal or other proceedings and may damage our Group's reputation and divert our resources and management's attention. Significant costs may have to be incurred in defending our Group in such proceedings, whether we are successful or not.

If our Group is not successful in defending ourselves in such proceedings, we may be liable for damages, the amount of which may be significant. Any of the above could have a material adverse effect on our Group's business, financial position, results of operations and growth prospects. In the event that our Group makes any other investments or acquisitions in the future, there can be no assurance that our Group would not have any exposure to any litigation or arbitration proceedings or other liabilities relating to the acquired businesses or entities.

Our Group is involved as a defendant in certain ongoing proceedings with certain customers of our dealerships in respect of disputes over sales contracts and alleged product defects in the automobiles sold to these customers. Such proceedings with customers are part of disputes which our Group encounters within the ordinary course of our Group's business, and if the eventual outcome of such cases is not in our Group's favour, the Legal Advisor to the Invitation as to PRC Law, JTGC, has confirmed that, as at the date of this Offer Document, the estimated exposure to our Group would not exceed an amount of RMB2.9 million (which excludes amounts relating to litigation fees of the plaintiff, interest on the amounts to be compensated to the plaintiff and the costs of any specific performance required by our Group).

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Accidents or injuries in our dealerships may adversely affect our reputation and subject us to liability

In the course of the repair and maintenance of automobiles at our dealerships, certain of our employees work with and around heavy machinery, moving vehicles and chemicals (such as motor oil, brake fluid, etc.). Furthermore, in the course of our day to day operations, vehicles frequently need to be moved around within our dealerships. Consequently, there are inherent risks of accidents and injuries among our employees, and to a certain extent other visitors, at each of our dealerships. The occurrence of one (1) or more accidents or injuries at any of our dealerships could adversely affect our safety reputation among current and potential employees and customers, decrease our sales, and increase our costs by requiring us to implement additional safety measures. In addition, if accidents or injuries occur at any of our dealerships, we may be held liable for potential costs or damages and fines. While we have not encountered any major accidents at any of our dealerships, there can be no assurance that such accidents may not occur in the future. Our current property and liability insurance policies may not provide adequate or any coverage for such losses, and we may be unable to renew our insurance policies or obtain new insurance policies without increases in premiums and deductibles or decreases in coverage levels, or at all. Please refer to the paragraph below entitled “Risk Factors – Risks Relating to our Business and Industry – Our insurance coverage may not be adequate” for further details.

We are reliant on external financing and bank borrowings for our funding needs, with a high balance of our borrowings comprising short-term loans

The automobile dealership industry that our Group operates in has intensive capital requirements. We require working capital to purchase new automobiles, automobile parts and accessories, and other automobile-related products we sell and also require capital to establish and acquire new dealerships and showrooms, refurbish and maintain existing dealerships and showrooms, and upgrade our information technology and billing systems. We rely on bank loans, borrowings and other financing arrangements to support a substantial part of our working capital and capital expenditures, and we expect to continue to do so in the future.

As at 31 March 2021, our Group had a total net debt balance (total bank and other borrowings net cash and cash equivalents) of RMB370.9 million and borrowings of RMB538.2 million due within 12 months from 31 March 2021 under the terms of the relevant loans contracts. Most of our present borrowings comprise short-term working capital loans taken out by our various PRC operating subsidiaries. This is partially due to the industry practices of PRC banks which typically offer bank loans and working capital financing of a period of 12 months that are renewed annually. Please refer to the section entitled “Capitalisation and Indebtedness” of this Offer Document for further details on our financing arrangements.

Given the short-term nature of our financing arrangements, there can be no assurance that there will be continued availability of such financing arrangements to our Group, or that we will be able to continually obtain adequate financing on terms which are commercially favourable to us. Our ability to obtain adequate financing will also depend on a number of factors, including our financial performance and results of operations, as well as other factors beyond our control including the global and PRC economies, interest rates, applicable laws, rules and regulations, and the conditions of the PRC automobile market, the PRC automobile dealership industry and the geographical regions we operate in. While we have not encountered any difficulties in repaying our loans, renewing our loans and/or refinancing our borrowings in the past, there can be no assurance that we will be able to continue doing so in the future. In the event that our Group is unable to obtain sufficient funds to finance our operations and inventory, our business, financial position, results of operations and prospects may be materially and adversely affected.

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Additionally, there can be no assurance that the cash flow generated by our operations will be sufficient to fund our future operations and expansion plans. If we are unable to obtain financing in a timely manner, at a reasonable cost or on reasonable terms, the implementation of our expansion plans may be delayed and our competitive position and growth prospects may be adversely affected.

We may incur additional expenses and resources in the event we receive any product liability claims or claims for defects or delays in delivery

Any defects in our products, or failure to satisfy the requirements of our customers could lead to claims made against us. These claims may include payment for the recall of a product, or to indemnify our customers for the costs of any such claims or recalls which they face as a result of using our products. In addition, our customers may claim against us for delayed delivery which may have arisen from the late delivery by any of the automobile OEMs from whom we procure our products. As we are the party dealing directly with customers and are subject to obligations under relevant consumer protection laws in the PRC, we typically handle any claims and if necessary bear the relevant costs in the first instance, before subsequently seeking a claim against the automobile OEM for compensation on the back end. We generally do not face issues in being compensated by the automobile OEMs for product liability claims for automobiles under the manufacturer's warranty, however there can be no assurance that we will be able to claim from our automobile OEMs any indemnification or compensation for all warranty claims made against us. In the event that we are involved in any legal dispute or court proceedings relating to our products, we may incur a significant amount of expenses and resources on such proceedings in the event that we are unable to recover such amounts from the automobile OEMs. As such, our business, results of operations and financial position may be adversely affected.

We are subject to risks associated with deposit payments made to automobile OEMs

We are required by automobile OEMs to make deposit payments upon placement of orders for their new automobiles. When we place our orders, we usually prepay 10% of the cost of automobiles ordered and are required to demonstrate that we have secured financing for the balance payment. We make full payment for the remaining 90% of the cost when the automobile OEMs begin shipping the ordered automobiles to us. In the event that such automobile OEMs are unable to deliver the orders and our deposit payments are not refunded, fully or partially, our financial position and results of operations may be adversely affected. If we do not have sufficient cash in hand, or cannot raise enough funding to cover these prepayments, we may be forced to delay our procurement of new automobiles and may be unable to maintain appropriate inventory levels, which could cause us to be unable to meet customer demand and lose turnover from lost sales, and our working capital for purposes of our operations may be subject to constraints. Whilst we have not faced such incidents in the past which have had a material adverse effect on our business, financial position and results of operations, there is no assurance that we will not experience any of such incidents in the future.

We may be affected by any negative publicity or concern on our automobile OEMs, our reputation and goodwill

Any negative publicity or concern about us, the automobile OEMs or our products and services, whether founded or unfounded, may discourage consumers from purchasing our products and any lost confidence on the part of our customers could be difficult and costly to re-establish. Whilst we have not faced such incidents of negative publicity or concern in the past, there is no assurance that we will not face such incidents in the future and in such event, our business, financial position and results of operations may be adversely affected.

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Our insurance coverage may not be adequate

We believe that the coverage from the existing insurance policies of our Group is adequate and is in accordance with the standard industry practice and government specifications. However, no insurance can compensate for all potential losses and there can be no assurance that the insurance coverage will be adequate or that our insurers will pay for a particular claim. With respect to losses which are covered by our insurance policies, it may be difficult and it may take time to recover such losses from insurers. In addition, we may not be able to recover the full amount of losses incurred from the insurers. There are also certain types of risks that are not covered by our insurance policies, because they are either uninsurable or not economically insurable, including acts of war and acts of terrorism. Should there be losses arising out of damage to our assets and properties which are not covered by our insurance policies, or should such damage exceed the amount for which we are insured, our business, financial position and results of operations may be adversely affected. Whilst we have not experienced previous incidents where an inability of our Group to recover an amount of losses incurred from our insurers has resulted in a material adverse effect on our business, financial position or results of operations, there is no assurance that this will not occur in the future. Please refer to the section entitled “General Information on our Group – Insurance” of this Offer Document for further details on our insurance policies.

We may be affected by inventory holding costs

Our inventory mainly comprises new automobiles, pre-owned automobiles and automobile parts and accessories. Our Group’s level of inventory for new automobiles and pre-owned automobiles is based mainly on our sales targets and expected demand for the year, and our level of inventory for automobile parts and accessories is based on the actual and anticipated need for the specific products by our customers depending on maintenance and repair requirements.

There may be unforeseen circumstances where our Group is unable to sell off our new automobiles and/or pre-owned automobiles as anticipated, or a customer may cancel an existing order. There may also be reduced need for usage of certain automobile parts or accessories, all of which may result in our Group holding and managing a significant level of inventory, and thereby incurring financing costs, warehousing and logistic costs and insurance costs. Whilst we have not encountered previous incidents of such nature which have had a material adverse impact on our business, financial position and results of operations, there is no assurance that we will not incur significant amount of such costs in the future.

Please refer to the section entitled “General Information on our Group – Inventory Management” of this Offer Document for further details.

There is no assurance that our expansion plans will be successfully carried out

Our expansion plans include expansion of our operations and dealership and showroom network, through both organic growth and acquisitions of new dealerships and showrooms. Such expansion plans may be subject to various restrictions, limitations, legal and regulatory conditions and approvals in the PRC or other jurisdictions into which we expand our operations, and we may also be required to obtain various consents, approvals, certificates and/or permits from third parties and/or regulatory authorities. For instance, we may require the automobile OEMs to grant us their consents or approvals for entry into dealership agreements for competing brands or other products, and there is no assurance that such consents or approvals may be obtained. These expansion plans may also require substantial capital expenditure, financial and management resources. Further, the success of our expansion plans depends on many factors, some of which

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are not within our control. Additionally, there is no assurance that any new dealerships or showrooms which we open will be successful and profitable, as such success depends on numerous factors, some of which may lie outside our control, for instance relating to demand for premium and ultra-premium automobiles in the region. In the event that we are not able to achieve a sufficient level of revenue or manage our costs effectively or these planned expansions are delayed, our future financial performance and position may be adversely affected.

Please refer to the section entitled “General Information on our Group – Business Strategies and Future Plans” of this Offer Document for further details.

We may not be successful in identifying or acquiring suitable acquisition targets or integrating newly acquired businesses into our network

We intend to expand our operations and markets through both organic growth and strategic acquisitions. We compete with other dealership groups, some of which may have greater financial and other resources, and we may not be able to compete successfully with such groups in acquiring suitable targets. If we do not succeed in identifying and acquiring suitable acquisition targets, our business, financial position, results of operations and growth prospects may be materially and adversely affected.

The M&A Rules and other regulations in the PRC concerning mergers and acquisitions have established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex. For instance, the Anti-Monopoly Law (反垄断法) requires that the MOFCOM be notified in advance of any concentration of businesses if certain thresholds are triggered. In addition, Measures for the Security Review of Foreign Investment (外商投资安全审查办法) stipulates that any foreign investment which has or possibly has an impact on PRC state security shall be subject to security review by the PRC government, and that foreign investors shall be prohibited from any attempt to substantially evade a security review, including but not limited to structuring the transaction through a proxy or a contractual control arrangement. Complying with the requirements of such laws and regulations could be time-consuming and may delay or inhibit our ability to complete the acquisition, which could affect our ability to expand our business or maintain our market share.

Furthermore, integration of the newly acquired businesses may not succeed for a number of reasons such as differences in strategic focus, geographic coverage and corporate culture between us and the acquired businesses and difficulties in retaining the key employees of acquired businesses. Any delays or difficulties encountered in connection with the integration of management or operations could result in the diversion of management’s attention from our existing operations and the delay or deferral by our management of important strategic decisions, which could negatively affect our business, prospects, cash flows, financial position and results of operations. In addition, we cannot assure you that we will fully realise any of the anticipated benefits, or any anticipated benefit at all, from our strategic acquisitions.

We are subject to compliance with requisite approvals and licences for operating our automobiles sales, maintenance and repair business, and changes in the relevant laws and regulations

We operate in a highly regulated industry. We are required to maintain various approvals, licenses and permits for our operations that are specific to the automobile dealership industry.

According to the Measures for the Administration of Automobile Sales (汽车销售管理办法) (“**Automobile Sales Measures**”), which was promulgated by MOFCOM on 5 April 2017, and came into effect on 1 July 2017, dealers are required to perform record-filing of the basic information through the national automobile circulation information management system of the competent

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commerce department of the State Council within 90 days of the date of receipt of business licenses. Where there is any change to the information concerned, updates shall be made within 30 days of the date of the change. According to the Regulations on the Administration of Automobile Maintenance and Repair (机动车维修管理规定), which was first promulgated by the Ministry of Transport on 24 June 2005 and became effective on 1 August 2005, an operator of automobile maintenance and repair services shall have suitable facilities, equipment and technical personnel to operate maintenance and repair of motor vehicles business. According to the Regulation of the PRC on Road Transport (中华人民共和国道路运输条例), which was first promulgated by the State Council on 30 April 2004 and became effective on 1 July 2004, an operator of automobile maintenance and repair services shall file a record with the local department of the Ministry of Transport for providing maintenance and repair of motor vehicles services.

Further, there can be no assurance that the PRC government will not amend or revise existing laws, rules or regulations to require additional approvals, licenses or permits, or to impose stricter requirements to obtain or maintain the approvals, licences or permits required for our business operations. Any changes to current laws or regulations or introduction of new laws or regulations or any conditions imposed on our licences, permits, registrations and certifications may have an impact on our business and result in higher costs of compliance. If we are unable to comply with the existing and new laws and regulations or any conditions imposed on our licences, permits, registrations and certifications, or should any of our licences, permits, registrations or certifications be suspended, revoked or not renewed, we may not be allowed to operate our businesses and, as a result, our business, financial position and results of operations may be adversely affected. Whilst we have not faced previous incidents of any of our licences, permits, registrations or certifications being suspended, revoked or not renewed, there is no assurance that this will not occur in the future.

Accordingly, we have to constantly monitor and ensure our compliance with such conditions imposed, laws and regulations, if any, and the renewal of our licenses and permits. Please refer to the sections entitled “General Information on our Group – Government Regulations” and “General Information on our Group – Material Licences, Permits, Registrations, and Approvals” of this Offer Document for further details.

We are exposed to risks in respect of acts of war, terrorist attacks, natural disasters, adverse weather conditions, political unrest and other events beyond our control

Acts of war, terrorist attacks, natural disasters and other events beyond our control in the markets in which we operate may materially and adversely affect the global financial markets and consumer confidence. Our business may also be affected by macroeconomic factors, such as social and political unrest, regulatory, fiscal and other governmental policies, all of which are beyond our control. Any such events may cause damage or disruption to our business, markets, customers and suppliers, any of which may materially and adversely affect our business, financial position, results of operations and prospects.

Any sudden downturn or sudden change in the global, regional or local economic, political, social, legal environment or government policies (for instance, Brexit, the trade war between the PRC and United States, and any other local political turmoil or civil disobedience movements) which are beyond our control, may adversely affect consumer demand and supply of automobiles and may have an adverse impact on our business, results of operations, financial position and future prospects.

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We may be affected by major or sustained disruptions to our operations

In the event of any major or sustained disruptions or any outbreak of fire, flood or any other natural disasters which may result in significant damage to our premises, our operations may be adversely affected. For instance, in the event that our after-sales service centre equipment experiences prolonged equipment downtime, we may not be able to deliver maintenance and/or repair services to our customers. In such an event, our customers' confidence in us may decline and our business and financial position may be adversely affected. Whilst we have not faced any such incidents in the past, there is no assurance that any such incidents will not take place in the future.

Our business may be affected by the growth and development of electric vehicles, hybrid vehicles and other new energy vehicles

The automobile industry has experienced the development of new technologies such as electric vehicles, hybrid vehicles and other new energy vehicles. Potential customers may prefer such "green vehicles" over the conventional internal combustion engine automobiles we sell, due to factors such as long-term reduced expenditure for petrol and other maintenance costs, as well as the general consciousness of consumers to reduce their carbon footprint on the environment. With the growing popularity and increasing ease of manufacture of electric vehicles, the demand for conventional automobiles may inevitably decrease. In addition, the PRC government has extended a tax exemption for hybrid and electric vehicles until the end of 2022, in support for the innovation and development of such new energy vehicles. Furthermore, the PRC government rigorously control newly increased conventionally fueled automobile production capacity in order to boost the sale of battery-powered vehicles. In view of such large-scale policy measures, the prevalence of electric or hybrid automobiles may affect our after-sales repair and maintenance services in the long term. Such decreased demand for conventional automobiles and after-sales repair and maintenance services may have an adverse impact on our business, results of operations, financial position and future prospects.

Further, whilst our dealerships do carry new energy vehicle models of BMW automobiles such as the BMW 5 Series, BMW X1, BMW X5 and BMW iX3, there is no assurance that we will be sufficiently competitive against other distributors or dealers which carry such new energy vehicles or that customers will prefer these models of new energy vehicles over other models. Any inability on our part to remain competitive in this regard may result in a loss of potential sales, and which may have an adverse impact on our business, results of operations, financial position and future prospects.

Automobiles OEMs may carry out direct sales to end customers in the future

Although the automobile OEMs currently rely on dealership businesses such as ours to facilitate the sale of their products to end customers, there is no assurance that these existing arrangements will not change in the future. Automobile OEMs may eventually explore alternative ways of carrying out direct sales of their products to end customers. In such an event, we face potential loss of our partnerships with our automobile OEMs, which is the direct source of our business, and this may have an adverse impact on our business, results of operations, financial position and future prospects.

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Our business may be affected by the proliferation of the ride-sharing economy

The automobile industry has been affected by the proliferation of real-time ride-sharing services, which are facilitated by online-enabled platforms and smartphone applications connecting passengers and drivers. For instance, in the PRC, Didi Chuxing is a major ride-sharing service which provides transportation services for more than 450 million users across over 400 cities in the PRC. In time to come, government policies and regulations may be passed in favour of the ride-sharing economy in order to reduce traffic congestion and over-supply of vehicles. Ride-sharing may therefore become an increasingly integral part of the lifestyle of potential customers, who may opt to rely on such services instead of owning their own automobiles. In the future, it is also possible that developments in the field of autonomous driving may result in an even greater increase in ride-sharing with the use of autonomous driving automobiles. The demand for our automobiles may be affected accordingly, resulting in an adverse impact on our business, results of operations, financial position and future prospects.

Stricter fuel economy standards and emission standards, high fuel prices and taxes on automobile consumption may restrict the supply of and/or reduce the demand for automobiles and automobile parts and accessories in the PRC

The implementation and enforcement of stricter fuel economy standards and emission standards for automobiles are likely to raise manufacturing and distribution costs for all the automobile OEMs. The automobile OEMs may raise their pricing guidelines for their automobiles, and consumer demand for automobiles and automobile parts and accessories may decline as a result.

The PRC government may adjust the domestic oil supply price by considering several factors, including change in global crude oil price. The PRC government has adjusted the retail petrol price several times. The fluctuation of petrol prices has led to noticeable changes in the level of demand for fuel in the PRC and disparities in the cost and availability of petrol between different parts of China and made the cost of petrol in the PRC less predictable. If the demand for fuel increases in the PRC, fuel shortages or price increases may occur. Consumers may avoid increased or unpredictable costs or shortages and utilise alternative means of transport such as bicycles, public buses and subways, or purchase more fuel-efficient automobiles.

The PRC government adopted an automobile consumption tax on 1 January 1994. The increase of applicable tax rates on automobiles with larger cylinder capacities took effect on 1 September 2008 pursuant to the “Notice on Adjusting the Policy of the Consumption Tax on Passenger Vehicles” as released by the PRC Ministry of Finance and the State Administration of Taxation. Certain of the automobiles we sell have larger cylinder capacities and are subject to relatively higher automobile consumption tax rates.

There can be no assurance that the PRC government will not implement stricter fuel economy standards, emission standards, further increase fuel price or automobile consumption tax rates, or imposed additional restrictions or taxes, or reduce or abort automobile consumption tax cuts on the PRC automobile industry. We may not be able to pass on increased costs to consumers, or may face a decline in sales as a result of higher prices, and there may be a material and adverse effect on our results of operations, financial position and growth prospects.

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Our business is dependent on the automobile OEMs and such suppliers to adhere to all relevant laws and regulations and to avoid material disputes

Our Group does not exercise any control over the operations of the automobile OEMs and other suppliers and we can provide no assurance of their compliance with all applicable laws, rules and regulations or that they will not be subject to labor disputes or strikes. Any violation of applicable laws, rules and regulations by the automobile OEMs and suppliers may have negative consequences, including automobile and other product recall activities and negative publicity. This may result in an adverse impact on our business, results of operations, financial position and future prospects.

A significant labour dispute involving automobile OEMs could reduce our turnover and harm our profitability

Labour disputes involving automobile OEMs could affect our operations and result in a scarcity of new automobiles to our dealerships. For example, in May and June 2010, a series of labour disputes affected factories in southern China, including strikes and work stoppages at several factories that supplied components and parts to Honda and Toyota automobiles, which, in some cases, were resolved only after significant increases in wages were offered to the workforce of these factories. There can be no assurance that a similar labour dispute affecting manufacturers of BMW or McLaren automobiles would not materially affect us in future. Moreover, significant increases in labour costs as a result of negotiations to resolve labour disputes could also result in downward pressure on our margins, as automobile OEMs seek to pass on some of their increased costs to us, which could reduce our turnover and harm our profitability.

We are subject to luxury taxes in the PRC which could adversely affect our expansion plans in the ultra-premium automobiles market and affect our business and results of operations

We are subject to luxury taxes in the PRC which affect the ultra-premium automobiles market. For example, with effect from 1 December 2016, the PRC government had implemented an additional consumption tax of 10% on “super-luxury vehicles” priced above RMB1.3 million, in an effort to curb energy use and emissions. The increased tax rate has affected the pricing of our McLaren automobiles as well as top of the range offerings from BMW. Such luxury taxes may adversely affect our customers’ demand for, and correspondingly the sales of our ultra-premium automobiles, particularly the McLaren brand, and our expansion plans in the ultra-premium automobile market.

We may incur increased costs associated with compliance with laws of the differing jurisdictions in which our Group companies are incorporated, including any variation thereof

Laws and regulations in other countries vary and change over time. These laws may also be complex or loosely defined, and at times conflicting in nature, intent, or interpretation, in certain countries in which we operate or in which our Group companies are incorporated. Many are untested in courts and can have different interpretation and guidance, even from the same regulators, and enforcement of such laws may be inconsistent. An adverse development related to any of the abovementioned factors and other risks associated with international trade may have a material and adverse effect on our business, financial position, results of operations and future prospects if our Company is unable to adapt our business strategies or operations accordingly.

We may also incur additional costs on compliance and obtaining advice on the interpretation of such changes in the relevant laws, regulations and guidelines. If we fail to comply with such amended and/or new laws and regulations, our business, results of operations and financial position may be adversely affected.

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We may be subject to penalties in respect of certain corporate secretarial irregularities by our Hong Kong subsidiaries

Certain Hong Kong subsidiaries of our Group were previously non-compliant in respect of certain provisions of the Companies Ordinance of Hong Kong (“**Companies Ordinance**”) as a result of corporate filing irregularities relating to, *inter alia*, late adoption of audited financial statements, late filing of certain special resolutions, lack of documents for annual general meetings and lack of special notice for the appointment of auditors (“**HK Corporate Secretarial Irregularities**”).

As at the Latest Practicable Date, each of our Hong Kong subsidiaries have rectified the relevant HK Corporate Secretarial Irregularities to the extent practicable. It is to be noted that certain of the HK Corporate Secretarial Irregularities cannot be retrospectively cured and, accordingly, the relevant Hong Kong government authorities may subject our Hong Kong subsidiaries to penalties under the Companies Ordinance.

Under the Companies Ordinance, for certain HK Corporate Secretarial Irregularities, a company and each of its responsible officer who are in default may be subject to a fine of HKD10,000 or HKD50,000 (as the case may be) and, in the case of a continuing offence, to a further daily fine from HKD300 during which the offence continues while, for certain other HK Corporate Secretarial Irregularities, there are no consequences stated for such non-compliance. The aggregate maximum potential fines and penalties that may be imposed on our Group arising from the HK Corporate Secretarial Irregularities which cannot be retrospectively cured would not exceed HKD457,100. Notwithstanding the above, the Legal Advisor to our Company as to Hong Kong Law, Deacons, is of the view that the risk of our Group being challenged and/or penalised by the relevant Hong Kong government authorities in respect of the unrectified HK Corporate Secretarial Irregularities, is low.

RISKS RELATING TO THE PRC

Adverse changes in economic policies of the PRC government could have a material adverse effect on overall economic growth in the PRC, which could materially and adversely affect our business.

Our operations are conducted in the PRC and substantially all of our revenue is generated within the PRC. Accordingly, our results of operations, financial position and future prospects are influenced by economic, political and legal developments in the PRC. Economic reforms which begun in the late 1970s have resulted in significant economic growth. However, economic reform policies or measures in the PRC may constantly evolve. The PRC’s economy differs from the economies of most developed countries in many respects, including with respect to the amount of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. While the PRC economy has experienced significant growth in the past 40 years, growth has been uneven across different regions and periods and among various economic sectors.

The PRC government exercises significant control over the PRC’s economic growth through strategically allocating resources, controlling the payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. Since late 2003, the PRC government has implemented a number of measures, such as increasing the PBOC’s statutory deposit reserve ratio and imposing commercial bank lending guidelines, which have had the effect of slowing the growth of credit availability. Since 2008, however, in response to the global financial crisis, the PRC government has loosened such requirements and adopted various measures aimed at expanding credit and stimulating economic growth, such as decreasing the PBOC’s statutory deposit reserve ratio and lowering benchmark

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interest rates. Particularly, any changes in the policies implemented by the PRC government which result in currency and interest rate fluctuations, capital restrictions, and changes in taxes which may be detrimental to our business and may materially and adversely affect our business, financial condition and results of operations. We cannot predict whether changes in the PRC economy and its laws, regulations and policies will have any adverse effect on our current or future business, financial position or results of operations. For example, in the event that the PRC government implements fiscal and credit tightening policies, such as government budget cuts and adjustment of interest rates, the PRC economy may experience a fall in consumer demand which may adversely affect demand for our automobiles and after-sales services. We may also face difficulties in securing external financing due to credit tightening policies, thereby adversely affecting our business operations and financial position.

Although the PRC economy has grown significantly in the past decade, such growth may not continue and any slow-down may have a negative effect on our business. For example, the PRC's nominal GDP growth slowed to just 2.5% in 2020, as compared with 7.8% in 2019. The overall PRC economy affects our profitability, since demand for our products may decrease in a slowing or declining economy. Any adverse changes in economic conditions in the PRC, in the policies of the PRC government or in the laws and regulations in the PRC, could have a material adverse effect on the overall economic growth of the PRC. Such developments could lead to reduction in demand for our products. Under such circumstances, our business, financial position and results of operations may be materially and adversely affected.

Any recurrence of the global financial crisis and economic downturn of 2008 and 2009 could materially and adversely affect our business, financial condition, results of operation and prospects.

The global market and economic conditions in 2008 and 2009 were unprecedented and led most major economies into recession during that time period. Concerns about the systemic impact of potential long-term and wide-spread recession, energy costs, geopolitical issues, the availability and cost of credit, and the global housing and mortgage markets contributed to increased market volatility and diminished expectations for economic growth around the world. The difficult economic outlook negatively affected business and consumer confidence and contributed to market volatility of unprecedented levels. These events also led to a slowdown in the PRC economy in the year 2018 and 2019. Any recurrence of a global financial crisis may cause a significant decline in the PRC economy, which may materially and adversely affect our business, financial position and results of operations.

The legal system of the PRC is not fully developed, and there are inherent uncertainties which may affect the protection afforded to our business and our Shareholders

Our business and operations in China are governed by the legal system of PRC. The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since the late 1980s, the PRC government has promulgated laws and regulations dealing with such economic matters as foreign investment, corporate organisation and governance, commerce, taxation and trade. However, as these laws and regulations are relatively new and continue to evolve, interpretation and enforcement of these laws and regulations involve significant uncertainties and different degrees of inconsistencies. Some of the laws and regulations are still at a developing stage and are therefore subject to policy changes. Many laws, regulations, policies and legal requirements have only been recently adopted by PRC central or local government agencies, and their implementation, interpretation and enforcement may involve uncertainty due to the lack of established practice available for reference. We cannot predict the effect of future legal developments in the PRC, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the pre-emption of local

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regulations by national law. As a result, there is substantial uncertainty as to the legal protection available to us and investors in our Shares. Furthermore, due to non-binding nature of prior court decisions, the outcome of dispute resolution may not be as consistent or predictable as in other more developed jurisdictions, which may limit the legal protection available to us. In addition, any litigation in the PRC may be protracted and result in substantial costs and the diversion of resources and management attention.

Our Group's operations in China are subject to PRC regulations governing PRC companies. These regulations contain provisions that are required to be included in the articles of association of PRC companies and are intended to regulate the internal affairs of these companies. PRC company law and regulations in general, and the provisions for the protection of shareholders' rights and access to information, in particular, may be considered less developed than those applicable to companies incorporated in Hong Kong, the United States and other developed countries or regions.

If there are any further amendments to the laws and regulations or their interpretation or enforcement which require our Group to obtain further approvals, we may incur additional compliance costs for our Group to obtain such approvals. Further, there can be no assurance that such approvals will be granted promptly to us or at all. In the event that we are or were required to obtain further approvals and we are unable to do so on a timely basis, or on terms acceptable to us, or at all, our business, financial position and results of operations may be materially and adversely affected.

We are subject to labour laws and regulations in the PRC

As substantially all of our employees are PRC nationals, we are required to comply with labour, social insurance and housing fund laws and regulations in the PRC.

For instance, the PRC Labour Contract Law (《中华人民共和国劳动合同法》), which became effective on 1 January 2008 and was amended on 28 December 2012, and the Implementing Rules for the PRC Labour Contract Law (《中华人民共和国劳动合同法实施条例》), which were promulgated and became effective on 18 September 2008, set forth workers' rights including overtime hours, pensions, layoffs, employment contracts and the role of trade unions, and specified standards and procedures for the termination of an employment contract. In addition, under the applicable PRC laws and regulations, companies must establish and implement a system of ensuring occupational safety and health, educate employees on occupational safety and health, prevent work-related accidents and reduce occupational hazards. Companies must also contribute to their employees' social insurance and housing fund. Please refer to "Appendix I – Description of Relevant PRC Laws and Regulations – PRC Laws Relating to Labour" of this Offer Document for more details on the applicable PRC laws and regulations in relation to labour.

Due to (i) certain employees choosing not to make such contributions because of the different levels of acceptance of the social welfare system by employees (i.e. their willingness to make their corresponding contribution thereto); and (ii) differences in local regulations and inconsistent implementation and interpretations of the relevant PRC laws and regulations by local government authorities, we may not have paid in full certain statutory social welfare benefits for our employees.

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According to the PRC's Social Insurance Law (中华人民共和国社会保险法), when an employer fails to pay social insurance contributions on time and in full, the social insurance contributions collecting agency may order the employer to pay the outstanding social insurance contributions within a prescribed period, and the employer may be liable to a late payment fee at the rate of 0.05% of the outstanding amount for each day of delay. If the employer fails to make such payments within the prescribed period, the employer may be liable to a penalty of one (1) to three (3) times the amount of outstanding contributions.

According to the Administrative Regulations on the Housing Provident Fund (住房公积金管理条例), where an entity is overdue in the payment and deposit of, or underpays, the housing provident fund, the housing provident fund management center may order the entity to make the outstanding housing provident fund contributions within a prescribed period; where the outstanding housing provident fund contributions have not been made within the prescribed period, an application may be made by the PRC government authorities to a people's court for compulsory enforcement of such repayment. Save for the foregoing legal consequences, there are no other penalties for the underpayment of housing provident fund contributions prescribed under the Administrative Regulations on the Housing Provident Fund (住房公积金管理条例).

Based on the relevant confirmation letters issued by and interviews with relevant PRC government authorities, and on the premise that there have been no complaints from relevant employees and no significant change in current policies and regulations, as well as implementation and supervision requirements of local government authorities, the Legal Adviser to the Invitation as to PRC Law, JTGC, is of the view that the risk of the relevant PRC government authorities requiring each of our PRC subsidiaries (as the case may be) other than the Five PRC Subsidiaries (as defined below and as further described below) to settle: (i) the relevant historical outstanding social insurance contributions; (ii) the relevant historical outstanding housing provident fund contributions; and (iii) any material administrative penalties in respect of the historical outstanding social insurance contributions and historical outstanding housing provident fund contributions, is low. Nevertheless, although we have not received any notification to pay our penalties in respect thereof, in the unlikely event that the PRC governmental authorities require settlement of any such shortfall amounts and/or imposes penalties on our Group in respect of such shortfall amounts, our Group is committed to complying with and making the necessary full payment of any historical outstanding social insurance contributions or the historical outstanding housing provident fund contributions within the prescribed time period, as well as any penalties.

It is noted that there is one (1) PRC subsidiary in respect of social insurance contributions and there are four (4) PRC subsidiaries in respect of housing provident fund contributions (collectively, **"Five PRC Subsidiaries"**), for which relevant confirmations through confirmation letters and/or interviews could not be obtained, and accordingly it cannot be confirmed that there is a low risk in respect of a requirement for settlement and/or imposition of penalties in respect of these Five PRC Subsidiaries. Nevertheless, for each of these Five PRC Subsidiaries, our Group is similarly committed to comply with and make the necessary full payment of any historical outstanding social insurance contributions or the historical outstanding housing provident fund contributions within the prescribed time period, as well as any penalties, although we have to date not received any notification to do so.

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To this end, our Company has also made the following provisions in our financial statements: for (i) the relevant potential shortfall payable by our Group in respect of the Five PRC Subsidiaries since their respective incorporation dates for the respective historical outstanding social insurance contributions and housing provident fund contributions; and (ii) the relevant potential fines payable in the event that our Group is penalised for the aforementioned shortfalls since their respective incorporation dates in respect of historical outstanding social insurance contributions for the Five PRC Subsidiaries, which amount to approximately RMB834,000, RMB1.2 million, RMB703,000 and RMB191,000 for FY2018, FY2019, FY2020 and 1Q2021 respectively.

In relation to the potential shortfall for the historical outstanding social insurance contributions and housing provident fund contributions and potential fines in respect of historical outstanding social insurance contributions which may be payable by our Group for our other PRC subsidiaries (other than the Five PRC Subsidiaries), it is estimated that such amounts would not exceed RMB131.6 million, although provisions have not been made for these amounts given the low risk of enforcement action being taken in respect of these PRC subsidiaries.

In respect of historical outstanding housing provident fund contributions, no provisions have been made for the potential fines payable in the event that our Group is penalised for the shortfall in respect of historical outstanding housing provident fund contributions for our PRC subsidiaries (including the Five PRC Subsidiaries) because, as noted above, save for orders to make outstanding housing provident fund contributions within a prescribed period and an application being made to a people's court for compulsory enforcement of repayment in the event that such order is not complied with, the Administrative Regulations on the Housing Provident Fund (住房公积金管理条例) does not prescribe other legal consequences for the underpayment of the housing provident fund contributions (including the imposition of fines).

While our Group has sought to implement adequate measures to ensure our Group's compliance with the required social insurance and housing provident contributions going forward, details of which can be found in the section entitled "General Information on our Group – Government Regulations – Compliance Supervision" of this Offer Document, there can be no assurance that our Group will be fully compliant with such requirements in the future.

Save for the aforementioned monetary fines and penalties, there are no other legal or regulatory consequences under the Social Insurance Law of the People's Republic of China or Administrative Regulations on the Housing Provident Fund. As at the Latest Practicable Date: (i) each of our PRC subsidiaries has not received any notifications from the relevant PRC government authorities in respect of any non-compliance in relation to the social insurance contributions and housing provident fund contributions; (ii) each of our PRC subsidiaries has not received any notifications from the relevant PRC government authorities requiring each of the PRC subsidiaries to pay the shortfalls with respect to social insurance contributions and housing provident fund contributions or had been imposed with any administrative penalty by any social insurance collection agency or housing provident funds authority; and (iii) each of our PRC subsidiaries is not aware of any employee's complaints or demands for the payment of the social insurance payments or housing provident fund contributions, nor had they been involved in any disputes or arbitrations in this regard. While there can be no assurance that we are in fact in compliance with making such payment and will not be requested to rectify incidents of non-compliance in the future, or that no penalties or fines will be imposed by the relevant PRC authorities as a result of such non-compliances (if any), we are of the view that penalties and fines from such non-compliances, even if imposed, are not expected to have a material impact on our Group's business, financial position, results of operations and prospects on the basis that our Group has had a strong operating cash inflow of RMB106.9 million and RMB217.1 million for FY2020 and 1Q2021 respectively, we have the ability to seek working capital and term loans to make payment in the

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unlikely event that we are subject to such penalties and fines, and even in the unlikely event that there are complaints raised by any one of our employees, the likelihood of all penalties and fines being imposed on us at the same time is low as the Urgent Notice of the General Office of the Ministry of Human Resources and Social Security on Implementing the Spirit of the Executive Meeting of the State Council and Doing A Good Job In Stabilizing the Collection Of Social Insurance Premiums (人力资源社会保障部办公厅关于贯彻落实国务院常务会议精神切实做好稳定社保费征收工作的紧急通知) issued by the PRC government in 2018 strictly prohibits the PRC government departments from organising centralised settlement of underpayment of historical social security payment of enterprises.

Further, there can be no assurance that we will be able to fully comply with all applicable PRC labour, social insurance and housing fund laws and regulations in the future. In the event that we are found to be in breach of any other applicable PRC labour, social insurance and housing fund laws and regulations, which affect our usage of labour, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We may be deemed to be a PRC tax resident under the EIT Law and be subject to PRC taxation on our worldwide income

Under the Enterprise Income Tax Law of the PRC (2018 Revision) (中华人民共和国企业所得税法(2018修订)) (“**EIT Law**”) which took effect on 29 December 2018 and its implementation rules, an enterprise established under the laws of a foreign country or region whose “de facto management body” is located in the PRC is considered a “resident enterprise” and will generally be subject to a uniform 25.0% corporate income tax on its worldwide income. Under the implementation rules of the EIT Law, “de facto management body” is defined as the managing body that has the material and overall management control over the production, business, personnel, accounts and assets of an enterprise.

On 20 April 2009, the State Administration of Taxation issued the Notice on Issues Relating to Determination of PRC Controlled Offshore Enterprises as PRC Resident Enterprises by Applying the De Facto Management Body (关于境外注册中资控股企业依据实际管理机构标准认定为居民企业有关问题的通知) (“**SAT Circular No. 82**”) stipulating certain specific criteria for determining whether the “de facto management body” of a PRC-controlled offshore enterprise is located in the PRC. These criteria include, among others: (i) the location where senior management and senior management departments that are responsible for daily production, operation and management of the enterprise perform their duties; (ii) whether decisions relating to the enterprise’s financial and human resource matters are made or subject to approval by organisations or personnel in the PRC; (iii) the location of the enterprise’s primary assets, accounting books and records, company seals, and minutes of board and shareholders’ meetings; and (iv) whether 50.0% or more of the voting board members or senior executives of the enterprise habitually reside in the PRC.

Whilst our Company’s tax adviser has confirmed that our Company is not considered a tax resident of the PRC and has as at the Latest Practicable Date not raised any comments and/or findings on our Group’s past tax filings, there can be no assurance that our Company will not in the future be considered a PRC resident enterprise for PRC enterprise income tax purposes and be subject to the uniform 25.0% corporate income tax on our global income. In such a case, our profitability and cash flow may be materially and adversely affected as a result of our global income being taxed under the EIT Law. Under such circumstances, our business, financial position and results of operations may be materially and adversely affected. As at the Latest Practicable Date, only our PRC subsidiaries are tax resident in the PRC under the EIT Law.

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As at the Latest Practicable Date, the PRC tax authorities have not raised any material comments and/or findings on our Group's past tax filings.

You may be subject to PRC income tax on dividends from us or on any gain realised on the transfer of our Shares.

Under the EIT Law and its implementation rules, subject to any applicable tax treaty or similar arrangement between the PRC and your jurisdiction of residence which provides for a different income tax arrangement (as applicable), PRC withholding tax at the rate of 10.0% is normally applicable to dividends payable by a PRC "resident enterprise" to investors that are "non-resident enterprises" (those enterprises that do not have an establishment or place of business in the PRC, or those that have such an establishment or place of business but the relevant income of which is not effectively connected with the establishment or place of business) to the extent such dividends have their source within the PRC. Any gain realised on the transfer of shares by such "non-resident enterprises" is subject to 10.0% PRC income tax if such gain is regarded as income derived from sources within the PRC, unless a treaty or similar arrangement otherwise provides.

Under the PRC Individual Income Tax Law and its implementation rules, dividends from sources within the PRC paid to foreign individual investors who are not PRC residents are generally subject to a PRC withholding tax at a rate of 20.0% and gains from PRC sources realised by such investors on the transfer of shares are generally subject to 20.0% PRC income tax, in each case, subject to any reduction or exemption set forth in applicable tax treaties and PRC laws. Please refer to the section entitled "General Information on our Group – Government Regulations – PRC – Taxation Laws and Regulations – Withholding Tax" of this Offer Document for further details.

Although our business operations are in the PRC, it is unclear whether dividends we pay with respect to our Shares, or gains realised from the transfer of our Shares, would be treated as income derived from sources within the PRC and as a result be subject to PRC income tax if our Company is considered a PRC "resident enterprise". If PRC income tax is imposed on gains realised through the transfer of our Shares or on dividends paid to our non-resident investors, the value of your investment in our Shares may be materially and adversely affected. Furthermore, our Shareholders whose jurisdictions of residence have tax treaties or arrangements with the PRC may not qualify for benefits under such tax treaties or arrangements.

PRC regulations of loans to and direct investment in PRC entities by offshore holding companies may delay or prevent us from transferring funds to our PRC operating subsidiaries.

We may transfer funds to our PRC operating subsidiaries or finance their operations by means of shareholder loans or capital contributions, including transferring the net proceeds from the Invitation to our PRC operating subsidiaries upon completion of the Invitation.

Any capital contributions or loans that our Company, as an offshore entity, makes to our PRC subsidiaries that are foreign-invested enterprises, are subject to PRC regulations. Any foreign loan obtained by our PRC subsidiaries is required to be registered with SAFE or its local counterparts. In addition, the medium- or long-term debts with a maturity period of one (1) year or above must be registered with the National Development and Reform Commission ("NDRC") before the issuance, and the information on the issuance shall be reported to the NDRC within 10 working days after completion of the issuance. The aggregate amount of these foreign loans must not exceed the level prescribed by SAFE. We may also decide to finance our PRC subsidiaries through capital contributions. These capital contributions to our PRC subsidiaries are subject to the requirement of making necessary filings with the Foreign Investment Comprehensive

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Management Information System (外商投资综合管理系统) and must be registered at the SAMR or its local counterparts. There can be no assurance that we will be able to complete such filings or registrations on a timely basis, or at all. If we fail to complete such filings or registrations, our ability to capitalise the relevant PRC subsidiaries or fund our operations may be negatively affected, which could materially and adversely affect the liquidity of our relevant PRC subsidiaries or our business, financial position, results of operations and growth prospects.

It may be difficult to effect service of process on any of our Directors or Executive Officers who may reside in the PRC or to enforce against us or them in the PRC any judgements obtained from non-PRC courts

A substantial portion of our assets are located in the PRC. The assets of our Directors and Executive Officers who may be resident in the PRC are located in the PRC. Therefore, it may be difficult for investors to effect service of process upon those persons inside the PRC or to enforce against us or them in the PRC any judgements obtained from non-PRC courts. The PRC has not entered into any treaties providing for the reciprocal recognition and enforcement of judgements of courts with the Cayman Islands, the BVI, and many other developed countries. Therefore, recognition and enforcement in the PRC of judgements of a court in any of these jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or even impossible.

We may be exposed to risks associated with fluctuations in the exchange rate

The exchange rate of the RMB against the U.S. dollar, Singapore dollar and other foreign currencies fluctuates and is affected by, among other things, the policies of the PRC government and changes in the PRC and international political and economic conditions. Any future exchange rate volatility relating to the RMB may give rise to uncertainties in the value of our net assets, earnings and dividends. An appreciation of the RMB may result in increased competition from foreign competitors; a devaluation of the RMB may adversely affect the value of our net assets, earnings and dividends in foreign currency terms.

Moreover, as our operations are conducted in the PRC, to the extent that we need to convert the net proceeds from the Invitation and future financing proceedings into RMB for our operations, appreciation of the RMB against the relevant foreign currencies would have an adverse effect on the RMB amount we would receive from the conversion. On the other hand, because dividends on our Shares, if any, will be paid in Singapore dollars, any devaluation of the RMB against the Singapore dollar could adversely affect the amount of any cash dividends on our Shares in Singapore dollar terms.

Government control of currency conversion and future movements in foreign exchange rates may adversely affect our financial condition and results of operations, and our ability to remit dividends

Currently, the RMB still cannot be freely converted into any other foreign currency, and conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. We cannot assure you that we will have sufficient foreign exchange to meet our foreign exchange requirements. Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from SAFE, but we are required to present relevant documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within the PRC that have the licenses to carry out foreign exchange business. Foreign exchange transactions under the capital account conducted by us, however, must be approved in

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advance by SAFE. Any insufficiency of foreign exchange to meet our foreign exchange requirements may restrict our ability to obtain sufficient foreign exchange for dividend payments to shareholders or satisfy any other foreign exchange requirements. If we fail to obtain the approval from SAFE to convert RMB into any foreign exchange for any of the above purposes, our capital expenditure plans, and even our business results and financial condition, may be materially and adversely affected.

We are subject to applicable PRC laws and other regulations concerning environmental protection, health and safety and other areas

We are subject to various national, provincial and local laws and regulations relating to environmental protection, land use, occupational health, production safety and other matters that govern our operations. These impose inherent risks of liabilities in our operations.

(a) Environmental protection

Environmental hazards may occur in connection with our operations as a result of human negligence, force majeure or otherwise. Environmental events such as changes in the water table or landslides could adversely affect our operations. The occurrence of any environmental hazard may delay production, increase production costs, cause personal injuries or property damage, result in liability to us and/or damage our reputation.

We are subject to national, provincial and local laws, rules and regulations regarding environmental matters, such as the treatment and discharge of hazardous wastes and materials. For example, we are required to abide by applicable PRC laws, rules and regulations on the discharge of waste substances into the environment.

In addition, we are required under the current PRC laws, rules and regulations to conduct our operations in a manner that minimises the impact on the environment. We may be required to incur significant capital and maintenance expenditures in order to comply with these environmental protection laws and regulations. Any failure by us to discharge our obligations could result in the imposition of fines and penalties, damage in reputation, delays in production and/or temporary or permanent closure of our operations.

We are also subject to future changes in existing laws, rules or regulations or enforcement policies, or further investigation or evaluation of the potential health hazards of some of our products or business activities, which may result in additional compliance and other costs. Stricter laws and regulations, or more stringent interpretations of existing laws, rules or regulations, may impose new liabilities on us, reduce operating hours, require additional investment by us in pollution control equipment, or impede the opening of new or expanding existing plants or facilities. We could be forced to conduct preventive or remedial action(s), such as pollution control facilities, which could result in the incurrence of substantial costs. Such costs, liabilities or disruptions in operations could materially and adversely affect our business.

(b) Occupational health and safety

We are required to comply with applicable health and safety laws and regulations of the relevant PRC authorities. Failure to pass the safety inspections may harm our corporate image, reputation and the credibility of our management, and have a material adverse effect on our business. We may also be subject to fines, penalties or even suspension of operations.

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Save as disclosed above, whilst we have not previously faced incidents of non-compliance in connection with the foregoing which have had a material impact on our operations or financial position, there is no assurance that such incidents will not occur in the future.

Failure to comply with PRC regulations regarding the registration requirements for employee share ownership plans or share option plans, when options or awards (as the case may be) are granted may subject PRC participants or us to fines and other legal or administrative sanctions

In February 2012, the SAFE promulgated the Notice on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly Listed Companies (国家外汇管理局关于境内个人参与境外上市公司股权激励计划外汇管理有关问题的通知) (“SAFE Circular 7”). Under SAFE Circular 7 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 the SAFE or its local branches and complete certain other procedures, and must retain a qualified PRC agent which could be a PRC subsidiary of the overseas publicly listed company or another qualified institution selected by the PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plan on behalf of its participants. The participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stock or interests and fund transfers. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes. We and our PRC employees who may be issued Option Shares upon the exercise of Options granted under the TCA Employee Share Option Scheme are subject to these regulations and failure of 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 may also limit our ability to contribute additional capital to our PRC subsidiaries, limit the ability of our PRC subsidiaries to distribute dividends to us, or otherwise materially and adversely affect our business, financial condition, results of operation and prospects. Whilst no Options or Option Shares have been issued under the TCA Employee Share Option Scheme to date, in the event that Options or Option Shares are issued to our PRC employees, our Group will take the relevant steps including applicable SAFE registrations to ensure compliance with PRC laws.

The SAT has also issued relevant rules and regulations concerning employee share incentives, such as the Notice about Issues Concerning the Individual Income Tax on Share-option Incentives of the SAT (国家税务总局关于股权激励有关个人所得税问题的通知), effective from 24 August 2009. Under these rules and regulations, our employees working in the PRC will be subject to PRC individual income tax upon issue of Option Shares pursuant to the exercise of Options granted under the TCA Employee Share Option Scheme, and our PRC subsidiaries which implement share option schemes shall act as the withholding agent for individual income tax and shall withhold individual income taxes for their employees upon exercise of the options. If our PRC subsidiaries fail to withhold their individual income taxes according to the relevant rules and regulations, we may be ordered to pay within the specific time and/or fines imposed by the relevant tax authorities.

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If the company chops of our PRC subsidiaries are not kept safely, are stolen or are used by unauthorised persons or for unauthorised purposes, the corporate governance of these entities could be materially and adversely compromised

In the PRC, a company chop or seal serves as the legal representation of the company towards third parties even when unaccompanied by a signature. Each legally-registered company in the PRC is required to maintain a company chop, which must be registered with the local Public Security Bureau. In addition to this mandatory company chop, companies may have several other chops which can be used for specific purposes. The chops of our PRC subsidiaries are generally held securely by personnel designated or approved by us in accordance with our internal control procedures. While there has not been any past incidents of unauthorised use of the company chops of our PRC subsidiaries, in the event that the chops are not kept safely, are stolen or are used by unauthorised persons or for unauthorised purposes, the corporate governance of these entities could be materially and adversely compromised and those entities may be bound to abide by the terms of any documents so chopped, even if they were chopped by an individual who lacked the requisite power and authority to do so. In addition, if the chops are misused by unauthorised persons, we could experience disruption to our normal business operations and may have to take corporate or legal action, which could involve significant time and resources to resolve while distracting management from our operations.

The state of the PRC's political relationships with other nations may affect the performance of our business

We retail automobiles, automobile parts and accessories and other automobile-related products supplied by a number of automobile OEMs and suppliers. A significant number of automobile OEMs and suppliers are foreign entities with headquarters in Japan or members of the European Union, or are joint ventures incorporated in the PRC by such foreign entities.

The PRC's political relationships with other nations, particularly those connected or associated with automobile OEMs or other suppliers may affect both the supply and demand for the relevant automobile OEMs or suppliers' products. There can be no assurance that PRC consumers will not alter their brand preferences based on the state of political relations between the PRC and the automobile OEMs or suppliers' real or perceived countries of origin. Any relevant political dispute and adverse response to it by PRC automobile consumers may cause a decline in our turnover and profits and materially and adversely affect our financial position, results of operations and growth prospects.

The PRC economy may experience inflationary pressure and the potential inflation may affect our business

Inflationary pressure may exist in various economies in the world. The PRC may experience inflation in the coming years, which may result in general increases in prices of goods. Along with the increase in prices of goods, the prices of motor vehicles and automobile parts that we sell are expected to rise as well. Inflation in the PRC may also lead to an increase in interest rates and a slowdown in economic growth in the PRC, which may negatively impact our business. The overall impact of inflationary pressure may adversely affect our business, financial position, results of operations and growth prospects.

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Our ability to pay dividends and utilise cash resources in our subsidiaries is dependent on our Hong Kong and PRC subsidiaries' distributions

Our Company is a holding company. Our revenue is generated from our business operations conducted through our subsidiaries. Our Company's ability to make dividend payments and other contributions in cash, pay expenses, service any debts incurred, and finance the needs of other subsidiaries, depends upon the receipt of dividends, distributions or advances from our subsidiaries. The ability of our subsidiaries to pay dividends or other distributions may be subject to their earnings, financial position, cash requirements and availability, applicable laws, rules and regulations, and restrictions on making payments to our Company contained in financing or other agreements. If any of our subsidiaries incurs debt in its own name, the instruments governing the debt may restrict dividends or other distributions on its equity interest to us. These restrictions could reduce the amount of dividends or other distributions that our Company receives from our subsidiaries, which could in turn restrict our ability to fund our business operations and to pay dividends to our Shareholders. Our Company's future declaration of dividends may not reflect our historical declaration of dividends and will be at the absolute discretion of our Board.

Furthermore, applicable laws, rules and regulations permit payment of dividends by our Hong Kong and PRC subsidiaries only out of their retained earnings, if any, determined in accordance with accounting standards in Hong Kong and PRC, respectively. As a result, our Hong Kong and PRC subsidiaries may be restricted in their ability to transfer a portion of their net income to us either in the form of dividends, loans or advances. In addition, the directors of our BVI subsidiaries may only authorise a dividend by a BVI subsidiary to its member(s) if they are satisfied, on reasonable grounds, that immediately after the distribution, the value of the company's assets will exceed its liabilities and the company is able to pay its debts as they fall due. Any limitations on the ability of our Hong Kong, PRC and BVI subsidiaries to pay dividends to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends or otherwise fund and conduct our business.

Distributions by our Hong Kong and PRC subsidiaries to our Company in forms other than dividends may be subject to government approval and taxes. Any transfer of funds from our Company to our Hong Kong and PRC subsidiaries, either as a shareholder loan or as an increase in registered capital, is subject to registration with, or approval of the relevant government authorities. Such limitations on the flow of funds could restrict our Group's ability to respond to changing market conditions or appropriately allocate funds to our Hong Kong and PRC subsidiaries in a timely manner, or at all.

RISKS RELATING TO INVESTMENT IN OUR SHARES

Investments in securities quoted on Catalist involve a higher degree of risk and can be less liquid than shares quoted on the Main Board of the SGX-ST

We have made an application for our Shares to be listed for quotation on Catalist, a listing platform primarily designed for fast growing and emerging and/or smaller companies to which a higher investment risk tends to be attached as compared to larger or more established companies listed on the Main Board of the SGX-ST. An investment in shares quoted on Catalist may carry a higher risk than an investment in shares quoted on the Main Board of the SGX-ST and the future success and liquidity in the market of our Shares cannot be guaranteed. We are unable to assure you that an active or liquid trading market for our Shares will be developed or sustained following the Invitation.

RISK FACTORS

Pursuant to the Catalist Rules, we are required to, *inter alia*, retain a sponsor at all times after our admission to Catalist. In particular, unless approved by the SGX-ST, the Issue Manager and Full Sponsor must act as our continuing sponsor for at least three (3) years after the admission of our Company to Catalist. In addition, we may be delisted in the event that we do not have a sponsor for more than three (3) continuous months. There is no guarantee that following the expiration of the three (3) year period, the Issue Manager and Full Sponsor will continue to act as our sponsor or that we are able to find a replacement sponsor within the three (3) month period. Should such risks materialise, we may be delisted.

Our Controlling Shareholders will retain significant influence over our Group after the Invitation which will allow them to influence the outcome of decisions requiring the approval of Shareholders

Upon completion of the Invitation, our Group's Controlling Shareholders, namely Mr. Francis Tjia, TCA International, TCA, L.P., TCA Management Limited and Octo Holdings Limited, will control in aggregate approximately 75.60% of the post-Invitation issued share capital of our Company. As a result, our Controlling Shareholders, if they act together, will be able to exercise significant influence over all matters requiring the approval of Shareholders, including the election of Directors and approval of significant corporate transactions.

Such concentration of ownership will place our Group's Controlling Shareholders in a position to affect any corporate actions of our Group (notwithstanding that the same may be synergistic or beneficial to our Group) in a manner that could conflict with the interests of our public Shareholders.

Our Group's dealership agreements contain provisions which prohibit changes in shareholders or management or changes in control of our Group

Our dealership agreements contain provisions which prohibit, *inter alia*, changes in shareholders or management or changes in control of our Group, except with the prior written approval or consent of the relevant Distributor.

Our Group may, from time to time, consider corporate transactions, such as acquisitions of new businesses, which may be synergistic or beneficial to our Group. Where such corporate transactions would result in a change in shareholders or management or a change in control of our Group, the approval or consent of the relevant Distributors will need to be obtained. We may also undertake management succession plans requiring a change in management, which under the current terms of our dealership agreements would require the consent of the relevant Distributors. In any event, our Group will discuss and seek the approval or consent of the relevant Distributors before effecting such plans and ensure that our Distributors have a strong relationship and familiarity with the incoming management (where any change in management is to be effected).

Notwithstanding the foregoing, in the event such approval or consent from the Distributors is denied, delayed or granted with unfavourable conditions, such provisions may prevent, delay or deter the proposed corporate transaction. Further, any transfer or disposal by any of our Controlling Shareholders, namely TCA International, TCA, L.P., TCA Management Limited, Octo Holdings Limited and/or Mr. Francis Tjia, of all or part of their respective interests in our Company without the approval or consent of the relevant automobile OEM, may result in a breach of such provisions. Our Controlling Shareholders have provided irrevocable undertakings to our Company that provide amongst others they will not take any actions or omit to take any action in respect of their shareholding interests (directly or indirectly) which would result in a termination of any of our Group's relevant dealership agreements, that in the event that any such action has been taken

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they will do all things as may be required to cure such breach at our Company's direction, and that they will indemnify our Company in respect of any loss that may be sustained as a result of a breach these undertakings.

In addition, such provisions may deter potential investors from investing in our Group, thereby discouraging a takeover of our Group. This may, in turn, prevent Shareholders from realising the value of their investments through a takeover bid.

New investors may experience dilution

Our Invitation Price of S\$0.23 per Share is higher than our Pro Forma NAV (as defined in the section entitled "Invitation Statistics" of this Offer Document) per Share after adjusting for the estimated net proceeds from the issue of the Invitation Shares. Investors who subscribe for the Invitation Shares will therefore experience immediate and significant dilution in the NAV of their Shares. Please refer to the section entitled "Dilution" of this Offer Document for further details. In addition, we intend to issue Option Shares upon the exercise of Options pursuant to the TCA Employee Share Option Scheme. To the extent that such options are exercised and new Shares are issued pursuant to such release, there will be further dilution to Investors in this Invitation. Please refer to the section entitled "The TCA Employee Share Option Scheme" of this Offer Document for further details.

Investors may not be able to participate in future issues of our Shares

In the event that we issue new Shares, we will be under no obligation to offer these Shares to our existing Shareholders at the time of issue, except where we elect to conduct a rights issue. However, in electing to conduct a rights issue or certain other equity issues, we will have the discretion and may also be subject to certain regulations as to the procedures to be followed in making such rights available to Shareholders or in disposing of such rights for the benefit of our Shareholders and making the net proceeds available to our Shareholders. In addition, we may choose not to offer the rights or other equity issues to our Shareholders having an address outside Singapore. Accordingly, Shareholders who have a registered address outside Singapore may be unable to participate in rights offerings and may experience a dilution in their shareholdings as a result.

Additional funds raised through issuances of new Shares for future growth will dilute Shareholders' equity interests

We may in the future expand our capabilities and business through acquisitions, joint ventures, strategic partnerships and alliances with parties who can add value to our business. We may require additional equity funding after the Invitation to finance future acquisitions, joint ventures, strategic partnerships and alliances which may result in a dilution of the equity interest of our Shareholders.

Future sales or issuances of our Shares could adversely affect our share price

Any future sale or issuance of our Shares may have a downward pressure on our share price. The sale of a significant amount of our Shares in the public market after the Invitation, or the perception that such a sale may occur, could materially and adversely affect the market price of our Shares. These factors may also affect our ability to sell or issue additional equity securities. Save as disclosed in the section entitled "Shareholders – Moratorium" of this Offer Document and subject to all applicable laws and regulations, there is currently no restriction on our Shareholders

RISK FACTORS

to sell Shares, either on the SGX-ST or otherwise. In addition, our Share price may come under downward pressure if certain of our Shareholders sell their Shares upon the expiry of their moratorium periods.

Our share price may be volatile, which could result in substantial losses for investors acquiring our Shares pursuant to the Invitation

The Invitation Price was determined through a book-building exercise and arrived at after consultation between our Company, the Issue Manager and Full Sponsor, and the Underwriter and Placement Agent, and after taking into consideration, *inter alia*, prevailing market conditions and estimated market demand for the Invitation Shares. The Invitation Price may not be indicative of prices which will prevail in the trading market after the Invitation and investors may not be able to resell their Shares at or above the Invitation Price. Volatility in the trading price of our Shares may be caused by factors beyond our control and may not correlate with or be proportionate to our operating results. Further, the market price of our Shares may fluctuate significantly and rapidly in response to, *inter alia*, the following factors, some of which are beyond our control:

- (a) variations in our operating results;
- (b) changes in securities analysts' estimates of our financial performance and recommendations on our share price;
- (c) changes in market valuations and share prices of companies with businesses similar to that of our Company that may be listed in Singapore;
- (d) announcements by our competitors or ourselves of significant acquisitions, strategic partnerships, joint ventures or capital commitments;
- (e) fluctuations in stock market prices and volume;
- (f) our involvement in litigation;
- (g) changes to key personnel;
- (h) the perceived prospects of our business and investment plans and the automobile industry in Singapore and other regions;
- (i) our ability to successfully implement our investment plans and growth strategies;
- (j) broad market fluctuations, including weakness of the equity market and increases in interest rates;
- (k) general changes in rules/regulations with regard to the automobile industry that our Group operates in, including those that affect the demand for our Group's products and services; and
- (l) changes in conditions affecting the industry, the general economic conditions or stock market sentiments or other events or factors.

RISK FACTORS

For these reasons, among others, our Shares may trade at prices that are higher or lower than the NAV per share. To the extent that there is any retention of operating cash for investment purposes, working capital requirements or other purposes, these retained funds, while increasing the value of our underlying assets, may not correspondingly increase the market price of our Shares. Any failure on our part to meet market expectations with regard to future earnings and cash distributions may adversely affect the market price for our Shares.

In addition, our Shares are not capital-safe products and there is no guarantee that holders of our Shares can realise a higher amount or even the principal amount of their investment.

In case of liquidation of our Company, it is possible that investors may lose all or a part of their investment in our Shares.

There has been no prior market for our Shares, and the Invitation may not result in an active or liquid market for our Shares

Prior to the Invitation, there has been no public market for our Shares. Although we have applied to the SGX-ST for the dealing and quotation of our Shares on Catalist, there is no assurance that an active trading market for our Shares will develop or, if developed, will be sustained. There is also no assurance that the market price for our Shares will not decline below the Invitation Price.

The market price of our Shares could be subject to significant fluctuations due to various external factors and events including the liquidity of our Shares in the market, difference between our actual financial or operating results and those expected by investors and analysts, the general market conditions and broad market fluctuations.

Negative publicity may adversely affect our share price

Negative publicity involving our Group, any of our Directors, Executive Officers or Controlling Shareholders may adversely affect the market perception or the stock performance of our Company, whether it is justified or not. Some examples of negative publicity may include, *inter alia*, unsuccessful attempts in joint ventures, takeovers or involvement in insolvency proceedings.

We may not be able to pay dividends to our shareholders

The declaration and payment of future dividends will depend on our operating results, financial position, other cash requirements including capital expenditure, the terms of borrowing arrangements (if any) and other factors deemed relevant by our Directors. There is no assurance that dividend distributions will be made by our Company in the future. For a description of our dividend policy, please refer to the section entitled “Dividend Policy” of this Offer Document.

We are a Cayman Islands incorporated company and the rights and protection accorded to our Shareholders may be different from those applicable to shareholders of a Singapore incorporated company

Our Company is incorporated in the Cayman Islands as an exempted company under the Cayman Islands Companies Act. The Singapore Companies Act may provide shareholders of Singapore incorporated companies with rights and protection to which there may be no corresponding or similar provisions under the Cayman Islands Companies Act. As such, if you invest in our Shares, you may or may not be accorded the same level of shareholder rights and protection that a shareholder of a Singapore incorporated company may be accorded under the Singapore Companies Act.

RISK FACTORS

Our corporate affairs are governed by our Memorandum and Articles of Association, the Cayman Islands Companies Act and the common law of the Cayman Islands. The rights of Shareholders to take legal action against us and our Directors, the protection of the interests of minority Shareholders, and fiduciary responsibilities owed by our Directors to Shareholders under Cayman Islands law are, to a large extent, governed by the common law of the Cayman Islands, the Cayman Islands Companies Act and our Articles of Association. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as that from English common law, which may have persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may differ in some respects from those established under statutes and under judicial precedents in Singapore or other jurisdictions.

We have set out in Appendix G of this Offer Document a summary of certain provisions under the Cayman Islands Companies Act and our Memorandum and Articles of Association, and in Appendix H of this Offer Document a summary of certain differences between Cayman Islands company law and Singapore company law. Each of the summaries and explanatory statements is not intended to be and does not constitute legal advice and any person wishing to have advice on the differences between the Cayman Islands Companies Act and the Singapore Companies Act and/or the laws of any jurisdiction with which he is not familiar is recommended to seek independent legal advice. Copies of our Memorandum and Articles of Association are available for inspection at such place and time as set out in the section entitled “General Information – Documents Available for Inspection” of this Offer Document.

USE OF PROCEEDS AND LISTING EXPENSES

NET PROCEEDS FROM THE INVITATION AND ISSUE OF THE NEW SHARES

The estimated net proceeds attributable to us from the Invitation and issue of the Invitation Shares (after deducting the estimated expenses in relation to the Invitation of approximately S\$3.2 million) will be approximately S\$16.3 million.

We intend to use our gross proceeds from the issue of Invitation Shares primarily as follows:

Use of proceeds	Amount in aggregate (S\$'000)	Estimated amount allocated for each dollar of the gross proceeds raised from the Invitation (cents)
Increasing the number of our dealerships, showrooms and service centres in cities where we have existing operations, namely in Foshan, Shenzhen, Guangzhou, Chongqing, Changsha and Wuhan ⁽¹⁾	11,000	56.3
Expanding our business through growing our dealership network to new regions, diversifying to other premium and ultra-premium automobile brands, and expanding and diversifying into complementary businesses ⁽¹⁾	3,000	15.3
General working capital purposes ⁽²⁾	2,311	11.8
Net proceeds from the Invitation	16,311	83.4
Listing expenses to be borne by our Company⁽³⁾		
Listing and application fees	41	0.2
Professional fees ⁽⁴⁾	2,269	11.6
Placement commission ⁽⁵⁾	684	3.5
Miscellaneous expenses ⁽⁶⁾	245	1.3
Gross proceeds from the Invitation	19,550	100.0

Notes:

- (1) As at the Latest Practicable Date, our Group has not identified any specific acquisition targets for which the net proceeds from the Invitation may be allocated towards.
- (2) Proceeds applied towards general working capital purposes will include the use of resources to further increase the productivity and profitability of our dealerships. This includes investments to upgrade our IT systems, and to develop our Enterprise Application Suite system which allows our key management to monitor the performance of the dealerships by providing real-time updates on the sales and expenditure of each dealership.
- (3) Of the total estimated listing expenses, approximately S\$1.1 million will be capitalised against share capital and the balance of S\$2.1 million will be charged to the profit and loss statement.
- (4) Includes, amongst others, the estimated audit and legal fees, fees for the Issue Manager and Full Sponsor, the Independent Market Research Consultant and other professionals.
- (5) Please refer to the section entitled "Plan of Distribution – Management, Underwriting and Placement Agreements" of this Offer Document for further details.
- (6) Includes the estimated cost of production of this Offer Document and other marketing expenses and certain other expenses incurred or to be incurred in connection with the Invitation. These are estimated expenses and the actual amounts may differ.

Please see section entitled "General Information on our Group – Business Strategies and Future Plans" of this Offer Document for further details on the future plans of our Group.

USE OF PROCEEDS AND LISTING EXPENSES

The foregoing represents our best estimate of the allocation of our net proceeds from the issue of the Invitation Shares based on our current plans and estimates regarding our anticipated expenditures. Actual expenditures may vary from these estimates and we may find it necessary or advisable to re-allocate our net proceeds within the categories described above or to use portions of our net proceeds for other purposes. In the event that we decide to re-allocate our net proceeds from the issue of the Invitation Shares for other purposes, we will publicly announce our intention to do so through a SGXNET announcement to be posted on the internet at the SGX-ST website at <http://www.sgx.com>. In addition, we will make periodic announcements on the use of the net proceeds from the issue of the Invitation Shares as and when the funds are materially disbursed, and provide a status report on the use of the net proceeds in our annual report(s).

Pending the deployment of the net proceeds as aforesaid, the funds may be added to our working capital, placed as deposits with banks or financial institutions, or used for investment in short-term deposits, money market or debt instruments, as our Directors may deem appropriate in their absolute discretion.

In the event that the amount set aside to meet our Company's estimated expenses in relation to the Invitation is in excess of the actual expenses incurred, such amount will be made available for our working capital purposes.

In the opinion of our Directors, there are no minimum amounts which must be raised by the issue of the Invitation Shares.

None of the proceeds from the issue of the Invitation Shares will be used to discharge, reduce or retire any indebtedness of our Group.

DIVIDEND POLICY

Statements contained in this section that are not historical facts are forward-looking statements. Such statements are subject to certain risks and uncertainties and should under no circumstances be regarded as a representation, warranty or prediction by us, the Issue Manager and Full Sponsor, and the Underwriter and Placement Agent or any other person. Investors are cautioned not to place undue reliance on these forward-looking statements that speak only as at the date hereof.

Past Dividends

Since 1 January 2018 to the Latest Practicable Date, our PRC subsidiaries, Foshan Shenbao Automobile and Shenzhen Chuangfengbao Automobile, have declared and paid dividends to their Hong Kong parent companies, Trans-China Automotive Holdings (FS) Limited and TCA Holdings (HK) Limited, respectively:

	FY2018 (RMB)	FY2019 (RMB)	FY2020 (RMB)	1 January 2021 to the Latest Practicable Date (RMB)
Foshan Shenbao Automobile	40,126,511	–	48,079,524	–
Shenzhen Chuangfengbao Automobile	26,000,000	–	42,000,000	28,000,000
Total	66,126,511	–	90,079,524	28,000,000

The amounts from the dividends declared and paid in FY2018 and FY2020 were used to pay off indebtedness incurred by Trans-China Automotive Holdings (FS) Limited and TCA Holdings (HK) Limited under offshore loans of the Group. The amounts from the dividends declared and paid by Shenzhen Chuangfengbao Automobile in 2021 were applied by TCA Holdings (HK) Limited towards the further capitalisation of its subsidiary and our Group company, Yaohua Automobile Management.

Save for the above, our Company and our subsidiaries have not declared or paid any dividends since 1 January 2018 to the Latest Practicable Date.

Dividend Policy

We currently do not have a formal dividend policy. The form, frequency and amount of future dividends on our Shares that our Directors may recommend or declare in respect of any particular financial year or period will be subject to the factors outlined below, as well as other factors deemed relevant by our Board:

- (a) the level of our cash and retained earnings;
- (b) our actual and projected financial performance;
- (c) our projected levels of capital expenditure and expansion plans;
- (d) our working capital requirements and general financial condition;
- (e) restrictions on payment of dividends imposed on us by our financing arrangements (if any); and

DIVIDEND POLICY

- (f) the financial, regulatory or general economic conditions and any other risk factors that may be applicable to us and/or our industry.

Our Company is a holding company incorporated in the Cayman Islands and our business is operated primarily through our PRC subsidiaries. We rely mainly on dividends from our PRC subsidiaries for our cash requirements. Therefore, our ability to pay dividends will be affected by the ability of our PRC subsidiaries to declare and pay us dividends or other distributions.

The ability of our PRC subsidiaries to declare and pay dividends to us will be dependent on its cash income, the cash available to us, its operating results, financial condition, other cash requirements including capital expenditures, its borrowing arrangements and other contractual restrictions applicable to it, and restrictions under applicable laws, rules and/or regulations.

The Legal Adviser to the Invitation as to PRC Law, JTGC, is of the view that our PRC subsidiaries are entitled to remit dividends as long as our PRC subsidiaries comply with each of their respective articles of association and meet all relevant conditions and requirements as may be required by PRC laws, rules, regulations and all competent authorities. Under the current regulatory regime in the PRC, foreign-invested enterprises in the PRC may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. Foreign-invested enterprises may not distribute after-tax profits unless they have contributed to employees' funds as specified under PRC laws, regulations and rules, and have set off financial losses during previous accounting years. After making up for any deficit in prior years pursuant to the PRC laws, a wholly foreign-owned enterprise in the PRC is required to set aside at least 10% of its after-tax profit calculated in accordance with PRC accounting standards and regulations each year as its statutory common reserves until the cumulative amount of such reserves reaches 50% of its registered capital. These reserves are not distributable as cash dividends. The shareholder of a wholly foreign-owned enterprise has the discretion to allocate a portion of its after-tax profits to discretionary common reserve. Undistributed profits from previous accounting years may be distributed together with profits available for distribution during the current accounting year. Whilst the payment of dividends by a company to its foreign shareholders is not restricted by PRC laws and does not require prior approval from SAFE, the relevant document(s) in respect of such payment of dividends must be presented at designated foreign exchange banks within China, which are licensed to carry out foreign exchange business.

Subject to the Cayman Islands Companies Act and our Articles of Association, our Shareholders in general meeting may from time to time declare a dividend but no dividend shall be declared in excess of the amount recommended by our Directors. Our Board may, without the approval of our Shareholders, also declare an interim dividend. All dividends will be paid in accordance with our Articles of Association and the laws of the Cayman Islands.

Investors should note that all the foregoing statements are merely statements of our present intention and shall not constitute legally binding statements in respect of our future dividends which may be subject to modification (including reduction or non-declaration thereof) in our Directors' sole and absolute discretion. No inference should or can be made from any of the foregoing statements as to our actual future profitability or ability to pay any future dividends. There can be no assurance that dividends will be paid in the future or of the amount or timing of any dividends that will be paid in the future.

Please refer to the section entitled "Taxation – Singapore Taxation – Dividend Distributions" of this Offer Document for information relating to taxes payable on dividends. Information relating to withholding tax rates on dividends distributed by Foreign Investment Enterprises in the PRC are set out in the section entitled "Taxation" of this Offer Document.

SHARE CAPITAL

Our Company was incorporated in the Cayman Islands on 18 December 2015 under the laws of the Cayman Islands as an exempted company with limited liability, under the name of “Trans-China Automotive Holdings Limited”. Our Company’s registration number is 306871.

As at the date of incorporation, our Company’s authorised share capital was US\$50,000 divided into 50,000 shares of a nominal or par value of US\$1.00 each, with a paid-up share capital of US\$10 divided into 10 shares of a nominal or par value of US\$1.00 each. On 5 September 2016, our Company’s authorised share capital was increased to US\$100,000,000 divided into 100,000,000 shares of a nominal or par value of US\$1.00 each.

On 7 April 2021, our Shareholders approved:

- (a) a reduction of the par value of each of the issued shares with a par value of US\$1.00 each in the capital of our Company from US\$1.00 to US\$0.10 by the cancellation of the paid-up share capital of our Company to the extent of US\$0.90 on each of the shares with a par value of US\$1.00 in the capital of our Company in issue on the effective date of the capital reduction, and the issued and paid-up share capital of our Company was reduced from US\$49,932,395 divided into 49,932,395 shares with a par value of US\$1.00 each in the capital of our Company to US\$4,993,239.50 divided into 49,932,395 shares with a par value of US\$0.10 each in the capital of our Company;
- (b) the cancellation of all the authorised but unissued shares with a par value of US\$1.00 each in the capital of our Company and the diminution of the authorised share capital of our Company of US\$100,000,000 by US\$95,006,760.50 representing the amount of shares so cancelled and, forthwith upon such cancellation, the increase of the authorised share capital of our Company to US\$100,000,000 by the creation of 950,067,605 shares with a par value of US\$0.10 each in the capital of our Company;
- (c) a reduction of the share premium account of our Company from US\$1,222,826.55 to zero; and
- (d) the credit arising from the capital reduction in the sum of US\$44,939,155.50 and the credit arising from the share premium reduction in the sum of US\$1,222,826.55 be credited to a distributable reserve account of our Company and the sum of US\$46,161,982.05 in the distributable reserve account of our Company be utilised to set-off against the accumulated losses of our Company as at 31 December 2020 in full, amounting to US\$16,255,101.34 and the Board of Directors of our Company were authorised to utilise any credit balance in the distributable reserve account of our Company in such manner as may be determined by the Board in accordance with the Memorandum and Articles of Association of our Company and applicable law.

The capital reduction was confirmed by an Order of the Grand Court of the Cayman Islands dated 23 June 2021 (as amended on 30 June 2021), and the minute and court order in respect of the capital reduction was registered by the Registrar of Companies in the Cayman Islands on 24 June 2021.

SHARE CAPITAL

Pursuant to written resolutions passed on 17 September 2021, our Shareholders approved, *inter alia*, the following:

- (i) the adoption of the new Memorandum and Articles of Association of our Company;
- (ii) the sub-division of each ordinary share of par value US\$0.10 each in the capital of our Company into 10 Shares (the “**Share Split**”);
- (iii) the allotment and issue of the Invitation Shares which are the subject of the Invitation, on the basis that the Invitation Shares, when allotted, issued and fully paid-up, will rank *pari passu* in all respects with the existing issued and fully paid-up Shares;
- (iv) the listing and quotation of all the issued Shares, the Invitation Shares and the Option Shares on Catalist;
- (v) the authorisation to our Directors to:
 - (A) (a) issue Shares whether by way of rights, bonus or otherwise; and/or
 - (b) make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares,
 - at any time and upon such terms and conditions and for such purposes and to such person(s) as our Directors may in their absolute discretion deem fit; and
 - (B) (notwithstanding such authority may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by our Directors while such authority was in force,

provided that:

- (1) the aggregate number of Shares issued pursuant to such authority (including Shares issued in pursuance to any Instruments made or granted pursuant to this resolution), does not exceed 100.0% of the total number of issued Shares excluding treasury Shares and subsidiary holdings of our Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued other than on a pro rata basis to Shareholders (including Shares to be issued in pursuance of Instruments made or granted pursuant to such authority) does not exceed 50.0% of the total number of issued Shares excluding treasury Shares and subsidiary holdings of our Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the percentage of issued Shares shall be based on the total number of issued Shares post-Invitation following the completion of the Listing (excluding treasury Shares and subsidiary holdings of our Company), after adjusting for:
 - (aa) new Shares arising from the conversion or exercise of any convertible securities, or share options or vesting of share awards which are outstanding or subsisting at the time such authority is given; and

SHARE CAPITAL

- (bb) any subsequent bonus issue, consolidation or subdivision of Shares;
- (3) in exercising the authority conferred by such authority, our Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST) and our Articles of Association; and
- (4) (unless revoked or varied by our Company in general meeting) the authority conferred by this resolution shall continue in force until the conclusion of the next annual general meeting of our Company or the date by which the next annual general meeting of our Company is required to be held, whichever is the earlier; and
- (vi) the adoption of the TCA Employee Share Option Scheme, the rules of which are set out in Appendix J of this Offer Document and that our Directors be authorised to allot and issue Option Shares upon the exercise of Options granted under the TCA Employee Share Option Scheme.

As at the Latest Practicable Date, our Company has only one (1) class of shares, being ordinary shares. The rights and privileges attached to our Shares are stated in our Articles of Association.

Save for the Option Shares, there are no founder, management, deferred or unissued Shares reserved for the issuance for any purpose. Save for the Option Shares to be granted under the TCA Employee Share Option Scheme and the historical share grants granted to Mr. Michael Cheung, Mr. Roger Chan and Mr. Raymond Woo in connection with their employment by our Company and further details of which are set out below, no person has been, or is entitled to be, given an option to subscribe for any securities of our Company or any of its subsidiaries. There are no Shares that are held by or on behalf of our Company or by our subsidiaries.

As at the date of this Offer Document, no options have been granted under the TCA Employee Share Option Scheme.

As at the date of this Offer Document, the issued and paid-up share capital of our Company was US\$4,993,239.50 comprising 499,323,950 Shares. Upon the allotment and issue of the Invitation Shares, the resultant issued and paid-up share capital of our Company will be increased to approximately US\$5,843,239.50 comprising 584,323,950 Shares.

SHARE CAPITAL

Details of the changes in the issued and paid-up share capital of our Company within the three (3) years prior to the Latest Practicable Date and the resultant issued and paid-up share capital immediately after the Invitation are as follows:

Purpose	Number of new shares issued	Resultant issued and paid-up share capital	
		Number of shares	(US\$)
Issued and paid-up share capital as at 1 January 2018	43,233,606 ⁽¹⁾	43,233,606	43,233,606
Issuance of shares by our Company on 2 April 2019 ⁽²⁾	1,145,902	44,379,508	44,379,508
Issued and paid-up share capital as at 1 January 2020	N/A	44,379,508	44,379,508
Issuance of shares on 26 August 2020 ⁽³⁾	2,099,473	46,478,981	46,478,981
Issuance of shares on 26 August 2020 ⁽⁴⁾	859,789	47,338,770	47,338,770
Issuance of shares to Executive Director and Executive Officers on 10 September 2020 ⁽⁵⁾	2,593,626	49,932,396	49,932,396
Share repurchase ⁽⁶⁾	(1)	49,932,395	49,932,395
Issued and paid-up share capital as at 31 December 2020	N/A	49,932,395	49,932,395
Capital reduction ⁽⁷⁾	N/A	49,932,395	4,993,239.50
Sub-division pursuant to the Share Split	N/A	499,323,950	4,993,239.50
Invitation Shares issued pursuant to the Invitation	85,000,000	584,323,950	5,843,239.50
Post-Invitation issued and paid-up share capital		584,323,950	5,843,239.50

Notes:

- (1) This denotes the number of new shares issued since incorporation of the Company.
- (2) On 2 April 2019, Octo Magistra Limited and Mr. Michael Cheung were respectively issued 1,049,361 ordinary shares of par value US\$1.00 each in the capital of our Company and 96,541 ordinary shares of par value US\$1.00 each in the capital of our Company for a subscription amount of US\$1,250,000 and US\$115,000 respectively.
- (3) On 26 August 2020, Octo Magistra Limited and Mr. Michael Cheung respectively subscribed for 1,866,198 ordinary shares of par value US\$1.00 each in the capital of our Company and 233,275 ordinary shares of par value US\$1.00 each in the capital of our Company for a subscription amount of US\$2,000,000 and US\$250,000 respectively.
- (4) On 26 August 2020:
 - (a) Mr. Kwan Mang Edward Ng and Ms. Wing Chi Wincey Lam were issued 466,549 ordinary shares of par value US\$1.00 each in the capital of our Company for a subscription amount of US\$500,000.
 - (b) Mandarin Holdings Ltd. was issued 373,240 ordinary shares of par value US\$1.00 each in the capital of our Company for a subscription amount of US\$400,000.
 - (c) Raife Investments Inc. was issued 20,000 ordinary shares of par value US\$1.00 each in the capital of our Company for a subscription amount of US\$21,434.
- (5) On 10 September 2020, the following persons were issued ordinary shares of par value US\$1.00 each in the capital of our Company pursuant to historical share grants in connection with their employment by our Company:
 - (a) Mr. Michael Cheung was issued two (2) tranches of shares, being 1,269,852 ordinary shares of par value US\$1.00 each in the capital of our Company and 459,232 ordinary shares of par value US\$1.00 each in the capital of our Company which were issued for a consideration of US\$1,657,401.43 and US\$599,386.21 respectively from a capitalisation of our Company's share based compensation reserves. Mr. Michael Cheung paid a nominal amount of US\$1.00 for such shares;

SHARE CAPITAL

- (b) Mr. Roger Chan was issued 432,271 ordinary shares of par value US\$1.00 each in the capital of our Company which were issued for a consideration of US\$564,196.91 from a capitalisation of our Company's share based compensation reserves. Mr. Roger Chan paid a nominal amount of US\$1.00 for such shares; and
 - (c) Mr. Raymond Woo was issued 432,271 ordinary shares of par value US\$1.00 each in the capital of our Company which were issued for a consideration of US\$564,196.91 from a capitalisation of our Company's share based compensation reserves. Mr. Raymond Woo paid a nominal amount of US\$1.00 for such shares.
- (6) On 15 April 2017, our Company entered into a share repurchase agreement with our Controlling Shareholder, TCA International, in relation to the repurchase by our Company of one (1) ordinary share of par value US\$1.00 in the capital of our Company from TCA International at the purchase price of RMB475,000,000. The share repurchase was completed on 31 December 2020.
- (7) On 7 April 2021, our Shareholders approved:
- (a) a reduction of the par value of each of the issued shares with a par value of US\$1.00 each in the capital of our Company from US\$1.00 to US\$0.10 by the cancellation of the paid-up share capital of our Company to the extent of US\$0.90 on each of the shares with a par value of US\$1.00 in the capital of our Company in issue on the effective date of the capital reduction, and the issued and paid-up share capital of our Company was reduced from US\$49,932,395 divided into 49,932,395 shares with a par value of US\$1.00 each in the capital of our Company to US\$4,993,239.50 divided into 49,932,395 shares with a par value of US\$0.10 each in the capital of our Company;
 - (b) the cancellation of all the authorised but unissued shares with a par value of US\$1.00 each in the capital of our Company and the diminution of the authorised share capital of our Company of US\$100,000,000 by US\$95,006,760.50 representing the amount of shares so cancelled and, forthwith upon such cancellation, the increase of the authorised share capital of our Company to US\$100,000,000 by the creation of 950,067,605 shares with a par value of US\$0.10 each in the capital of our Company;
 - (c) a reduction of the share premium account of our Company from US\$1,222,826.55 to zero; and
 - (d) the credit arising from the capital reduction in the sum of US\$44,939,155.50 and the credit arising from the share premium reduction in the sum of US\$1,222,826.55 be credited to a distributable reserve account of our Company and the sum of US\$46,161,982.05 in the distributable reserve account of our Company be utilised to set-off against the accumulated losses of our Company as at 31 December 2020 in full, amounting to US\$16,255,101.34 and the Board of Directors of our Company were authorised to utilise any credit balance in the distributable reserve account of our Company in such manner as may be determined by the Board in accordance with the Memorandum and Articles of Association of our Company and applicable law.

The capital reduction was confirmed by an Order of the Grand Court of the Cayman Islands dated 23 June 2021 (as amended on 30 June 2021), and the minute and court order in respect of the capital reduction was registered by the Registrar of Companies in the Cayman Islands on 24 June 2021.

Please refer to the section entitled "General Information – Share Capital" of this Offer Document for details of changes in the issued and paid-up share capital of our Group within the three (3) years prior to the Latest Practicable Date.

The shareholders' equity of our Company as at incorporation, immediately before the Invitation and immediately after the Invitation, is set forth below:

	On the date of incorporation	Immediately before the Invitation	Immediately after the Invitation
Issued and paid-up share capital (Number of shares)	10 ordinary shares of par value US\$1.00 each	499,323,950 Shares	584,323,950 Shares
Issued and paid-up share capital (US\$)	10	4,993,239.50	5,843,239.50

SHAREHOLDERS

OWNERSHIP STRUCTURE

Our Directors, Executive Officers, Substantial Shareholders and other Shareholders and their respective shareholdings as at the date of this Offer Document, immediately before the Invitation and immediately after the Invitation are set out as follows:

	Immediately before the Invitation				Immediately after the Invitation			
	Direct Interest		Deemed Interest		Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
Directors								
Francis Tjia ⁽¹⁾⁽²⁾	—	—	441,742,750	88.47%	—	—	441,742,750	75.60%
Michael Cheung	20,589,000	4.12%	—	—	20,589,000	3.52%	—	—
Henry Tan	—	—	—	—	—	—	—	—
David Leow	—	—	—	—	—	—	—	—
Steven Petersohn ⁽³⁾	—	—	—	—	350,000	0.06%	—	—
Substantial Shareholders (other than our Directors)								
TCA International ⁽²⁾	338,657,280	67.82%	—	—	338,657,280	57.96%	—	—
TCA, L.P. ⁽²⁾	—	—	338,657,280	67.82%	—	—	338,657,280	57.96%
TCA Management Limited ⁽⁴⁾	—	—	338,657,280	67.82%	—	—	338,657,280	57.96%
Octo Holdings Limited ⁽¹⁾⁽²⁾⁽⁴⁾	103,085,470	20.65%	338,657,280	67.82%	103,085,470	17.64%	338,657,280	57.96%
Executive Officers								
Roger Chan	4,322,710	0.87%	—	—	4,322,710	0.74%	—	—
Raymond Woo ⁽²⁾	4,322,710	0.87%	—	—	4,322,710	0.74%	—	—
Other Shareholders (Other than New Public Shareholders)								
Andrew Chan ⁽⁵⁾	12,895,080	2.58%	—	—	12,895,080	2.21%	—	—
Grand Seasons Inc. ⁽⁶⁾	6,041,270	1.21%	—	—	6,041,270	1.03%	—	—
Kwan Mang Edward Ng and Wing Chi Wincey Lam ⁽⁶⁾	4,665,490	0.93%	6,041,270	1.21%	4,665,490	0.80%	6,041,270	1.03%
Mandarin Holdings Ltd. ⁽⁷⁾	3,732,400	0.75%	—	—	3,732,400	0.64%	—	—
Haozheng Holdings Limited ⁽⁸⁾	812,540	0.16%	—	—	812,540	0.14%	—	—
Raife Investments Inc. ⁽⁹⁾	200,000	0.04%	—	—	200,000	0.03%	—	—
New Public Shareholders								
	—	—	—	—	84,650,000	14.49%	—	—
Total	499,323,950	100.00%	—	—	584,323,950	100.00%	—	—

SHAREHOLDERS

Notes:

- (1) Mr. Francis Tjia, the Executive Director, Executive Chairman and CEO of our Group, holds the entire shareholding interest in Octo Holdings Limited. Accordingly, Mr. Francis Tjia is deemed to have an interest in all the shares held by Octo Holdings Limited in our Company by virtue of Section 4 of the Securities and Futures Act (Chapter 289) of Singapore (“SFA”) and is deemed a controlling shareholder of our Company.
- (2) TCA International is wholly owned by TCA, L.P. which was founded by Mr. Francis Tjia in 2009 with the investment objective to achieve capital appreciation through investment, owning and operating automobile dealerships in the PRC through TCA International’s shareholding interest in our Company. TCA, L.P. comprises approximately 75 investors (including the general partner, TCA Management Limited) with majority of the common shares held by: (i) Octo Holdings Limited., an investment holding company which is wholly owned by Mr. Francis Tjia, holding approximately 24.58% shareholding interest; (ii) Mandarin Holdings Ltd, an investment holding company, which is wholly owned by Billy Woo, the father of Mr. Raymond Woo, the COO (Premium Luxury) of our Group, holding approximately 6.6% shareholding interest; (iii) HSBC Nominees (Hong Kong) Limited, which holds the common shares in TCA, L.P. on behalf of IP Asian Opportunities Fund, an investment company primarily focused on private investment opportunities in Asia-Pacific, holding approximately 5.5% shareholding interest. IP Asian Opportunities Fund is managed by Income Partners Asset Management (HK) Limited (“**Income Partners Asset Management**”) where Mr. Francis Tjia is a Non-Executive Director; and (iv) TCA Investments, a company wholly owned by Servco Pacific Limited which is engaged in the automotive distribution and retail business in the State of Hawaii, holding approximately 5.17% shareholding interest. The rest of the investors comprise of individuals whom each hold no more than 5.0% shareholding interest and are unrelated to any of the shareholders, directors or key management of our Group.
- (3) As at the date of this Offer Document, Mr. Steven Petersohn has indicated his interest to subscribe for 350,000 Invitation Shares. In the event that Mr. Steven Petersohn is allotted such number of Invitation Shares, he will be interested in approximately 0.06% of our post-Invitation issued share capital.
- (4) TCA, L.P. is managed by its general partner, TCA Management Limited (“**TCA Management**”). TCA Management has been granted the authority to operate, manage and control the affairs of TCA, L.P., including making investment decisions and voting on the securities and interests held by TCA, L.P., including those in TCA International. By virtue of Section 4 of the SFA, TCA Management is deemed interested in the shares held by TCA International. Octo Holdings Limited holds more than 20.0% of the voting shares in TCA Management, and is accordingly deemed to have an interest in the shares held by TCA Management (through TCA, L.P. and TCA International) by virtue of Section 4 of the SFA.
- (5) Andrew Chan is a former Executive Director of our Group and served as CEO of TCA International from April 2011 to March 2019. He subsequently stepped down from his executive role to pursue other personal interests and was a Non-Executive Director on a number of Group companies. He resigned from all positions in March 2020.
- (6) Kwan Mang Edward Ng is a Non-Executive Director of TCA International, and as at the date of this Offer Document holds 4,665,490 Shares of our Company jointly with his spouse, Wing Chi Wincey Lam. Kwan Mang Edward Ng is also deemed interested in the Shares held by Grand Seasons Inc. which is a corporation wholly-owned by him. He was also previously a Non-Executive Director of our Company but had resigned from such position in April 2021.
- (7) As mentioned in Note 2 above, Mandarin Holdings Ltd is an investment holding company, which is wholly owned by Billy Woo, the father of Mr. Raymond Woo, the COO (Premium Luxury) of our Group.
- (8) Haozheng Holdings Limited is a corporation wholly owned by H.C. Liu, an investor in TCA, L.P..
- (9) Raife Investment Inc. is a corporation that is unrelated to any of the shareholders, directors or key management of our Group and their respective associates.

The Shares held by our Directors and Substantial Shareholders do not carry different voting rights from the Invitation Shares which are the subject of the Invitation. Our Directors are not aware of any arrangement, the operation which may, at a subsequent date, result in a change in control of our Company.

Save as disclosed in this Offer Document, our Company is not directly or indirectly owned or controlled by another corporation, any government or other natural or legal person whether severally or jointly.

SHAREHOLDERS

SIGNIFICANT CHANGES IN PERCENTAGE OF OWNERSHIP

Save as disclosed in this section and the sections entitled “Dilution” and “Share Capital” of this Offer Document, there has been no significant changes in the percentage ownership of our Shares in the last three (3) years prior to the Latest Practicable Date.

MORATORIUM

Controlling Shareholders and their Associates

Under Rule 422 of the Catalist Rules, (a) our Controlling Shareholders and their associates; and (b) Executive Directors with interest of 5.0% or more as at our Company’s date of admission to Catalist, will be deemed promoters of our Company.

TCA International and Octo Holdings Limited

Our Controlling Shareholders, TCA International and Octo Holdings Limited, who are deemed promoters of our Company and hold Shares directly in our Company, have undertaken to the Issue Manager and Full Sponsor, the Underwriter and Placement Agent and our Company, among others, that, from the date commencing on the date of admission of our Company to Catalist and for a period of six (6) months after our Company’s date of admission to Catalist (“**Initial Period**”), they will not directly or indirectly:

- (a) sell, contract to sell, offer, realise, transfer, assign, pledge, grant any option to purchase, grant any security over, encumber or otherwise dispose of, any part of their respective shares in the capital of our Company (“**Controlling Shareholder Lock-Up Shares**”);
- (b) enter into any agreement, transaction or other arrangement, in whole or in part, (including any swap, hedge or derivative transaction) with a similar economic effect to the foregoing, whether such transaction is to be settled by delivery of the Controlling Shareholder Lock-Up Shares, in cash or otherwise;
- (c) deposit all of their effective interest, in any Controlling Shareholder Lock-Up Shares in any depository receipt facility;
- (d) enter into a transaction which is designed or which may reasonably be expected to result in any of the above; and
- (e) publicly announce any intention to do any of the above.

The restriction shall apply to all Controlling Shareholder Lock-Up Shares (adjusted for any bonus issue or sub-division of our Company’s Shares) held by TCA International and Octo Holdings Limited immediately after the Invitation, being 338,657,280 Shares (representing 57.96% of our Company’s post-Invitation issued share capital) and 103,085,470 Shares (representing 17.64% of our Company’s post-Invitation issued share capital) respectively. For the six (6) months period after the Initial Period, the restriction shall apply in respect of the effective interest of 50.0% in the Controlling Shareholder Lock-Up Shares (adjusted for any bonus issue or sub-division of our Company’s Shares) held by TCA International and Octo Holdings Limited immediately after the Invitation.

SHAREHOLDERS

Other Controlling Shareholders

Further, the following Controlling Shareholders, who are deemed promoters of our Company through their interests in TCA International and Octo Holdings Limited, have provided the following undertakings to the Issue Manager and Full Sponsor, the Underwriter and Placement Agent and our Company:

- (a) Mr. Francis Tjia, our Executive Director, Executive Chairman and CEO, has undertaken amongst others not to sell, contract to sell, offer, realise, transfer, assign, pledge, grant any option to purchase, grant any security over, encumber or otherwise dispose of, any part of his shares in Octo Holdings Limited for a period of 12 months commencing from the date of our Company's admission to Catalist ("**Full Period**");
- (b) TCA, L.P. and TCA Management Limited have each undertaken amongst others not to sell, contract to sell, offer, realise, transfer, assign, pledge, grant any option to purchase, grant any security over, encumber or otherwise dispose of, any part of their respective shares in TCA International for the Full Period; and
- (c) Octo Holdings Limited has undertaken amongst others not to sell, contract to sell, offer, realise, transfer, assign, pledge, grant any option to purchase, grant any security over, encumber or otherwise dispose of, any part of its shares in TCA Management Limited for the Full Period.

Other Shareholders

Each of Mr. Michael Cheung, Mr. Roger Chan, Mr. Raymond Woo and Mandarin Holdings Ltd. (collectively, the "**Relevant Shareholders**"), has undertaken to the Issue Manager and Full Sponsor, the Underwriter and Placement Agent and our Company, amongst others, that, from the date commencing on the date of admission of our Company to Catalist and for a period of six (6) months after our Company's date of admission to Catalist ("**Initial Period**"), he/it will not directly or indirectly:

- (a) sell, contract to sell, offer, realise, transfer, assign, pledge, grant any option to purchase, grant any security over, encumber or otherwise dispose of, any part of their respective shares in the capital of our Company ("**Relevant Shareholder Lock-Up Shares**");
- (b) enter into any agreement, transaction or other arrangement, in whole or in part, (including any swap, hedge or derivative transaction) with a similar economic effect to the foregoing, whether such transaction is to be settled by delivery of the Relevant Shareholder Lock-Up Shares, in cash or otherwise;
- (c) deposit all of their effective interest, in any Relevant Shareholder Lock-Up Shares in any depository receipt facility;
- (d) enter into a transaction which is designed or which may reasonably be expected to result in any of the above; and
- (e) publicly announce any intention to do any of the above.

SHAREHOLDERS

The restriction shall apply to all Relevant Shareholder Lock-Up Shares (adjusted for any bonus issue or sub-division of our Company's Shares) held by each of the Relevant Shareholders immediately after the Invitation, being collectively 32,966,820 Shares (representing 5.64% of our Company's post-Invitation issued share capital). For the six (6) months period after the Initial Period, the restriction shall apply in respect of the effective interest of 50% in the Relevant Shareholder Lock-Up Shares (adjusted for any bonus issue or sub-division of our Company's Shares) held directly by each of the Relevant Shareholders immediately after the Invitation.

None of the Relevant Shareholders are related to any of our Directors, Controlling Shareholder and their associates, the Issue Manager and Full Sponsor, or the Underwriter and Placement Agent.

The respective moratoriums and periods of moratorium for each of the Controlling Shareholders and Relevant Shareholders who have provided an undertaking as disclosed above is in accordance with Rule 421 and Rule 422 of the Catalist Rules.

CAPITALISATION AND INDEBTEDNESS

The table below sets out our capitalisation and indebtedness based on the unaudited management accounts of our Group as at 31 August 2021 on an actual basis and as adjusted to reflect the issuance of the Invitation Shares, and the application of net proceeds due to us from the Invitation in the manner described in the section entitled “Use of Proceeds and Listing Expenses” of this Offer Document.

The information in this table should be read in conjunction with the sections entitled “Use of Proceeds and Listing Expenses” and “Management’s Discussion and Analysis of Financial Position and Results of Operations” of this Offer Document and the Audited Consolidated Financial Statements, Unaudited Interim Condensed Consolidated Financial Statements and Unaudited Pro Forma Consolidated Financial Information as set out in Appendices A, B and C of this Offer Document respectively.

(RMB’000)	As at 31 August 2021	
	Actual	As adjusted ⁽¹⁾
Cash and cash equivalents	115,817	194,059
Indebtedness		
<i>Current</i>		
– Secured and guaranteed	347,575	347,575
– Secured and non-guaranteed	70,707	70,707
– Unsecured and guaranteed	14,668	14,668
– Unsecured and non-guaranteed	–	–
<i>Non-current</i>		
– Secured and guaranteed	–	–
– Secured and non-guaranteed	18,207	18,207
– Unsecured and guaranteed	–	–
– Unsecured and non-guaranteed	96,260	96,260
Total indebtedness	547,417	547,417
Total equity	170,803	249,045
Total capitalisation and indebtedness	718,220	796,462

Note:

- (1) Adjusted to reflect the issue of 85,000,000 Invitation Shares at the Invitation Price and the application of our net proceeds from the Invitation in the manner described in the section entitled “Use of Proceeds and Listing Expenses” of this Offer Document, after deducting the total estimated listing expenses to be borne by our Company.

As at the Latest Practicable Date, save for the: (i) changes in working capital; and (ii) changes in our shareholders’ equity and reserves arising from day-to-day operations in the ordinary course of business, there were no material changes to our total capitalisation and indebtedness as disclosed above.

CAPITALISATION AND INDEBTEDNESS

Banking, trade and Credit Facilities

As at 31 March 2021, our Group's banking, trade and credit facilities utilised and unutilised amounted to an aggregate of approximately RMB948.6 million and RMB619.0 million, respectively.

Details of our Group's banking, trade and credit facilities as at 31 March 2021 are as follows:

Type of Facilities	Nature of Facility	Amount of Facilities granted (RMB'000)	Utilised and Outstanding (RMB'000)	Utilised and Repaid (RMB'000)	Unutilised (RMB'000)	Interest rate per annum	Maturity profile
Bills Payable							
China CITIC Bank Corporation Limited	Acceptance of bill of exchange	60,000	45,088	—	14,912	2.0%-3.0%	28 August 2021
China Minsheng Banking Corporation Limited	Acceptance of bill of exchange; Non-financing letter of guarantee	120,000	7,395	—	112,605	1.4-3.9%	19 December 2021
Ping An Bank Co., Ltd. ("Ping An Bank")	Draft acceptance, working capital	60,000	35,330	—	24,670	2.0%-3.4%	25 November 2022
Ping An Bank	Draft acceptance, working capital	75,000	13,778	—	61,222	2.0%-3.4%	28 December 2022
Ping An Bank	Draft acceptance, working capital loans	65,000	23,166	—	41,834	2.0%-3.4%	1 December 2022
China Everbright Bank Company Limited ("China Everbright Bank")	Acceptance of a bill of exchange	50,000	50,000	—	—	2.0%-3.0%	27 January 2022
China Everbright Bank	Acceptance of a bill of exchange	30,000	30,000	—	—	3.2%	7 April 2022
China Everbright Bank	Acceptance of a bill of exchange	25,000	25,000	—	—	2.0%-3.0%	2 February 2022
Shanghai Pudong Development Bank Co., Ltd.	Trade financing for purchase of BMW cars	180,000	68,403	—	111,597	2.0%-3.0%	19 June 2023

CAPITALISATION AND INDEBTEDNESS

Type of Facilities	Nature of Facility	Amount of Facilities granted (RMB'000)	Utilised and Outstanding (RMB'000)	Utilised and Repaid (RMB'000)	Unutilised (RMB'000)	Interest rate per annum	Maturity profile
Bank Inventory financing							
Bank of China Limited, Shenzhen Longgang Branch	General Credit Facility for working capital purposes	50,000	30,000	—	20,000	6.1%	15 June 2021
BMW Automotive Finance (China) Co., Ltd	General Credit Facility for purchase of BMW group products	333,000	178,885	—	154,115	8.5%	23 February 2022
China Everbright Bank	Ordinary loan for payment of wages and purchase of cars	180,000	180,000	—	—	4.3%-5.2%	9 December 2021
China Everbright Bank	Ordinary loan for payment of wages and purchase of cars	23,900	23,900	—	—	4.25%	12 March 2022
China Everbright Bank	Acceptance of a bill of exchange	10,000	10,000	—	—	2.0%-3.0%	15 April 2022
China Everbright Bank	Acceptance of a bill of exchange	25,000	25,000	—	—	2.0%-3.0%	17 April 2022
China Everbright Bank	Ordinary loan for payment of wages and purchase of cars	14,300	14,300	—	—	2.0%-3.0%	26 March 2022
China Everbright Bank	Ordinary loan for payment of wages and purchase of cars	14,300	14,300	—	—	2.0%-3.0%	30 March 2022
China Construction Bank Corporation	Renminbi working capital loan for purchase of BMW cars	20,000	20,000	—	—	4.4%	21 December 2021
Industrial and Commercial Bank of China Limited	Working capital loan	10,000	10,000	—	—	3.9%	12 November 2021

CAPITALISATION AND INDEBTEDNESS

Type of Facilities	Nature of Facility	Amount of Facilities granted (RMB'000)	Utilised and Outstanding (RMB'000)	Utilised and Repaid (RMB'000)	Unutilised (RMB'000)	Interest rate per annum	Maturity profile
Others							
Ping An International Financial Leasing Co., Ltd. ("Ping An Leasing")	Finance lease to supplement working capital	6,900	2,717	—	4,183	6.9%-8.1%	6 December 2021
Ping An Leasing	Finance lease to supplement working capital	6,000	4,551	—	1,449	6.9%-8.1%	27 March 2022
Ping An Leasing International Financial Leasing (Tianjin) Co., Ltd.	Entrusted loan to supplement working capital	5,500	4,508	—	992	6.9%-8.1%	2 April 2022
Ping An Leasing	Finance lease to supplement working capital	10,100	3,977	—	6,123	8.0%	27 November 2021
Ping An Leasing	Finance lease to supplement working capital	4,500	3,413	—	1,087	6.9%	16 March 2022
Ping An Leasing	Finance lease to supplement working capital	8,000	3,150	—	4,850	5.0%	5 December 2021
Ping An Leasing	Finance lease to supplement working capital	6,000	4,551	—	1,449	6.9%-8.1%	27 March 2022
FCA Automotive Finance	Demo car inventory loan, Renminbi revolving loan	60,000	2,061	—	57,939	1-90 days 7.39% 90-180 days 8.39% 180-270 days 11%	4 August 2021
Artesia Global Ltd ⁽¹⁾	Credit facility	180,148	180,148	—	—	Cash interest of 10% and capitalized interest of 3%	15 January 2022

Note:

- (1) As at the Latest Practicable Date, all utilised amounts under the facility have been repaid and there are no outstanding amounts under the credit facility with Artesia Global Ltd.

CAPITALISATION AND INDEBTEDNESS

Pursuant to Rule 728 of the Catalist Rules, the Controlling Shareholders of our Group, Mr. Francis Tjia and TCA International have provided undertakings to our Company that they will notify our Company as soon as they become aware of any share pledging arrangements relating to their respective Shares, and of any event which will be an event of default, an enforcement event or an event that would cause acceleration of the repayment of the principal amount of the loan or debt securities. Upon notification by any of the Controlling Shareholders, our Company will make the necessary announcement(s) in compliance with the said rule.

In the event that any Group company enters into a loan agreement or issues debt securities that contain a specified condition, and the breach of this specified condition will be an event of default, an enforcement event or an event that would cause acceleration of the repayment of the principal amount of the loan or debt securities, significantly affecting the operations of our Group or results in our Group facing a cash flow problem, we will immediately announce the details of the specified condition(s) in accordance with Rule 704(33) of the Catalist Rules, and the level of these facilities that may be affected by a breach of such specified condition(s). Pursuant to Rule 704(33) of the Catalist Rules, a “specified condition” is a condition that makes reference to the shareholding interests of any Controlling Shareholder, or a restriction on any change of control of our Company.

To the best of our Directors’ knowledge, as at the Latest Practicable Date, we are not in breach of any of the terms and conditions or covenants associated with any credit arrangement or bank loan which could materially affect our financial position and results or business operations, or the investments by our Shareholders.

Save as disclosed above and under the section entitled “Management’s Discussion and Analysis of Financial Position and Results of Operations – Liquidity and Capital Resources” of this Offer Document, our Group does not have any material unused sources of liquidity as at the Latest Practicable Date.

DILUTION

Dilution is the amount by which the Invitation Price paid by investors of our Invitation Shares in this Invitation exceed the Pro Forma NAV per Share of our Group immediately after the Invitation. Our Pro Forma NAV per Share as at 31 March 2021, before adjusting for the estimated net proceeds from the Invitation and based on our Company's pre-Invitation issued and paid-up share capital of 499,323,950 Shares, was approximately 5.1 cents per Share.

Based on the issue of 85,000,000 Invitation Shares at an Invitation Price, our Pro Forma NAV per Share as at 31 March 2021⁽¹⁾, after adjusting for the estimated net proceeds from the Invitation and based on our Company's post-invitation issued and paid-up share capital of 584,323,950 Shares, would have been approximately 7.2 cents per Share. This represents an immediate increase in Pro Forma NAV per Share approximately 2.1 cents to our existing Shareholders and an immediate dilution in Pro Forma NAV per Share of 15.8 cents to our new investors.

The following table illustrates the dilution on our Pro Forma NAV per Share basis:

	Cents
Invitation Price per Share	23.0
Pro Forma NAV per Share as at 31 March 2021, based on our Company's pre-Invitation issued and paid-up share capital and before adjusting for the estimated net proceeds from the Invitation	5.1
Increase in Pro Forma NAV per Share attributable to existing Shareholders	2.1
Pro Forma NAV per Share after the Invitation ⁽²⁾	7.2
Dilution in Pro Forma NAV per Share to new investors	15.8
Dilution in Pro Forma NAV per Share to new investors as a percentage of the Invitation Price	68.7%

Notes:

- (1) Based on the Unaudited Pro Forma Consolidated Financial Information as set out in Appendix C of this Offer Document.
- (2) This does not take into account our actual financial performance from 1 April 2021 up to the Latest Practicable Date. Depending on our actual financial results, our NAV per Share after the Invitation may be higher or lower than the above computed Pro Forma NAV per Share.

DILUTION

The following table summarises the total number of Shares acquired by and/or issued to our Directors and/or Substantial Shareholders and their associates (as the case may be) since our incorporation, the total consideration paid to them and the average effective cash cost per Share to them and our new investors pursuant to the Invitation.

	Number of Shares	Consideration (S\$'000)	Average effective cash cost per Share (cents)
Directors and/or Substantial Shareholders and their associates			
Francis Tjia ⁽¹⁾⁽²⁾	—	—	—
Michael Cheung ⁽³⁾	3,298,160	492	14.9
Henry Tan	—	—	—
David Leow	—	—	—
Steven Petersohn ⁽³⁾	—	—	—
TCA International ⁽²⁾⁽⁴⁾	338,657,280	40,293	11.9
TCA, L.P. ⁽²⁾	—	—	—
TCA Management Limited ⁽⁵⁾	—	—	—
Octo Holdings Limited ⁽¹⁾⁽²⁾⁽⁵⁾	103,085,470	34,753	33.7
New investors	85,000,000	19,550	23.0

Notes:

- (1) Mr. Francis Tjia, the Executive Director, Executive Chairman and CEO of our Group, holds the entire shareholding interest in Octo Holdings Limited. Accordingly, Mr. Francis Tjia is deemed to have an interest in all the shares held by Octo Holdings Limited. in our Company by virtue of Section 4 of the SFA and is deemed a controlling shareholder of our Company.
- (2) TCA International is wholly owned by TCA, L.P. which was founded by Mr. Francis Tjia in 2009 with the investment objective to achieve capital appreciation through investment, owning and operating automobile dealerships in the PRC through TCA International's shareholding interest in our Company. TCA, L.P. comprises approximately 75 investors (including the general partner, TCA Management Limited) with majority of the common shares held by: (i) Octo Holdings Limited., an investment holding company which is wholly owned by Mr. Francis Tjia, holding approximately 24.58% shareholding interest; (ii) Mandarin Holdings Ltd, an investment holding company, which is wholly owned by Billy Woo, the father of Mr. Raymond Woo, the COO (Premium Luxury) of our Group, holding approximately 6.6% shareholding interest; (iii) HSBC Nominees (Hong Kong) Limited, which holds the common shares in TCA, L.P. on behalf of IP Asian Opportunities Fund, an investment company primarily focused on private investment opportunities in Asia-Pacific, holding approximately 5.5% shareholding interest. IP Asian Opportunities Fund is managed by Income Partners Asset Management (HK) Limited ("**Income Partners Asset Management**") where Mr. Francis Tjia is a Non-Executive Director; and (iv) TCA Investments, a company wholly owned by Servco Pacific Limited which is engaged in the automotive distribution and retail business in the State of Hawaii, holding approximately 5.17% shareholding interest. The rest of the investors comprise of individuals whom each hold no more than 5.0% shareholding interest and are unrelated to any of the shareholders, directors or key management of our Group.
- (3) This does not include any Invitation Shares allotted to Mr. Steven Petersohn pursuant to the Invitation.

DILUTION

- (4) Excludes the shares issued to Mr. Michael Cheung pursuant to the historical share grants in connection to his employment by our Company where he was issued two (2) tranches of 1,269,852 ordinary shares of par value US\$1.00 each and 459,232 ordinary shares of par value US\$1.00 each in the capital of our Company on 10 September 2020, which were issued for a consideration of US\$1,657,401.43 and US\$599,386.21 respectively from a capitalisation of our Company's share based compensation reserves and a nominal amount of US\$1.00 was paid by Mr. Michael Cheung for the shares. Following the Share Split, such shares issued pursuant to the historical share grants were split into 17,290,840 Shares.
- (5) Excludes the consideration of the repurchase of the one (1) ordinary share of par value US\$1.00 in the capital of our Company from TCA International at the purchase price of RMB475,000,000 where our Company had entered into a share repurchase agreement with TCA International on 15 April 2017.
- (6) TCA, L.P. is managed by its general partner, TCA Management. TCA Management has been granted the authority to operate, manage and control the affairs of TCA, L.P., including making investment decisions and voting on the securities and interests held by TCA, L.P., including those in TCA International. By virtue of Section 4 of the SFA, TCA Management is deemed interested in the shares held by TCA International. Octo Holdings Limited holds more than 20.0% of the voting shares in TCA Management, and is accordingly deemed to have an interest in the shares held by TCA Management (through TCA, L.P. and TCA International) by virtue of Section 4 of the SFA.

REORGANISATION EXERCISE

Our Group was formed through the Reorganisation Exercise which involved a series of acquisitions and the rationalisation of our corporate and shareholding structure for the purposes of the Invitation. Under the Reorganisation Exercise, our Company became the holding company of our Group.

The Reorganisation Exercise involved the following steps:

1. Incorporation of our Company in 2015

Our Company (Company Registration No. 306871) was incorporated in the Cayman Islands on 18 December 2015 under the laws of the Cayman Islands as an exempted company with limited liability, under the name of Trans-China Automotive Holdings Limited.

2. Incorporation of Investment Holding Subsidiaries in 2015 and 2016

(a) Investment Holding Subsidiaries under TCAH (BVI) Limited

In 2015, our Company then acquired an interest in the following BVI investment holding subsidiaries, as set out below:

(i) TCA Foshan (BVI) Limited

TCA Foshan (BVI) Limited (previously known as Classic Hammers Limited) was incorporated in the BVI on 8 December 2015 under the BVI Companies Act as a BVI business company limited by shares. Following the incorporation of our Company on 18 December 2015, TCA Foshan (BVI) Limited had on the same day allotted and issued 10 shares of no par value, representing 100% of the issued and paid-up share capital of TCA Foshan (BVI) Limited (the “**TCA Foshan (BVI) Shares**”), to our Company. The TCA Foshan (BVI) Shares were subsequently transferred to TCAH (BVI) Limited on 5 September 2016.

(ii) TCA Shenzhen (BVI) Limited

TCA Shenzhen (BVI) Limited (previously known as Freedom Heart Limited) was incorporated in the BVI on 8 December 2015 under the BVI Companies Act as a BVI business company limited by shares. Following the incorporation of our Company on 18 December 2015, TCA Shenzhen (BVI) Limited had on the same day allotted and issued 10 shares of no par value, representing 100% of the issued and paid-up share capital of TCA Shenzhen (BVI) Limited (the “**TCA Shenzhen (BVI) Shares**”), to our Company. The TCA Shenzhen (BVI) Shares were subsequently transferred to TCAH (BVI) Limited on 5 September 2016.

(iii) TCA Guangzhou (BVI) Limited

TCA Guangzhou (BVI) Limited (previously known as Daring Raiders Limited) was incorporated in the BVI on 30 October 2015 under the BVI Companies Act as a BVI business company limited by shares. Following the incorporation of our Company on 18 December 2015, TCA Guangzhou (BVI) Limited had on the same day allotted and issued 10 shares of no par value, representing 100% of the issued and paid-up share capital of TCA Guangzhou (BVI) Limited (the “**TCA Guangzhou (BVI) Shares**”), to our Company. The TCA Guangzhou (BVI) Shares were subsequently transferred to TCAH (BVI) Limited on 5 September 2016.

REORGANISATION EXERCISE

(iv) TCA Chongqing (BVI) Limited

TCA Chongqing (BVI) Limited (previously known as Gravity Way Limited) was incorporated in the BVI on 8 December 2015 under the BVI Companies Act as a BVI business company limited by shares. Following the incorporation of our Company on 18 December 2015, TCA Chongqing (BVI) Limited had on the same day allotted and issued 10 shares of no par value, representing 100% of the issued and paid-up share capital of TCA Chongqing (BVI) Limited (the “**TCA Chongqing (BVI) Shares**”), to our Company. The TCA Chongqing (BVI) Shares were subsequently transferred to TCAH (BVI) Limited on 5 September 2016.

In 2016, TCAH (BVI) Limited was incorporated in the BVI on 17 August 2016 under the BVI Companies Act as a BVI business company limited by shares. On 29 August 2016, TCAH (BVI) Limited allotted and issued 1 share of par value US\$1.00, representing 100.0% of the issued and paid-up share capital of TCAH (BVI) Limited, to our Company.

Subsequently, on 5 September 2016, TCAH (BVI) Limited acquired the TCA Foshan (BVI) Shares, the TCA Shenzhen (BVI) Shares, the TCA Guangzhou (BVI) Shares and the TCA Chongqing (BVI) Shares from our Company, following which TCAH (BVI) Limited became the intermediate holding company and sole shareholder of each of TCA Foshan (BVI) Limited, TCA Shenzhen (BVI) Limited, TCA Guangzhou (BVI) Limited and TCA Chongqing (BVI) Limited.

(b) Landwealth Holdings Limited and Marine Pearl Limited

Landwealth Holdings Limited was incorporated in the BVI on 21 May 2013 under the BVI Companies Act as a BVI business company limited by shares. On 9 September 2016, our Controlling Shareholder, TCA International had acquired 10,000 shares of par value US\$1.00 each, representing 100.0% of the issued and paid-up share capital of Landwealth Holdings Limited (the “**Landwealth Holdings Shares**”), from Focus Win Investment Holdings Limited, an indirect wholly-owned subsidiary of TCA International. The acquisition was made for a consideration of HK\$199,214,000 which was based on the book value of the Landwealth Holdings Shares.

At the relevant time and as at the Latest Practicable Date, Landwealth Holdings Limited indirectly holds 100% of the equity interest in Shenzhen Shangxiantong, which in turn holds 100% of the equity interests in Chongqing Baize, which owns the Chongqing Property.

Marine Pearl Limited was incorporated in the BVI on 8 December 2015 under the BVI Companies Act as a BVI business company limited by shares. Following the incorporation of our Company on 18 December 2015, Marine Pearl Limited had on the same day allotted and issued 10 shares of no par value, representing 100% of the issued and paid-up share capital of Marine Pearl Limited, to our Company.

Subsequently, on 12 September 2016, Marine Pearl Limited acquired the Landwealth Holdings Shares from TCA International, following which Marine Pearl Limited became the intermediate holding company and sole shareholder of Landwealth Holdings Limited.

REORGANISATION EXERCISE

On 30 September 2018, Landwealth Holdings Limited acquired the entire issued share capital of Red Star (Shenzhen) Limited (together with its wholly-owned subsidiary Yaohua Automobile Management (previously known as Focus Win Automobile Management Service (Shenzhen) Co., Ltd.) from Mr. Andrew Chan, Mr. Francis Tjia and Mr. Raymond Woo (each as nominees of Star Investment Holdings Limited, an indirect wholly-owned subsidiary of TCA International). The acquisition was made for a nominal consideration of HK\$3.00 as Red Star (Shenzhen) Limited and Yaohua Automobile Management were loss-making entities at the relevant time, and each had accumulated losses and a negative book value. Yaohua Automobile Management was subsequently acquired by TCA Holdings (HK) Limited pursuant to a Group internal restructuring exercise in 2020, further details of which are set out under paragraph 4 of this section.

3. Acquisition of BMW Dealerships and McLaren Showrooms from TCA International

Following the establishment of our investment holding subsidiaries, our Company then acquired our dealerships and showrooms from the TCA International Group.

(a) Acquisition of BMW Dealerships

The shares of the following target companies were on 12 September 2016 acquired by the relevant transferees (being the BVI investment holding subsidiaries incorporated by our Company) from TCA International, as indicated in the table below:

Target Companies	Dealership/ Showroom owned and operated by Target Companies	Transferee	Consideration
Trans-China Automotive Holdings (FS) Limited (previously known as Focus Win (Foshan) Limited)	Foshan BMW Dealership (through Foshan Shenbao Automobile)	TCA Foshan (BVI) Limited	US\$4,915,702, which was calculated based on the estimated equity value of the Foshan BMW Dealership as derived from a multiple of its earnings in FY2015 of approximately US\$2,869,847 less net debt of approximately US\$10,358,795.
TCA Holdings (HK) Limited (previously known as Focus Win (Shenzhen) Limited)	Shenzhen BMW Dealership (through Shenzhen Chuangfengbao Automobile)	TCA Shenzhen (BVI) Limited	US\$8,173,050, which was calculated based on the estimated equity value of the Shenzhen BMW dealership as derived from a multiple of its earnings in FY2015 of approximately US\$2,201,965 less net debt of approximately US\$4,614,346.

REORGANISATION EXERCISE

Target Companies	Dealership/ Showroom owned and operated by Target Companies	Transferee	Consideration
Focus Win (Guangzhou) Limited	Guangzhou BMW Dealership (through Global Gallant Limited and Guangzhou Changbao Automobile)	TCA Guangzhou (BVI) Limited	US\$1,322,581, which was based on a discount of approximately US\$1,671,431 to the investment cost of the Guangzhou BMW Dealership. Focus Win (Guangzhou) Limited had a negative book value of approximately US\$10,905,761 and it was loss-making at the relevant time with accumulated losses of approximately US\$10,725,394 and losses of US\$3,174,588 in FY2015.
Focus Win (Chongqing) Limited	Chongqing BMW Dealership (through Chongqing Qingdeba Automobile)	TCA Chongqing (BVI) Limited	US\$5,041,990, which was based on a discount of approximately US\$4,551,377 to the investment cost of the Chongqing BMW Dealership. Focus Win (Chongqing) Limited had a book value of approximately US\$4,295,225 and it was loss-making at the relevant time with accumulated losses of approximately negative US\$4,553,693 and losses of approximately US\$744,449 in FY2015.

(b) Acquisition of McLaren Showrooms

On 31 December 2017, our Company acquired one (1) share, representing 100% of the issued and paid-up share capital of Auto Winning Limited, from Focus Win Group Limited, an indirect wholly-owned subsidiary of TCA International. The acquisition was made for a nominal consideration of US\$1.00 as Auto Winning Limited and its subsidiaries were loss-making entities at the relevant time, and each had accumulated losses and a negative book value.

At the time of the acquisition, Auto Winning Limited held 100% of the issued and paid up capital of Bright Promise Limited which in turn held 100% of the issued and paid up capital of Shenzhen Bright Focus Automobile.

REORGANISATION EXERCISE

At the time, Shenzhen Bright Focus Automobile held and as at the Latest Practicable Date holds 100% of the equity interests in Changsha Bright Focus Automobile, Wuhan Ruisheng Automobile and Guangzhou Ruisheng Automobile, which own and operate the Changsha McLaren Showroom, Wuhan McLaren Showroom and Guangzhou McLaren Showroom and Guangzhou McLaren Workshop respectively. Shenzhen Bright Focus Automobile itself as at the Latest Practicable Date owns and operates the Shenzhen McLaren Showroom.

(c) Acquisition of Shenzhen Lotus Showroom

On 30 September 2019, our wholly-owned subsidiary Auto Winning Limited acquired 100% of the issued and paid-up share capital of N-Tech Services from Red Star Holdings (HK) Limited, an indirect wholly-owned subsidiary of TCA International. The acquisition was made for a nominal consideration of HK\$1.00 as N-Tech Services and its subsidiaries were loss-making entities at the relevant time, and each had accumulated losses and a negative book value.

At the time, N-Tech Services Limited held 100% of the issued and paid up capital of Shenzhen Qifeng Automobile which at the Latest Practicable Date owns and operates the Shenzhen Lotus Showroom.

N-Tech Services Limited's interest in Shenzhen Qifeng Automobile was subsequently transferred to Yaohua Automobile Management on 31 August 2021, further details of which are set out under paragraph 4 of this section.

4. Further Reorganisation in 2020 and 2021

On 19 August 2020, TCA Holdings (HK) Limited acquired 100% of the equity interest of Yaohua Automobile Management from Red Star (Shenzhen) Limited, a subsidiary of our Group.

Subsequently, our Group undertook an internal reorganisation pursuant to which Yaohua Automobile Management, acquired:

- (i) 100% of the equity interests in Guangzhou Changbao Automobile, which owns and operates the Guangzhou BMW Dealership, from Global Gallant Limited on 28 January 2021;
- (ii) 100% of the equity interests in Chongqing Qingdebao Automobile, which owns and operates the Chongqing BMW Dealership, from Focus Win (Chongqing) Limited on 25 January 2021;
- (iii) 100% of the equity interests in Shenzhen Bright Focus Automobile, which owns and operates or which holds 100% of the equity interests in the entities which own and operate the Shenzhen McLaren Showroom, Changsha McLaren Showroom, Wuhan McLaren Showroom and Guangzhou McLaren Showroom and Guangzhou McLaren Workshop, from Bright Promise Limited on 8 January 2021; and
- (iv) 100% of the equity interests in Shenzhen Qifeng Automobile, which owns and operates the Shenzhen Lotus Showroom, from N-Tech Services Limited on 31 August 2020.

REORGANISATION EXERCISE

On 31 December 2020, our Group through Red Star Holdings (HK) Limited further completed the acquisition of all the shares in Guangdong Yaohua Leasing from TCA International, and on 19 July 2021, Yaohua Automobile Management acquired 100% of the issued paid-up share capital of Guangdong Yaohua Leasing from Red Star Holdings (HK) Limited. Guangdong Yaohua Leasing is a leasing company which holds licence plates and provides these to our Shenzhen BMW Dealership for demonstration cars.

5. Share Repurchase

On 15 April 2017, our Company entered into a share repurchase agreement with TCA International in relation to the repurchase by our Company of one (1) ordinary share of par value US\$1.00 in the capital of our Company from TCA International at the purchase price of RMB475,000,000. The share repurchase was completed on 31 December 2020.

6. Capital Reduction Exercise by our Company

In 2021, our Company effected a capital reduction exercise which resulted in, *inter alia*, the reduction of the par value of each of our issued shares with a par value of US\$1.00 each in the capital of our Company from US\$1.00 to US\$0.10, by the cancellation of the paid-up share capital of our Company to the extent of US\$0.90 on each of the shares with a par value of US\$1.00 in the capital of our Company in issue on the effective date of the capital reduction, and the issued and paid-up share capital of our Company was reduced from US\$49,932,395 divided into 49,932,395 shares with a par value of US\$1.00 each in the capital of our Company to US\$4,993,239.50 divided into 49,932,395 shares with a par value of US\$0.10 each in the capital of our Company. The capital reduction was confirmed by an Order of the Grand Court of the Cayman Islands dated 23 June 2021 (as amended on 30 June 2021), and the minute and court order in respect of the capital reduction was registered by the Registrar of Companies in the Cayman Islands on 24 June 2021. Further details of the capital reduction may be found in the section entitled “Share Capital” of this Offer Document.

7. Share Split

On 17 September 2021, our Company effected a share split exercise which resulted in 49,932,395 ordinary shares of par value US\$0.10 each in the issued share capital of our Company being sub-divided into 499,323,950 Shares of par value US\$0.01 each.

To the best of our knowledge and based on the due diligence conducted by our respective legal advisers, the respective steps in the Reorganisation Exercise have been carried out in compliance with applicable laws and regulations. It is also noted that the M&A Rules are not applicable to the Reorganisation Exercise, which was an internal reorganisation exercise which did not result in any change to TCA International as our Controlling Shareholder.

The current corporate structure of our Group as at the Latest Practicable Date is as follows:



- (1) Guangdong Yaohua Leasing has two (2) branch offices, namely in Shenzhen and Foshan.
- (2) Shenzhen Bright Focus Automobile has one (1) branch office in Nanshan.
- (3) Guangzhou Ruisheng Automobile has one (1) branch office in Tianhe.

GROUP STRUCTURE

Details of our Group's operating subsidiaries are as follows:

Name of company	Date and place of incorporation	Principal country of business	Effective equity interest held by our Group (%)	Principal activities	Directors	Auditor ⁽²⁾
Foshan Shenbao Automobile 佛山市坤宝汽车销售服务有限公司	26 Aug 2005 PRC	PRC	100.0	Automobile and spare parts sales and after-sales services	Mr. Francis Tjia, Mr. Roger Chan and Mr. Raymond Woo	Foshan Jin'anda Accounting Firm (General Partnership) (佛山市金安达会计师事务所(普通合伙))
Shenzhen Chuangfengbao Automobile 深圳市创丰宝汽车销售服务有限公司	29 Dec 2009 PRC	PRC	100.0	Automobile and spare parts sales and after-sales services	Mr. Francis Tjia, Mr. Michael Cheung and Mr. Raymond Woo	Guangzhou Zhengxin Certified Public Accountants (General Partnership) (深圳金牛会计师事务所(普通合伙))
Guangzhou Changbao Automobile 广州市昌宝汽车销售服务有限公司	8 Jun 2011 PRC	PRC	100.0	Automobile and spare parts sales and after-sales services	Mr. Francis Tjia, Mr. Michael Cheung and Mr. Raymond Woo	Guangzhou Zhengxin Certified Public Accountants (广州证信会计师事务所)
Chongqing Qingdebao Automobile 重庆市庆德宝汽车销售服务有限公司	24 Aug 2011 PRC	PRC	100.0	Automobile and spare parts sales and after-sales services	Mr. Francis Tjia, Mr. Michael Cheung and Mr. Raymond Woo	Chongqing Jiuzhou Accounting Firm (General Partnership) (重庆九洲会计师事务所(普通合伙))
Shenzhen Bright Focus Automobile 深圳市创兴盛汽车销售服务有限公司	19 Nov 2013 PRC	PRC	100.0	Automobile and spare parts sales, after-sales services, and investment holding	Mr. Raymond Woo	Shenzhen Jinniu Accounting Firm (General Partnership) (深圳长江会计师事务所(普通合伙))
Shenzhen Qifeng Automobile 深圳市祺烽汽车销售服务有限公司	11 Nov 2014 PRC	PRC	100.0	Automobile and spare parts sales	Mr. Francis Tjia, Mr. Michael Cheung and Mr. Raymond Woo	Shenzhen Jinniu Accounting Firm (General Partnership) (深圳长江会计师事务所(普通合伙))

GROUP STRUCTURE

Name of company	Date and place of incorporation	Principal country of business	Effective equity interest held by our Group (%)	Principal activities	Directors	Auditor ⁽²⁾
Yaohua Automobile Management 耀华汽车管理服务(深圳)有限公司	21 Sep 2012 PRC	PRC	100.0	Corporate management, automobile and spare parts sales	Mr. Francis Tjia, Mr. Roger Chan and Mr. Raymond Woo	Shenzhen Jinniu Accounting Firm (General Partnership) (深圳长江会计师事务所(普通合伙))
Changsha Bright Focus Automobile 长沙创兴盛汽车销售服务有限公司	19 Nov 2014 PRC	PRC	100.0	Automobile and spare parts sales	Mr. Raymond Woo	None appointed
Wuhan Ruisheng Automobile 武汉市锐盛汽车销售服务有限公司	13 Jul 2018 PRC	PRC	100.0	Automobile and spare parts sales	Mr. Raymond Woo	None appointed
Guangzhou Ruisheng Automobile 广州市锐盛汽车销售服务有限公司	26 Jul 2017 PRC	PRC	100.0	Automobile, spare parts sales and after-sales services	Mr. Raymond Woo	None appointed
Chongqing Baize 重庆百泽实业有限公司	5 Apr 1999 PRC	PRC	100.0	Property holding and leasing ⁽¹⁾	Mr. Francis Tjia	None appointed
Guangdong Yaohua Leasing 广东耀华租赁有限公司	25 June 2013 PRC	PRC	100.0	Leasing	Mr. Francis Tjia, Mr. Michael Cheung and Mr. Roger Chan	Shenzhen Changjiang Certified Public Accountants (General Partnership) (深圳长江会计师事务所(普通合伙))

Notes:

- (1) The Chongqing BMW Dealership is presently located on a plot of land with a property owned by our Group which is held by Chongqing Baize. Please refer to section entitled "General Information on our Group – Material Properties and Fixed Assets" of this Offer Document for further details.
- (2) It is not a mandatory legal requirement under PRC laws for each of these companies to appoint an auditor. However, our Group has engaged auditors to conduct statutory filings of certain of our key PRC subsidiaries, and our Independent Auditor and Reporting Accountant, PricewaterhouseCoopers LLP, is also engaged as our Group auditor and audits the accounts of all of our subsidiaries including these key PRC subsidiaries on a consolidated basis.

GROUP STRUCTURE

Details of our Group's investment holding subsidiaries are as follows:

Name of company	Date and place of incorporation	Principal country of business	Effective equity interest held by our Group (%)	Principal activities
TCAH (BVI) Limited	17 Aug 2016 BVI	BVI ⁽¹⁾	100.0	Investment holding
AUTO WINNING LIMITED 銳勝有限公司	8 Aug 2013 BVI	BVI ⁽¹⁾	100.0	Investment holding
MARINE PEARL LIMITED	8 Dec 2015 BVI	BVI ⁽¹⁾	100.0	Investment holding
TCA Foshan (BVI) Limited	8 Dec 2015 BVI	BVI ⁽¹⁾	100.0	Investment holding
TCA Shenzhen (BVI) Limited	8 Dec 2015 BVI	BVI ⁽¹⁾	100.0	Investment holding
TCA Guangzhou (BVI) Limited	30 Oct 2015 BVI	BVI ⁽¹⁾	100.0	Investment holding
TCA Chongqing (BVI) Limited	8 Dec 2015 BVI	BVI ⁽¹⁾	100.0	Investment holding
LANDWEALTH HOLDINGS LIMITED 原裕控股有限公司	21 May 2013 BVI	BVI ⁽¹⁾	100.0	Investment holding
Trans-China Automotive Holdings (FS) Limited 耀驊汽車控股(佛山)有限公司	24 Jun 2010 Hong Kong	Hong Kong	100.0	Investment holding
TCA Holdings (HK) Limited 耀驊汽車控股(香港)有限公司	19 Apr 2010 Hong Kong	Hong Kong	100.0	Investment holding
Focus Win (Guangzhou) Limited 創豐盛(廣州)有限公司	23 May 2011 Hong Kong	Hong Kong	100.0	Investment holding
Global Gallant Limited 球俊有限公司	29 Aug 2014 Hong Kong	Hong Kong	100.0	Investment holding
Focus Win (Chongqing) Limited 創豐盛(重慶)有限公司	23 May 2011 Hong Kong	Hong Kong	100.0	Investment holding
Bright Promise Limited 俊諾有限公司	9 Aug 2013 Hong Kong	Hong Kong	100.0	Investment holding
N-Tech Services Limited 安盛服務有限公司	25 Apr 2014 Hong Kong	Hong Kong	100.0	Investment holding
Power Summit Corporation Limited 培峰有限公司	8 Nov 2012 Hong Kong	Hong Kong	100.0	Investment holding
Red Star (Shenzhen) Limited 紅星(深圳)有限公司	4 Nov 2010 Hong Kong	Hong Kong	100.0	Investment holding
Shenzhen Shangxiantong 深圳市尚賢同企業諮詢管理服務有限公司	24 Aug 2012 PRC	PRC	100.0	Investment holding

Note:

(1) Based on country of incorporation, as the company is an investment holding company and does not carry on any business activities other than passive holding of investment in subsidiaries.

Save as disclosed above, there are no other subsidiaries, subsidiary entities, associated companies and associated entities of our Group.

None of our subsidiaries is listed on any stock exchange.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following selected consolidated financial information should be read in conjunction with the full text of this Offer Document, including the sections entitled “Management’s Discussion and Analysis of Results of Operations and Financial Position” of this Offer Document, Audited Consolidated Financial Statements and Unaudited Interim Condensed Consolidated Financial Statements as set out in Appendix A and Appendix B of this Offer Document respectively.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(RMB'000)	Audited			Unaudited	
	FY2018	FY2019	FY2020	1Q2020	1Q2021
Revenue	3,533,914	3,769,503	4,213,990	696,511	1,293,185
Cost of sales	(3,318,199)	(3,484,231)	(3,897,841)	(637,891)	(1,180,232)
Gross profit	215,715	285,272	316,149	58,620	112,953
Other income	79,339	57,319	86,597	10,450	24,800
Other (losses)/gains, net	(3,131)	(4,042)	5,346	(1,359)	6,812
Selling expenses	(90,355)	(88,416)	(98,918)	(17,053)	(22,299)
Administrative expenses	(123,628)	(136,743)	(143,646)	(28,831)	(45,895)
Reversal of provision for impairment of property, plant and equipment	—	—	29,701	—	—
Operating profit	77,940	113,390	195,229	21,827	76,371
Finance income	2,737	1,852	917	184	433
Finance costs	(60,886)	(66,368)	(59,426)	(15,498)	(16,312)
Finance costs, net	(58,149)	(64,516)	(58,509)	(15,314)	(15,879)
Profit before income tax	19,791	48,874	136,720	6,513	60,492
Income tax expense	(16,979)	(25,317)	(26,811)	(3,606)	(13,653)
Profit for the year/period	2,812	23,557	109,909	2,907	46,839
Other comprehensive (loss)/ income					
<i>Items that may be reclassified to profit or loss:</i>					
Currency translation differences	(17,723)	(3,773)	22,281	(3,798)	(2,152)
Total comprehensive (loss)/ income for the year/period	(14,911)	19,784	132,190	(891)	44,687
Pre-Invitation EPS⁽¹⁾⁽²⁾ (\$ cents)	0.1	0.9	4.4	0.1	1.9
Post-Invitation EPS⁽²⁾⁽³⁾ (\$ cents)	0.1	0.8	3.8	0.1	1.6

Notes:

- (1) For comparative purposes, the pre-Invitation EPS for the Period Under Review have been computed based on the profit for the financial year/period divided by our pre-Invitation issued share capital of 499,323,950 Shares.
- (2) Based on exchange rates of S\$1: RMB4.914, S\$1: RMB5.062, S\$1: RMB5.004, S\$1: RMB5.020 and S\$1: RMB4.862, being the average exchange rates for FY2018, FY2019, FY2020, 1Q2020 and 1Q2021 respectively.
- (3) For comparative purposes, the post-Invitation EPS for the Period Under Review have been computed based on the profit for the financial year/period divided by our post-Invitation issued share capital of 584,323,950 Shares.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(RMB'000)	← Audited →			← Unaudited →
	As at 31 December 2018	As at 31 December 2019	As at 31 December 2020	As at 31 March 2021
ASSETS				
Non-current assets				
Property, plant and equipment	136,744	129,098	171,849	170,167
Right-of-use assets	256,647	249,333	328,733	322,209
Intangible assets	82,137	81,330	80,523	80,321
Deferred income tax assets	5,628	4,603	5,467	6,085
Prepayment	—	—	3,738	—
	481,156	464,364	590,310	578,782
Current assets				
Inventories	288,508	414,171	248,801	254,559
Trade and other receivables	228,699	187,153	183,153	161,244
Prepayments and deposits	107,021	132,609	408,486	172,933
Amounts due from fellow subsidiaries	34,556	17,774	20,454	24,925
Financial assets at fair value through profit or loss	—	—	2,502	2,515
Pledged bank deposits	313,881	163,871	149,537	219,386
Cash and cash equivalents	117,640	88,563	105,815	309,551
	1,090,305	1,004,141	1,118,748	1,145,113
Total assets	1,571,461	1,468,505	1,709,058	1,723,895
Equity attributable to the owner of the Company				
Share capital	284,435	292,422	330,175	330,175
Share premium	—	1,526	8,316	8,316
Reserves	(138,683)	(142,456)	(137,584)	(139,736)
Accumulated losses	(249,497)	(225,940)	(121,446)	(74,607)
Total (deficits)/equity	(103,745)	(74,448)	79,461	124,148

SELECTED CONSOLIDATED FINANCIAL INFORMATION

	← Audited →	← Unaudited →		
(RMB'000)	As at 31 December 2018	As at 31 December 2019	As at 31 December 2020	As at 31 March 2021
LIABILITIES				
Non-current liabilities				
Bank and other borrowings	228,446	209,459	186,133	142,278
Lease liabilities	131,892	131,972	219,414	216,274
Deferred income tax liabilities	40,521	41,798	41,264	40,897
Amount due to the immediate holding company	160,000	189,836	133,937	122,944
	560,859	573,065	580,748	522,393
Current liabilities				
Trade and bills payable	495,976	341,264	389,064	318,569
Accruals and other payables	47,774	44,967	59,964	70,496
Contract liabilities	149,135	187,173	165,308	112,518
Amount due to the immediate holding company	63,407	—	—	—
Bank and other borrowings	314,873	343,865	405,634	538,183
Lease liabilities	6,609	10,440	12,631	12,507
Convertible notes	23,724	24,701	—	—
Current income tax liabilities	12,849	17,478	16,248	25,081
	1,114,347	969,888	1,048,849	1,077,354
Total liabilities	1,675,206	1,542,953	1,629,597	1,599,747
Total equity and liabilities	1,571,461	1,468,505	1,709,058	1,723,895
NAV per Share ⁽¹⁾⁽²⁾ (\$\$ cents)	(4.1)	(2.9)	3.2	5.1

Notes:

- (1) For comparative purposes, the NAV per Share has been computed based on our total equity divided by our pre-Invitation issued share capital of 499,323,950 Shares.
- (2) Based on exchange rates of S\$1: RMB5.046, S\$1: RMB5.178, S\$1: RMB4.940 and S\$1: RMB4.873, being the closing exchange rates as at 31 December 2018, 2019, 2020 and 31 March 2021 respectively.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following selected consolidated financial information should be read in conjunction with the full text of this Offer Document, including the sections entitled “Management’s Discussion and Analysis of Financial Position and Results of Operations” of this Offer Document and Unaudited Pro Forma Consolidated Financial Information as set out in Appendix C of this Offer Document.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(RMB'000)	← Unaudited →	
	As at 31 December 2020	As at 31 March 2021
ASSETS		
Non-current assets		
Property, plant and equipment	171,849	170,167
Right-of-use assets	328,733	322,209
Intangible assets	80,523	80,321
Deferred income tax assets	5,467	6,085
Prepayments	3,738	—
	590,310	578,782
Current assets		
Inventories	248,801	254,559
Trade and other receivables	183,153	161,244
Prepayments and deposits	408,486	172,933
Amounts due from fellow subsidiaries	20,454	24,925
Financial assets at fair value through profit or loss	2,502	2,515
Pledged bank deposits	149,537	219,386
Cash and cash equivalents	105,815	309,551
	1,118,748	1,145,113
Total assets	1,709,058	1,723,895
Equity attributable to the owner of the Company		
Share capital	33,017	33,017
Share premium	—	—
Reserves	57,059	54,907
Accumulated losses	(10,615)	36,224
Total equity	79,461	124,148

SELECTED CONSOLIDATED FINANCIAL INFORMATION

(RMB'000)	← Unaudited →	
	As at 31 December 2020	As at 31 March 2021
LIABILITIES		
Non-current liabilities		
Bank and other borrowings	186,133	142,278
Lease liabilities	219,414	216,274
Deferred income tax liabilities	41,264	40,897
Amount due to the immediate holding company	133,937	122,944
	580,748	522,393
Current liabilities		
Trade and bills payable	389,064	318,569
Accruals and other payables	59,964	70,496
Contract liabilities	165,308	112,518
Bank and other borrowings	405,634	538,183
Lease liabilities	12,631	12,507
Current income tax liabilities	16,248	25,081
	1,048,849	1,077,354
Total liabilities	1,629,597	1,599,747
Total equity and liabilities	1,709,058	1,723,895
NAV per Share⁽¹⁾⁽²⁾ (S\$ cents)	3.2	5.1

Notes:

- (1) For comparative purposes, the NAV per Share has been computed based on our total equity divided by our pre-Invitation issued share capital of 499,323,950 Shares.
- (2) Based on exchange rates of S\$1: RMB4.940 and S\$1: RMB4.873, being the closing exchange rates as at 31 December 2020 and 31 March 2021 respectively.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

BASIS OF PREPARATION

The Unaudited Pro Forma Consolidated Financial Information, as set out in Appendix C of this Offer Document, has been prepared for illustrative purposes only. The objective of the Unaudited Pro Forma Consolidated Financial Information is to show what our consolidated statement of financial position would have been as at 31 December 2020 and 31 March 2021 if the capital reduction exercise (as described below) (“**Capital Reduction Exercise**”) effected by our Company had occurred on 31 December 2020 and 31 March 2021 respectively.

Capital Reduction Exercise

On 24 June 2021, our Company completed the Capital Reduction Exercise which resulted in:

- (i) the reduction of the par value of each of our Company’s shares with a par value of US\$1.00 each in the capital of our Company from US\$1.00 to US\$0.10, by the cancellation of the paid-up share capital of our Company to the extent of US\$0.90 on each of the shares with a par value of US\$1.00 in the capital of our Company in issue on the effective date of the capital reduction. The issued and paid-up share capital of our Company was reduced from US\$49,932,395 (RMB330,175,225) divided into 49,932,395 shares to US\$4,993,239.50 (RMB33,017,522) divided into 49,932,395 shares with a par value of US\$0.10 each in the capital of our Company; and
- (ii) the share premium account of our Company was reduced from US\$1,222,826.55 (RMB8,315,597) to nil by the cancellation of the entire sum.

For avoidance of doubt, the pro forma adjustments do not have any material effect on the consolidated financial performance of our Group for the financial year ended 31 December 2020 and the three-months ended 31 March 2021 and the consolidated cash flows of our Group for the financial year ended 31 December 2020 and the three-months ended 31 March 2021. Accordingly, the unaudited pro forma consolidated statement of comprehensive income for the financial year ended 31 December 2020 and the three-months ended 31 March 2021 and the unaudited pro forma consolidated statement of cash flow for the financial year ended 31 December 2020 and the three-months ended 31 March 2021 have not been presented.

The Unaudited Pro Forma Consolidated Financial Information is not necessarily indicative of the results of the operations, cash flows, or the related effects on the financial position of our Group that would have been attained had the Capital Reduction Exercise actually occurred earlier. Due to the nature of the Unaudited Pro Forma Consolidated Financial Information, such unaudited pro forma consolidated financial information may not give a true picture of the actual financial position or performance of our Group. No adjustment was made to the audited consolidated statements of comprehensive income and cash flows for FY2020 and unaudited interim condensed consolidated statements of comprehensive income and cash flows for 1Q2021 as the unaudited pro forma consolidated statements of comprehensive income and cash flows for FY2020 and 1Q2021 is the same, in all material respects, as the audited consolidated statements of comprehensive income and cash flows for FY2020 and unaudited interim condensed consolidated statements of comprehensive income and cash flows for 1Q2021.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The selected Unaudited Pro Forma Consolidated Financial Information should be read in conjunction with the full text of this Offer Document, including the “Independent Auditor’s Assurance Report on the Compilation of Unaudited Pro Forma Consolidated Financial Information of Trans-China Automotive Holdings Limited and its subsidiaries for the Financial Year Ended 31 December 2020 and the Three Months Ended 31 March 2021”, set out as Appendix C of this Offer Document.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

The following discussion of our Group's results of operations and financial position for the Period Under Review has been prepared by our management and should be read in conjunction with the Audited Consolidated Financial Statements, Unaudited Interim Condensed Consolidated Financial Statements and the Unaudited Pro Forma Consolidated Financial Information as set out in Appendices A, B and C to this Offer Document, respectively, and the related notes elsewhere in this Offer Document.

This discussion contains forward-looking statements that involve risks and uncertainties. Our Group's actual results may differ significantly from those projected in the forward-looking statements. Factors that may cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this Offer Document, particularly in the section entitled "Risk Factors" of this Offer Document. Under no circumstances should the inclusion of such forward-looking statements herein be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions by our Company, the Issue Manager and Full Sponsor, the Underwriter and Placement Agent or any other person. Investors are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date hereof. Please refer to the section entitled "Cautionary Note on Forward-Looking Statements" of this Offer Document for further details.

OVERVIEW

We specialise in the business of automobile dealerships in the premium and ultra-premium market segments in the PRC, which includes: (i) the sale of automobiles; and (ii) the provision of after-sales services, which include maintenance and repair services, and sale of automobile parts and accessories. As an ancillary business, our Group also provides automobile agency services, which include related automobile registration, financing and insurance services in the PRC. As at the Latest Practicable Date, we carry automobile brands comprising BMW, McLaren and Lotus, and have dealerships in cities in the PRC, namely in Foshan, Shenzhen, Guangzhou, Chongqing, Changsha and Wuhan.

Please refer to the section entitled "General Information on our Group – Business Overview" of this Offer Document for further details.

Revenue

We derive our revenue primarily from the sale of new automobiles and the provision of after-sales services. Our operations are in the PRC and substantially all of our revenue is generated within the PRC during the Period Under Review.

We retail new premium and ultra-premium automobiles, which include BMW automobiles, McLaren automobiles and Lotus automobiles. From time to time, we are also engaged in the sale of pre-owned automobiles obtained by us through customer trade-ins as well as auction companies and other suppliers of pre-owned automobiles. Revenue from the sale of automobiles is recognised when the control of the automobiles is transferred to the customer at a point in time, being when the automobiles are delivered to the customers, the customers have full discretion over the channel and price to sell the automobiles, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. Delivery occurs when the automobiles have been shipped to the specified location, the risk of obsolescence and loss have been transferred to the customers. During the Period Under Review, revenue from the sale of automobiles was mainly derived from BMW automobiles, McLaren automobiles and Lotus automobiles.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

From time to time, we fulfil orders of automobiles received from outside the PRC, mainly relating to sale of limited edition models of McLaren automobiles which, at the time of the order, are available in the PRC but limited in supply outside the PRC. During the Period Under Review, revenue generated from sale of automobiles to outside the PRC contributed approximately 0.6%, 0.4%, 0.6% and 1.7% to our total revenue in FY2018, FY2019, FY2020 and 1Q2021 respectively and constituted approximately 0.7%, 0.4%, 0.7% and 1.9% of our total revenue from sale of automobiles in FY2018, FY2019, FY2020 and 1Q2021 respectively.

We also provide after-sales services to our customers, which include repair and maintenance services and sale of automobile parts and accessories. Revenue from the provision of after-sales services is recognised when the relevant services are rendered without further performance obligations. For the Period Under Review, we only provided after-sales services for the brands which we sold under our dealership agreements and arrangements.

Our revenue amounted to approximately RMB3,533.9 million, RMB3,769.5 million, RMB4,214.0 million, RMB696.5 million and RMB1,293.2 million for FY2018, FY2019, FY2020, 1Q2020 and 1Q2021 respectively.

The breakdown of our revenue in 1Q2020 and during the Period Under Review are set out below:

	FY2018		FY2019		FY2020		1Q2020		1Q2021	
	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%
Sale of automobiles	3,081,559	87.2	3,251,704	86.3	3,703,958	87.9	608,170	87.3	1,167,522	90.3
Provision of after-sales services	452,355	12.8	517,799	13.7	510,032	12.1	88,341	12.7	125,663	9.7
Total	3,533,914	100.0	3,769,503	100.0	4,213,990	100.0	696,511	100.0	1,293,185	100.0

No geographical information is presented herein as our Group's revenue is substantially generated within the PRC. For avoidance of doubt, revenue generated from fulfilling automobile orders outside of the PRC represents less than 2.0% of our total revenue in any given financial year/period during the Period Under Review as set out above.

Our revenue is mainly dependent on, *inter alia*, the following factors:

- (a) the demand for premium and ultra-premium automobiles in the PRC, which is affected by, *inter alia*, economic conditions, personal disposable income and level of intervention from the government in PRC;
- (b) the products and support of our automobile OEMs in relation to, *inter alia*, supply of high-quality and popular new automobiles, automobile accessories and spare parts, product defects and automobile recalls, and branding, marketing and promotional activities of the automobile OEMs;
- (c) changes in laws and regulations in relation to automobile ownership in the PRC;
- (d) our ability to maintain our business relationships with our key suppliers such as automobile OEMs;

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

- (e) our ability to compete effectively in the automobile industry with competitors in this market in terms of, *inter alia*, brand, service, quality, delivery time and price; and
- (f) our ability to continue to retain the services of our key management personnel.

Please refer to the sections entitled “Risk Factors – Risks relating to our Business and Industry” and “Risk Factors – Risks relating to the PRC” of this Offer Document for other factors which may affect our revenue.

Cost of sales

Cost of sales comprises mainly purchase cost of automobiles and purchase cost of automobile parts and accessories from our Distributors.

Cost of sales amounted to approximately RMB3,318.2 million, RMB3,484.2 million, RMB3,897.8 million, RMB637.9 million and RMB1,180.2 million which accounted for approximately 93.9%, 92.4%, 92.5%, 91.6% and 91.3% of our revenue in FY2018, FY2019, FY2020, 1Q2020 and 1Q2021 respectively.

The breakdown of our cost of sales in 1Q2020 and during the Period Under Review are set out below:

	FY2018		FY2019		FY2020		1Q2020		1Q2021	
	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%
Purchase cost of automobiles	3,053,599	92.0	3,181,844	91.3	3,596,397	92.3	589,501	92.4	1,108,678	93.9
Purchase cost of automobile parts and accessories	264,600	8.0	302,387	8.7	301,444	7.7	48,390	7.6	71,554	6.1
Total	3,318,199	100.0	3,484,231	100.0	3,897,841	100.0	637,891	100.0	1,180,232	100.0

Cost of sales comprises mainly the purchase cost of automobiles and the purchase cost of automobile parts and accessories which include the provision for write-down of automobiles that sell slowly and direct labour costs. We purchase new automobiles and automobile parts and accessories from the Distributors whom we have dealership agreements and arrangements with. Direct labour costs comprise mainly salaries and other staff-related expenses of our employees involved in repair and maintenance of automobiles.

Our cost of sales is mainly dependent on, *inter alia*, the following factors:

- (a) automobile OEM's policies on, *inter alia*, model allocation, purchase targets and incentive rebates. Our purchase cost of new automobiles and automobile parts and accessories from automobile OEMs are determined by the automobile OEMs. Our purchase cost of new automobiles is net of incentive rebates expected to be received from the automobile OEMs. We have no control or influence over their pricing, business strategies or rebate strategy;
- (b) changes in import tariff in the PRC. Since May 2018, custom duties payable to the Chinese Customs were calculated based on 15.0% of the cost of a new automobile. Any increase in the charges imposed by the Chinese Customs will significantly affect our cost of sales; and
- (c) changes in laws and regulations applicable to the automobile industry which could increase our cost of sales.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

Please refer to the sections entitled “Risk Factors – Risks relating to our Business and Industry” and “Risk Factors – Risks relating to the PRC” of this Offer Document for other factors which may affect our cost of sales.

Gross profit and gross profit margin

Gross profit is determined after deducting cost of sales incurred from our revenue. Accordingly, our gross profit margin was approximately 6.1%, 7.6%, 7.5%, 8.4% and 8.7% for FY2018, FY2019, FY2020, 1Q2020 and 1Q2021 respectively. Revenue from our provision of after-sales services commanded a higher gross profit margin compared to revenue from our sale of automobiles.

The breakdown of our gross profit in 1Q2020 and during the Period Under Review are set out below:

	FY2018		FY2019		FY2020		1Q2020		1Q2021	
	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%
Sale of automobiles	27,960	13.0	69,860	24.5	107,561	34.0	18,669	31.8	58,844	52.1
Provision of after-sales services	187,755	87.0	215,412	75.5	208,588	66.0	39,951	68.2	54,109	47.9
Total	215,715	100.0	285,272	100.0	316,149	100.0	58,620	100.0	112,953	100.0

The breakdown of our gross profit margin in 1Q2020 and during the Period Under Review are set out below:

	FY2018	FY2019	FY2020	1Q2020	1Q2021
	%	%	%	%	%
Sale of automobiles	0.9	2.1	2.9	3.1	5.0
Provision of after-sales services	41.5	41.6	40.9	45.3	43.0
Overall gross profit margin	6.1	7.6	7.5	8.4	8.7

Other income

Other income mainly comprises fees received from the provision of automobile agency services including handling and commission fees and commission from insurance companies.

Other income amounted to approximately RMB79.3 million, RMB57.3 million, RMB86.6 million, RMB10.5 million and RMB24.8 million which accounted for approximately 2.2%, 1.5%, 2.1%, 1.5% and 1.9% of our revenue in FY2018, FY2019, FY2020, 1Q2020 and 1Q2021 respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

The breakdown of our other income in 1Q2020 and during the Period Under Review are set out below:

	FY2018		FY2019		FY2020		1Q2020		1Q2021	
	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%
Handling and commission fees	55,905	70.4	39,261	68.5	48,541	56.1	6,709	64.2	19,812	79.9
Insurance commissions	18,631	23.5	15,088	26.3	14,429	16.7	2,988	28.6	2,888	11.6
Others ⁽¹⁾	4,803	6.1	2,970	5.2	23,627	27.2	753	7.2	2,100	8.5
Total	79,339	100.0	57,319	100.0	86,597	100.0	10,450	100.0	24,800	100.0

Note:

(1) Others include marketing rebates received from our Distributors, forfeited customer deposits and commissions from alternative automobile dealers when we refer our customers to undertake trade-ins of their pre-owned automobiles.

We charge our customers agency services fees related to sale of automobiles. Handling fees are fees we charge our customers for automobile license plate registration while commission fees refer to referral fees we receive for referring our customers to banks and the automobile OEMs (through their relevant financial services entity) for acquisition financing. Insurance commissions are fees we receive from insurance companies for distributing automobile insurance products through our dealerships.

We also recognise, under other income, marketing rebates received from our Distributors for reimbursement of marketing expenditures, forfeited deposits by customers and commissions from alternative automobile dealers when we refer our customers to undertake trade-ins of their pre-owned automobiles.

Other gains or losses – net

Other net gains or losses mainly comprise net gains or losses on disposal of property plant and equipment and fair value gains or losses on convertible notes and warrants.

Other net gains amounted to approximately RMB5.3 million and RMB6.8 million in FY2020 and 1Q2021 respectively while other net losses amounted to approximately RMB3.1 million, RMB4.0 million and RMB1.4 million in FY2018, FY2019 and 1Q2020 respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

The breakdown of our other net gains or losses in 1Q2020 and during the Period Under Review are set out below:

	FY2018 (RMB'000)	FY2019 (RMB'000)	FY2020 (RMB'000)	1Q2020 (RMB'000)	1Q2021 (RMB'000)
Fair value (loss)/gain on convertible notes	(8,024)	(1,615)	1,670	1,112	—
Fair value gain on warrants	546	—	—	—	—
Fair value gain on financial assets at FVPL	—	—	—	—	13
Gain on disposal of property, plant and equipment	6,499	2,566	3,736	688	3,266
Loss upon derecognition of convertible notes	—	(4,141)	—	—	—
Others ⁽¹⁾	(2,152)	(852)	(60)	(3,159)	3,533
Total	(3,131)	(4,042)	5,346	(1,359)	6,812

Note:

(1) Others comprise mainly foreign exchange gains or losses.

Selling expenses

Selling expenses mainly comprise advertising expenses, employee benefit expenses relating to sales commission paid to sales employees, office, communication and utilities expenses, taxes relating to stamp duties and luxury taxes which affect ultra-premium automobiles, depreciation of property, plant and equipment and depreciation of right-of-use assets.

Selling expenses amounted to approximately RMB90.4 million, RMB88.4 million, RMB98.9 million, RMB17.1 million and RMB22.3 million which accounted for approximately 2.6%, 2.3%, 2.3%, 2.4% and 1.7% of our revenue in FY2018, FY2019, FY2020, 1Q2020 and 1Q2021 respectively.

The breakdown of our selling expenses in 1Q2020 and during the Period Under Review are set out below:

	FY2018		FY2019		FY2020		1Q2020		1Q2021	
	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%
Advertising expenses	9,845	10.9	9,841	11.1	13,329	13.5	(736) ⁽¹⁾	(4.3)	1,812	8.1
Employee benefit expenses	26,109	28.9	28,763	32.5	32,636	33.0	6,141	36.0	9,478	42.5
Office, communication and utilities expenses	1,071	1.2	2,623	3.0	2,023	2.1	690	4.0	326	1.5
Other tax expenses	22,626	25.0	18,170	20.6	21,113	21.3	3,770	22.1	2,211	9.9
Depreciation of property, plant and equipment	30,704	34.0	29,019	32.8	29,817	30.1	7,188	42.2	8,472	38.0
Total	90,355	100.0	88,416	100.0	98,918	100.0	17,053	100.0	22,299	100.0

Note:

(1) In 1Q2020, we received certain refunds for previously prepaid advertising expenses as advertising and marketing events were cancelled as a result of COVID-19 related disruptions.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

Administrative expenses

Administrative expenses mainly comprise employee benefit expenses relating to salaries, bonuses and staff-related expenses, other tax expenses relating to business taxes such as urban maintenance and construction tax and embarkment tax relating to flood protection, depreciation of property, plant and equipment, depreciation of right-of-use assets, rental expenses, office, communication and utilities expenses, and legal and professional fees.

Administrative expenses amounted to approximately RMB123.6 million, RMB136.7 million, RMB143.6 million, RMB28.8 million and RMB45.9 million which accounted for approximately 3.5%, 3.6%, 3.4%, 4.1% and 3.5% of our revenue in FY2018, FY2019, FY2020, 1Q2020 and 1Q2021 respectively.

The breakdown of our administrative expenses in 1Q2020 and during the Period Under Review are set out below:

	FY2018		FY2019		FY2020		1Q2020		1Q2021	
	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%
Bank charges	3,484	2.8	2,713	2.0	2,843	2.0	717	2.5	543	1.2
Office, communication & utilities expenses	6,758	5.5	6,335	4.6	6,328	4.4	1,123	3.9	1,611	3.5
IT & security fees	4,477	3.6	5,013	3.7	5,172	3.6	1,206	4.2	2,514	5.5
Legal & professional fees	9,532	7.7	7,305	5.3	8,201	5.7	1,673	5.8	1,855	4.1
Travelling & entertainment expenses	5,610	4.6	4,204	3.1	2,988	2.1	561	1.9	658	1.4
Fuel & maintenance expenses	4,528	3.7	4,333	3.2	4,315	3.0	540	1.9	800	1.7
Other tax expenses	5,333	4.3	6,791	5.0	9,811	6.8	2,780	9.6	3,255	7.1
Operating lease rental in respect of offices & dormitories	5,459	4.4	4,030	3.0	4,335	3.0	864	3.0	1,068	2.3
Employee benefit expenses	58,885	47.6	75,489	55.2	78,011	54.3	14,595	50.6	24,215	52.8
IPO expenses	—	—	1,161	0.8	2,060	1.4	366	1.3	3,015	6.6
Depreciation & Amortisation	14,834	12.0	14,288	10.4	14,773	10.3	3,422	11.9	5,517	12.0
Others	4,728	3.8	5,081	3.7	4,809	3.4	984	3.4	844	1.8
Total	123,628	100.0	136,743	100.0	143,646	100.0	28,831	100.0	45,895	100.0

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

Finance costs, net

Net finance costs comprise mainly interest expense on bills payable, bank and other borrowings, and lease liability, partially offset by interest income on cash deposits.

Net finance costs amounted to approximately RMB58.1 million, RMB64.5 million, RMB58.5 million, RMB15.3 million and RMB15.9 million which accounted for approximately 1.6%, 1.7%, 1.4%, 2.2% and 1.2% of our revenue in FY2018, FY2019, FY2020, 1Q2020 and 1Q2021 respectively.

Income tax expense

Income tax expense comprises current income tax and deferred income tax. We are mainly subject to the prevailing tax regulations of the PRC and Hong Kong in which the applicable corporate income tax rate for 1Q2020 and the Period Under Review was 25% for the PRC and 16.5% for Hong Kong.

Income tax expense was approximately RMB17.0 million, RMB25.3 million, RMB26.8 million, RMB3.6 million and RMB13.7 million in FY2018, FY2019, FY2020, 1Q2020 and 1Q2021 respectively. The effective tax rate was 85.9%, 51.7%, 19.6%, 55.4% and 22.6% in FY2018, FY2019, FY2020, 1Q2020 and 1Q2021 respectively.

Our effective tax rate in FY2018, FY2019 and 1Q2020 was higher than the PRC statutory tax rate due to certain expenses incurred such as off-shore finance costs on long-term borrowings, which were non-deductible for taxation purposes in FY2018, FY2019 and 1Q2020.

REVIEW OF PAST PERFORMANCE

FY2019 vs FY2018

Revenue

Our total revenue increased by approximately RMB235.6 million or 6.7% from approximately RMB3,533.9 million in FY2018 to approximately RMB3,769.5 million in FY2019. The increase was primarily due to an increase in both the sale of automobiles and after-sales services revenue.

Revenue from sale of automobiles increased by approximately RMB170.1 million or 5.5% from approximately RMB3,081.6 million in FY2018 to approximately RMB3,251.7 million in FY2019, primarily due to an increase in the volume of automobiles sold through our BMW dealerships. The units sold in FY2018 was 8,846 compared with 9,339 units sold in FY2019 which offset a lower average unit price due to lower priced model mix.

Revenue from provision of after-sales services increased by approximately RMB65.4 million or 14.5% from approximately RMB452.4 million in FY2018 to approximately RMB517.8 million in FY2019, primarily due to the increased after-sales services business generated from the growing customer base associated with new automobile sales in our dealerships.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

Cost of sales

Our cost of sales increased by approximately RMB166.0 million or 5.0% from approximately RMB3,318.2 million in FY2018 to approximately RMB3,484.2 million in FY2019. The increase in cost of sales was in tandem with the increase in revenue from the sale of automobiles and the provision of after-sales services.

Cost of sales attributable to automobile sales increased by approximately RMB128.2 million or 4.2% from approximately RMB3,053.6 million FY2018 to approximately RMB3,181.8 million in FY2019, mainly due to the increase in sales volume.

Cost of sales attributable to the provision of after-sales services increased by approximately RMB37.8 million or 14.3% from approximately RMB264.6 million in FY2018 to approximately RMB302.4 million in FY2019, mainly due to higher after-sales services volume.

Gross profit and gross profit margin

Our gross profit increased by approximately RMB69.6 million or 32.3% from approximately RMB215.7 million in FY2018 to approximately RMB285.3 million in FY2019. Our overall gross profit margin increased from approximately 6.1% in FY2018 to 7.6% in FY2019. The increase in gross profit was attributable to higher gross margins from the sale of new automobiles and higher volume of automobile sales and after-sales services.

Gross profit from automobile sales increased by approximately RMB41.9 million or 149.6% from approximately RMB28.0 million in FY2018 to approximately RMB69.9 million in FY2019. The increase in gross profit from automobile sales was mainly attributable to a realised higher gross margin and an increase in volume of automobiles sold in FY2019 compared to FY2018. The gross profit margin from sale of automobiles increased from approximately 0.9% in FY2018 to approximately 2.1% in FY2019 partly due to sales of a newly launched automobile model in 2019 and a stronger demand for premium and ultra-premium automobiles in our dealerships which in turn lowered discounts granted to customers for new automobile sales.

Gross profit from after-sales services increased by approximately RMB27.6 million or 14.7% from approximately RMB187.8 million in FY2018 to approximately RMB215.4 million in FY2019. The increase in gross profit was in tandem with the higher after-sales services revenue. The gross profit margin for after-sales services remained stable at approximately 41.5% in FY2018 and approximately 41.6% in FY2019.

Other income

Our other income decreased by approximately RMB22.0 million or 27.7% from approximately RMB79.3 million in FY2018 to approximately RMB57.3 million in FY2019. The decrease in other income was mainly attributable to a decrease in handling and commission fees and insurance commission. In FY2018, we had offered customers more discounts on automobile sales for certain automobile models that were nearing the end of their product cycle, which resulted in higher units of such automobile models being sold, and in turn generated higher handling and commission fees and insurance commission. In FY2019, the gross margins on sale of automobiles were higher and consequently we charged lower handling and commission fees and insurance agency fees.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

Other gains or losses – net

Our other losses increased by approximately RMB911,000 or 29.1% from approximately RMB3.1 million in FY2018 to approximately RMB4.0 million in FY2019. In FY2019, we recorded a lower loss relating to the fair value measurement on our convertible notes, but recorded approximately RMB4.1 million loss on derecognition of the convertible notes. This is partially offset by lower gain on disposal of property, plant and equipment of approximately RMB2.6 million in FY2019 compared with approximately RMB6.5 million in FY2018.

Selling expenses

Our selling expenses decreased by approximately RMB2.0 million or 2.2% from approximately RMB90.4 million in FY2018 to approximately RMB88.4 million in FY2019. Employee benefit expenses and office, communication and utilities expenses increased in tandem with increase in revenue offset by lower purchase taxes as a result of new automobile sales in FY2019 comprising automobiles with slightly lower priced model mix, and lower depreciation of right-of-use assets. Advertising expenses remained fairly constant.

Administrative expenses

Our administrative expenses increased by RMB13.1 million or 10.6% from RMB123.6 million in FY2018 to RMB136.7 million in FY2019. The increase in administrative expenses was primarily attributable to higher employee benefit expenses as a result of higher headcount at our head offices to support larger scale of operations and higher local business taxes (such as urban maintenance and construction tax and flood prevention tax) which increased in proportion with total revenue. This increase was partially offset by lower legal and professional fees, travelling and entertainment expenses and operating lease rental.

Finance costs, net

Our net finance costs increased by approximately RMB6.4 million or 11.0% from approximately RMB58.1 million in FY2018 to approximately RMB64.5 million in FY2019. The increase in net finance costs was attributable to the full year effect of term loan obtained in July 2018 (“**Term Loan**”) and partially off-set by lower finance cost on bills payable as a result of lower interest rates.

Income tax expense

Our income tax expense increased by approximately RMB8.3 million or 48.8% from approximately RMB17.0 million in FY2018 to approximately RMB25.3 million in FY2019. The increase in income tax expense was attributable to the higher profit before taxation achieved. Our effective income tax rate decreased from approximately 85.9% in FY2018 to approximately 51.7% in FY2019, mainly due to the increased profitability of our operating subsidiaries.

Profit for the year

As a result of the foregoing, our profit after income tax increased by approximately RMB20.8 million or 742.9% from approximately RMB2.8 million in FY2018 to approximately RMB23.6 million in FY2019.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

FY2020 vs FY2019

Revenue

Our total revenue increased by approximately RMB444.5 million or 11.8% from approximately RMB3,769.5 million in FY2019 to approximately RMB4,214.0 million in FY2020. The increase was attributable to an increase in the sale of automobiles and partially offset by a decrease in after-sales services revenue.

Revenue from sale of automobiles increased by approximately RMB452.3 million or 13.9% from approximately RMB3,251.7 million in FY2019 to approximately RMB3,704.0 million in FY2020, primarily due to an increase in both average unit price and the volume of automobiles sold. The average unit price increased due to a higher priced model mix and more ultra-premium automobiles sold. The volume of automobiles sold increased from 9,339 units in FY2019 to 10,152 units in FY2020. Notwithstanding the operational disruptions brought about by the COVID-19 pandemic in the first and second quarter of FY2020, new automobile sales improved over the successive quarters, mainly due to the rebounding PRC economy and increased demand for private automobiles as the COVID-19 restrictions abated.

Revenue from provision of after-sales services decreased by approximately RMB7.8 million or 1.5% from approximately RMB517.8 million in FY2019 to approximately RMB510.0 million in FY2020, primarily due to shutdowns of our dealerships and showrooms in February and March 2020 as a result of the COVID-19 pandemic which halted after-sales services demand and operations. After-sales services revenue recovered in the third and fourth quarter of 2020 after the easing of the COVID-19 restrictions and following the reopening of our dealerships and showrooms in April 2020.

Cost of sales

Our cost of sales increased by approximately RMB413.6 million or 11.9% from approximately RMB3,484.2 million in FY2019 to approximately RMB3,897.8 million in FY2020. The increase in cost of sales was in tandem with the increase in revenue from the sale of automobiles partially offset by lower cost of sales attributable to after-sales services as a result of lower after-sales services volume.

Cost of sales attributable to automobile sales increased by approximately RMB414.6 million or 13.0% from approximately RMB3,181.8 million in FY2019 to approximately RMB3,596.4 million in FY2020, mainly due to the increase in sales volume.

Cost of sales attributable to the provision of after-sales services decreased by approximately RMB1.0 million or 0.3% from approximately RMB302.4 million in FY2019 to approximately RMB301.4 million in FY2020, mainly due to lower after-sales services volume.

Gross profit and gross profit margin

Our gross profit increased by approximately RMB30.8 million or 10.8% from approximately RMB285.3 million in FY2019 to approximately RMB316.1 million in FY2020. Our overall gross profit margin remained relatively stable at approximately 7.5% in FY2020 compared to 7.6% in FY2019. The increase in gross profit was attributable to higher gross margins from the sale of new automobiles and higher volume of automobile sales.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

Gross profit from automobile sales increased by approximately RMB37.7 million or 53.9% from approximately RMB69.9 million in FY2019 to approximately RMB107.6 million in FY2020. The increase in gross profit from automobile sales was mainly attributable to a realised higher gross margin and an increase in volume of automobiles sold in FY2020 compared to FY2019. The gross profit margin for sale of automobiles increased from approximately 2.1% in FY2019 to approximately 2.9% in FY2020 as a result of lower discounts on automobiles sales due to strong economy post the COVID-19 shutdowns and continued popularity of BMW branded automobiles.

Gross profit from after-sales services decreased by approximately RMB6.8 million or 3.2% from approximately RMB215.4 million in FY2019 to approximately RMB208.6 million in FY2020. The decrease in gross profit is in tandem with the lower after-sales services revenue. The gross profit margin for after-sales services decreased from approximately 41.6% in FY2019 to approximately 40.9% in FY2020. The decrease in gross profit margin for after-sales services was primarily due to our after-sales labour costs incurred notwithstanding a decrease in after-sales revenue in FY2020.

Other income

Our other income increased by approximately RMB29.3 million or 51.1% from approximately RMB57.3 million FY2019 to approximately RMB86.6 million in FY2020. The increase in other income was mainly attributable to an increase in handling and commission fees which was in tandem with the increase in volume of automobile sales and an increase in forfeited customer deposits particularly at our ultra-premium automobile division where there were more customer cancellations due to various reasons including some customers being unable to obtain financing, inability to travel to China or cancelling large discretionary purchases. These increases were partially offset by decrease in insurance commission due to lower insurance referral incentives granted by insurance companies.

Other gains or losses – net

Our other gains were approximately RMB5.3 million in FY2020 compared to a net loss of approximately RMB4.0 million in FY2019. We recognised fair value gain on convertible notes of approximately RMB1.7 million in FY2020 compared to a loss of approximately RMB1.6 million in FY2019. In addition, we recognised gain on disposal of property, plant and equipment of approximately RMB3.7 million in FY2020 compared to RMB2.6 million in FY2019.

Selling expenses

Our selling expenses increased by approximately RMB10.5 million or 11.9% from approximately RMB88.4 million in FY2019 to approximately RMB98.9 million in FY2020. The increase in selling expenses was in tandem with the increase in revenue, and was primarily attributable to increase in advertising expenses, employee benefit expenses, depreciation of right-of-use assets and purchase taxes, partially offset by decrease in office, communication and utilities expenses.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

Administrative expenses

Our administrative expenses increased by approximately RMB6.9 million or 5.0% from approximately RMB136.7 million in FY2019 to approximately RMB143.6 million in FY2020. The increase was primarily attributable to employee benefit expenses and business taxes due to the increase in our scale of operations. This decrease was partially offset by a decrease in travelling and entertainment expenses.

Reversal of Provision for Impairment of Property Plant and Equipment

In FY2020, we had partially reversed the provision charge of approximately RMB38.4 million taken on our property, plant and equipment of our Chongqing Qingdebao Automobile in FY2014. Approximately RMB29.7 million were reversed as a result of Chongqing Qingdebao Automobile's profitability in FY2019 and FY2020.

Chongqing Qingdebao Automobile was not profitable prior to FY2019 primarily because of low customer and after-sales traffic in the area then. Chongqing BMW Dealership is located in a then rapidly developing suburb of Chongqing, which is outside of the main downtown area. Furthermore, prior to FY2019, there was a road construction in front of Chongqing BMW Dealership which affected customer traffic into the dealership.

Over the intervening years, a new subway line was opened in the area with a station situated near Chongqing BMW Dealership. The surrounding neighbourhood started to be populated which further increased commercial activities in the area. Furthermore, a shopping centre adjacent to the Chongqing BMW Dealership was built, which contributed to higher customer traffic into Chongqing BMW Dealership and improved the business significantly.

Finance costs, net

Our net finance costs decreased by approximately RMB6.0 million or 9.3% from approximately RMB64.5 million in FY2019 to approximately RMB58.5 million in FY2020. The decrease in net finance costs was attributable to lower interest rates on our bank borrowings and bills payable. We also repaid part of the Term Loan which lowered the average outstanding balance.

Income tax expense

Our income tax expense increased by approximately RMB1.5 million or 5.9% from approximately RMB25.3 million in FY2019 to approximately RMB26.8 million in FY2020. The increase in income tax expense was attributable to the higher profit before taxation achieved. Our effective income tax rate decreased from approximately 51.7% in FY2019 to 19.6% in FY2020, mainly due to the increased profitability of certain operating subsidiaries which utilised tax loss carry forwards to offset current income tax expenses.

Profit for the year

As a result of the foregoing, our profit after income tax increased by approximately RMB86.3 million or 365.7% from approximately RMB23.6 million in FY2019 to approximately RMB109.9 million in FY2020.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

1Q2021 vs 1Q2020

Revenue

Our total revenue increased by approximately RMB596.7 million or 85.7% from approximately RMB696.5 million in 1Q2020 to approximately RMB1,293.2 million in 1Q2021. The increase was attributable to an increase in both the sale of automobiles and after-sales services revenue and partly due to the COVID-19 related disruptions which our dealerships experienced in 1Q2020.

Revenue from sale of automobiles increased by approximately RMB559.3 million or 92.0% from approximately RMB608.2 million in 1Q2020 to approximately RMB1,167.5 million in 1Q2021, primarily due to an increase in volume of automobiles sold, partially offset by decrease in average unit price. The average unit price decreased due to the lower priced model mix of automobiles sold and, in particular, fewer McLaren automobiles were sold in 1Q2021 compared to 1Q2020 as a result of supply constraints of ultra-premium automobiles due to strong demand since the COVID-19 pandemic which impacted ultra-premium automobile sales in 1Q2021. The volume of automobiles sold increased from 1,513 units in 1Q2020 to 3,104 units in 1Q2021, mainly from sales through our BMW dealerships.

Revenue from provision of after-sales services increased by approximately RMB37.4 million or 42.4% from approximately RMB88.3 million in 1Q2020 to approximately RMB125.7 million in 1Q2021, primarily due to increased after-sales services business generated from the growing customer base associated with automobile sales in our dealerships. After-sales services revenue was significantly affected by the COVID-19 related disruptions in 1Q2020 due to shutdowns in February and March 2020 which halted after-sales services demand and operations. Furthermore, the citywide shutdowns in 1Q2020 resulted in lesser automobile usage and consequently reduced the demand for automobile maintenance and repair.

Cost of sales

Our cost of sales increased by approximately RMB542.3 million or 85.0% from approximately RMB637.9 million in 1Q2020 to approximately RMB1,180.2 million in 1Q2021. The increase in cost of sales was in tandem with the increase in revenue from the sale of automobiles and provision of after-sales services.

Cost of sales attributable to automobile sales increased by approximately RMB519.2 million or 88.1% from approximately RMB589.5 million in 1Q2020 to approximately RMB1,108.7 million in 1Q2021, mainly due to the increase in sales volume.

Cost of sales attributable to the provision of after-sales services increased by approximately RMB23.2 million or 47.9% from approximately RMB48.4 million in 1Q2020 to approximately RMB71.6 million in 1Q2021, mainly due to higher after-sales services volume in 1Q2021 and lower rebates received in 1Q2021 for purchase of automobile spare parts.

Gross profit and gross profit margin

Our gross profit increased by approximately RMB54.4 million or 92.8% from approximately RMB58.6 million in 1Q2020 to approximately RMB113.0 million in 1Q2021. Our overall gross profit margin improved from 8.4% for 1Q2020 compared to 8.7% for 1Q2021. The increase in gross profit was attributable to higher gross margins from the sale of new automobiles and higher volume of automobile sales.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

Gross profit from automobile sales increased by approximately RMB40.1 million or 214.4% from approximately RMB18.7 million in 1Q2020 to approximately RMB58.8 million in 1Q2021. The increase in gross profit from automobile sales was mainly attributable to a realised higher gross margin and an increase in volume of automobiles sold in 1Q2021 compared to 1Q2020. The gross profit margin for sale of automobiles increased from approximately 3.1% in 1Q2020 to approximately 5.0% in 1Q2021 as a result of a lower discounts on automobiles sales due to strong economy post COVID-19 shutdowns and continued popularity of BMW branded automobiles.

Gross profit from after-sales services increased by approximately RMB14.1 million or 35.3% from approximately RMB40.0 million in 1Q2020 to approximately RMB54.1 million in 1Q2021. The increase in gross profit from after-sales services is in tandem with the higher after-sales services revenue. The gross profit margin for after-sales services decreased from approximately 45.3% in 1Q2020 to approximately 43.0% in 1Q2021. The decrease in gross profit margin for after-sales services was primarily due to higher rebates received in 1Q2020 for purchase of automobile spare parts.

Other income

Our other income increased by approximately RMB14.3 million or 136.2% from approximately RMB10.5 million in 1Q2020 to approximately RMB24.8 million in 1Q2021. The increase in other income was mainly attributable to an increase in handling and commission fees which was in tandem with the increase in volume of automobile sales, partially offset by a slight decrease in insurance commission due to lower insurance referral incentives granted by insurance companies.

Other gains or losses – net

Our other gains were approximately RMB6.8 million in 1Q2021 compared to a loss of approximately RMB1.4 million in 1Q2020. We recognised gain on disposal of property, plant and equipment in 1Q2021 of approximately RMB3.3 million compared to approximately RMB688,000 in 1Q2020. We also recorded foreign exchange gain of approximately RMB3.5 million in 1Q2021 compared to foreign exchange loss of approximately RMB2.9 million in 1Q2020.

Selling expenses

Our selling expenses increased by approximately RMB5.2 million or 30.4% from approximately RMB17.1 million in 1Q2020 to approximately RMB22.3 million in 1Q2021. The increase in selling expenses was in tandem with the increase in revenue, and was primarily attributable to higher advertising expenses and employee benefit expenses relating to sales commissions paid to sales employees in relation to the 92.0% increase in new automobile revenue. This is partially offset by a decrease in purchase taxes due to a decline in sales of ultra-premium automobiles by approximately RMB1.6 million or 42.1% from approximately RMB3.8 million in 1Q2020 to approximately RMB2.2 million 1Q2021. In 1Q2020, we also received certain refunds for previously prepaid advertising expenses as advertising and marketing events were cancelled as a result of the COVID-19 related disruptions.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

Administrative expenses

Our administrative expenses increased by approximately RMB17.1 million or 59.4% from approximately RMB28.8 million in 1Q2020 to approximately RMB45.9 million in 1Q2021. The increase was primarily due to higher employee benefit expenses and IT expenses due to the increase in our scale of operations, depreciation and amortisation expenses and IPO expenses incurred in preparation for the Listing.

Finance costs, net

Our net finance costs increased by approximately RMB0.6 million or 3.9% from approximately RMB15.3 million in 1Q2020 to approximately RMB15.9 million in 1Q2021, mainly due to higher interest costs on lease liabilities and bills payables.

Income tax expense

Our income tax expense increased by approximately RMB10.1 million or 280.6% from approximately RMB3.6 million in 1Q2020 to approximately RMB13.7 million in 1Q2021. The increase in income tax expense was primarily attributable to the higher profit before taxation achieved. Our effective income tax rate decreased from approximately 55.4% in 1Q2020 to approximately 22.6% in 1Q2021, mainly due to non-tax deductible costs such as our Company's head office expenses and borrowing costs representing a smaller component of taxable profits.

Profit for the year

As a result of the foregoing, our profit after income tax increased by approximately RMB43.9 million or 1,513.8% from approximately RMB2.9 million in 1Q2020 to RMB46.8 million in 1Q2021.

REVIEW OF FINANCIAL POSITION

Reconciliation of the audited and unaudited pro forma consolidated statements of financial position as at 31 December 2020

Based on the unaudited pro forma consolidated statements of financial position as at 31 December 2020, our Group wrote off accumulated losses of approximately RMB110.8 million against the reserves of our Group in respect of the Capital Reduction Exercise as set out below:

Equity attributable to the owner of the Company	Before Capital Reduction Exercise (RMB'000)	Reserve Adjustment (RMB'000)	Accumulated Loss Adjustment (RMB'000)	After Capital Reduction Exercise (RMB'000)
Share capital	330,175	(297,158)	–	33,017
Share premium	8,316	(8,316)	–	–
Reserves	(137,584)	305,474	(110,831)	57,059
(Accumulated losses)/Retained profits	(121,446)	–	110,831	(10,615)
Total equity	79,461	–	–	79,461

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

Overall, there was no change in the shareholders' equity and no adjustments were made to total assets and total liabilities as at 31 December 2020 on a pro forma basis.

Reconciliation of unaudited pro forma consolidated statements of financial position as at 31 March 2021

Based on the unaudited pro forma consolidated statements of financial position as at 31 March 2021, our Group wrote off accumulated losses of approximately RMB110.8 million against the reserves of our Group in respect of the Capital Reduction Exercise as set out below.

Equity attributable to the owner of the Company	Before Capital Reduction Exercise	Reserve Adjustment	Accumulated Loss Adjustment	After Capital Reduction Exercise
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Share capital	330,175	(297,158)	–	33,017
Share premium	8,316	(8,316)	–	–
Reserves	(139,736)	305,474	(110,831)	54,907
(Accumulated losses)/Retained profits	(74,607)	–	110,831	36,224
Total equity	124,148	–	–	124,148

Overall, there was no change in the shareholders' equity and no adjustments were made to total assets and total liabilities as at 31 March 2021 on a pro forma basis.

As at 31 December 2020

Non-current assets

As at 31 December 2020, our non-current assets of approximately RMB590.3 million accounted for approximately 34.5% of our total assets. Our non-current assets comprise property, plant and equipment, right-of-use assets, intangible assets, deferred income tax assets and prepayments.

Property, plant and equipment as at 31 December 2020 amounted to approximately RMB171.8 million or 29.1% of our total non-current assets. Our property, plant and equipment comprise mainly leasehold improvements, plant and machinery, furniture, fixtures and office equipment and automobiles.

Rights-of-use assets as at 31 December 2020 amounted to approximately RMB328.7 million or 55.7% of our total non-current assets. Our right-of-use assets comprise mainly land use rights, buildings and automobiles.

Intangible assets as at 31 December 2020 amounted to approximately RMB80.5 million or 13.7% of our total non-current assets. Our intangible assets comprise dealership rights and goodwill.

Deferred income tax assets as at 31 December 2020 amounted to approximately RMB5.5 million or 0.9% of our total non-current assets.

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Prepayments as at 31 December 2020 amounted to approximately RMB3.7 million or 0.6% of our total non-current assets. Our prepayments comprise ongoing investments in leasehold improvements and property, plant and equipment.

Current assets

As at 31 December 2020, our current assets of approximately RMB1,118.7 million accounted for approximately 65.5% of our total assets. Our current assets comprise inventories, trade and other receivables, prepayments and deposits, amounts due from fellow subsidiaries, financial assets at fair value through profit or loss, pledged bank deposits and cash and cash equivalents.

Inventories as at 31 December 2020 amounted to approximately RMB248.8 million or 22.2% of our total current assets. Our inventories comprise mainly automobiles and spare parts. The material changes in our inventories during the Period Under Review was mainly dependent on our anticipated sales volume and sales targets and the timing of the scheduled deliveries of the new automobiles ordered including delays in deliveries.

Trade and other receivables as at 31 December 2020 amounted to approximately RMB183.2 million or 16.4% of our total current assets. Our trade and other receivables comprise mainly trade receivables, rebate receivables and other receivables. The material changes in our trade receivables during the Period Under Review was mainly dependent on the amount of outstanding receivables from new car customers that have approved financing awaiting disbursement and aftersales sales customers.

Prepayments and deposits as at 31 December 2020 amounted to approximately RMB408.5 million or 36.5% of our total current assets. Our prepayments and deposits comprise mainly prepayments to automobile OEMs, deposits on our leased premises, and deposits to certain financial institutions as security for our working capital facilities. The material changes in our prepayments and deposits during the Period Under Review was mainly dependent on our inventory orders as such orders require us to place deposits with the automobile OEMs. We also place security deposits with the automobile OEMs related financial services entities for their inventory financing credit facilities.

Amounts due from fellow subsidiaries as at 31 December 2020 amounted to approximately RMB20.5 million or 1.8% of our total current assets. Amounts due from fellow subsidiaries are unsecured, interest free, receivable on demand and their carrying values approximate their fair values.

Financial assets at fair value through profit or loss at 31 December 2020 amounted to approximately RMB2.5 million or 0.2% of our total current assets. Financial assets at fair value through profit or loss comprise our Group's investment in listed securities. Our Executive Director, Executive Chairman and CEO, Mr. Francis Tjia, and our Executive Director and CFO, Mr. Michael Cheung are responsible for making such investment decisions and providing oversight. Such investment activities are not expected to be a material part of our Group's principal activities and assets following our Listing. For avoidance of doubt, the investment has since been divested in 2Q2021.

Pledged bank deposits as at 31 December 2020 amounted to approximately RMB149.5 million or 13.4% of our total current assets. Pledged bank deposits comprise cash pledged for bills payable granted by financial institutions to certain subsidiaries of our Group. The material changes in our

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pledged bank deposits during the Period Under Review was mainly due to bills payable and bank and other borrowings balances as at financial year/period end. Whilst pledged bank deposits generally vary proportionately with bills payable and bank and other borrowings, there have been instances where financial institutions require lower pledged bank deposits.

Cash and cash equivalents as at 31 December 2020 amounted to approximately RMB105.8 million or 9.5% of our total current assets.

Non-current liabilities

As at 31 December 2020, our non-current liabilities of RMB580.7 million accounted for approximately 35.6% of our total liabilities. Our non-current liabilities comprise bank and other borrowings, lease liabilities, deferred income tax liabilities and amount due to our immediate holding company.

Bank and other borrowings as at 31 December 2020 amounted to approximately RMB186.1 million or 32.0% of our total non-current liabilities. Certain borrowings of our Group were secured by pledge of assets of our Group, and corporate and personal guarantees by certain related parties of our Group. The material changes in our bank and other borrowings during the Period Under Review was mainly due to drawdown of banking and credit facilities available to our Group as well as repayments for such facilities.

Lease liabilities as at 31 December 2020 amounted to approximately RMB219.4 million or 37.8% of our total non-current liabilities. Our lease liabilities comprise land use rights, buildings and automobiles. The material change in our lease liabilities when compared to as at 31 December 2019 is due to the lease renewal for the property occupied by Foshan BMW Dealership for a period of 15 years.

Deferred income tax liabilities as at 31 December 2020 amounted to approximately RMB41.3 million or 7.1% of our total non-current liabilities.

Amounts due to our immediate holding company as at 31 December 2020 amounted to approximately RMB133.9 million or 23.1% of our total non-current liabilities. Amounts due to our immediate holding company, TCA International, are unsecured, interest free, repayable on demand and its carrying value approximate its fair values.

Current liabilities

As at 31 December 2020, our current liabilities of RMB1,048.8 million accounted for 64.4% of our total liabilities. Our current liabilities comprise trade and bills payable, accruals and other payables, contract liabilities, bank and other borrowings, lease liabilities and income tax liabilities.

Trade and bills payable as at 31 December 2020 amounted to approximately RMB389.1 million or 37.1% of our total current liabilities. Trade and bills payable comprise mainly bills payable. The material changes in our trade and bills payables during the Period Under Review was mainly dependent on our inventory levels. For purchase of new automobiles, we make full payment of the purchase price of new automobiles before delivery of the new automobiles to us and this is financed with bills payables that we obtain from automobile OEMs related financial services entities.

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Accruals and other payables as at 31 December 2020 amounted to approximately RMB60.0 million or 5.7% of our total current liabilities.

Contract liabilities as at 31 December 2020 amounted to approximately RMB165.3 million or 15.8% of our total current liabilities. Contract liabilities comprise unused cash coupons issued by certain subsidiaries in our Group to customers for automobile maintenance services.

Bank and other borrowings as at 31 December 2020 amounted to approximately RMB405.6 million or 38.7% of our total current liabilities. Certain borrowings of our Group were secured by pledge of assets of our Group, and corporate and personal guarantees by certain related parties of our Group.

Lease liabilities as at 31 December 2020 amounted to approximately RMB12.6 million or 1.2% of our total current liabilities. Our lease liabilities comprise land use rights, buildings and automobiles.

Income tax liabilities as at 31 December 2020 amounted to approximately RMB16.2 million or 1.5% of our total current liabilities.

Shareholders' equity

As at 31 December 2020, our shareholders' equity amounted to approximately RMB79.5 million comprising mainly share capital of approximately RMB330.2 million, negative reserves of approximately RMB137.6 million consisting of capital reserve, shared-based reserve, exchange reserve and statutory reserve, and accumulated losses of approximately RMB121.4 million.

As at 31 March 2021

Non-current assets

As at 31 March 2021, our non-current assets of approximately RMB578.8 million accounted for approximately 33.6% of our total assets. Our non-current assets comprise property, plant and equipment, right-of-use assets, intangible assets and deferred income tax assets.

Property, plant and equipment as at 31 March 2021 amounted to approximately RMB170.2 million or 29.4% of our total non-current assets. Our property, plant and equipment comprise mainly leasehold improvements, plant and machinery, furniture, fixtures and office equipment and automobiles.

Rights-of-use assets as at 31 March 2021 amounted to approximately RMB322.2 million or 55.7% of our total non-current assets. Our right-of-use assets comprise mainly land use rights, buildings and automobiles.

Intangible assets as at 31 March 2021 amounted to approximately RMB80.3 million or 13.9% of our total non-current assets. Our intangible assets comprise dealership rights and goodwill.

Deferred income tax assets as at 31 March 2021 amounted to approximately RMB6.1 million or 1.0% of our total non-current assets.

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Current assets

As at 31 March 2021, our current assets of approximately RMB1,145.1 million accounted for approximately 66.4% of our total assets. Our current assets comprise inventories, trade and other receivables, prepayments and deposits, amounts due from fellow subsidiaries, financial assets at fair value through profit or loss, pledged bank deposits and cash and cash equivalents.

Inventories as at 31 March 2021 amounted to approximately RMB254.6 million or 22.2% of our total current assets. Our inventories comprise mainly automobiles and spare parts.

Trade and other receivables as at 31 March 2021 amounted to approximately RMB161.2 million or 14.1% of our total current assets. Our trade and other receivables comprise mainly trade receivables, rebate receivables and other receivables.

Prepayments and deposits as at 31 March 2021 amounted to approximately RMB172.9 million or 15.1% of our total current assets. Our prepayments and deposits comprise mainly prepayments to automobile OEMs, deposits on our leased premises, and deposits to certain financial institutions as security for our working capital facilities.

Amounts due from fellow subsidiaries as at 31 March 2021 amounted to approximately RMB24.9 million or 2.2% of our total current assets. Amounts due from fellow subsidiaries are unsecured, interest free, receivable on demand and their carrying values approximate their fair values.

Financial assets at fair value through profit or loss as at 31 March 2021 amounted to approximately RMB2.5 million or 0.2% of our total current assets. Financial assets at fair value through profit or loss comprise our Group's investment in listed securities. As mentioned above, our Executive Director, Executive Chairman and CEO, Mr. Francis Tjia, and our Executive Director and CFO, Mr. Michael Cheung are responsible for making such investment decisions and providing oversight, and such investment activities are not expected to be a material part of our Group's principal activities and assets following our Listing. For avoidance of doubt, the investment has since been divested in 2Q2021.

Pledged bank deposits as at 31 March 2021 amounted to approximately RMB219.4 million or 19.2% of our total current assets. Pledged bank deposits comprise cash pledged for bills payable granted by financial institutions to certain subsidiaries of our Group.

Cash and cash equivalents as at 31 March 2021 amounted to approximately RMB309.6 million or 27.0% of our total current assets.

Non-current liabilities

As at 31 March 2021, our non-current liabilities of RMB522.4 million accounted for approximately 32.7% of our total liabilities. Our non-current liabilities comprise bank and other borrowings, lease liabilities, deferred income tax liabilities and amount due to our immediate holding company.

Bank and other borrowings as at 31 March 2021 amounted to approximately RMB142.3 million or 27.3% of our total non-current liabilities. Certain borrowings of our Group were secured by pledge of assets of our Group, and corporate and personal guarantees by certain related parties of our Group.

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Lease liabilities as at 31 March 2021 amounted to approximately RMB216.3 million or 41.4% of our total non-current liabilities. Our lease liabilities comprise land use rights, buildings and automobiles.

Deferred tax income liabilities as at 31 March 2021 amounted to approximately RMB40.9 million or 7.8% of our total non-current liabilities.

Amounts due to our immediate holding company as at 31 March 2021 amounted to approximately RMB122.9 million or 23.5% of our total non-current liabilities. Amounts due to our immediate holding company, TCA International, are unsecured, interest free, repayable on demand and its carrying value approximate its fair values.

Current liabilities

As at 31 March 2021, our current liabilities of RMB1,077.4 million accounted for 67.3% of our total liabilities. Our current liabilities comprise trade and bills payable, accruals and other payables, contract liabilities, bank and other borrowings, lease liabilities and income tax liabilities.

Trade and bills payable as at 31 March 2021 amounted to approximately RMB318.6 million or 29.6% of our total current liabilities. Trade and bills payable comprise mainly bills payable.

Accruals and other payables as at 31 March 2021 amounted to approximately RMB70.5 million or 6.5% of our total current liabilities.

Contract liabilities as at 31 March 2021 amounted to approximately RMB112.5 million or 10.4% of our total current liabilities. Contract liabilities comprise unused cash coupons issued by certain subsidiaries in our Group to customers for automobile maintenance services.

Bank and other borrowings as at 31 March 2021 amounted to approximately RMB538.2 million or 50.0% of our total current liabilities. Certain borrowings of our Group were secured by pledge of assets of our Group, and corporate and personal guarantees by certain related parties of our Group.

Lease liabilities as at 31 March 2021 amounted to approximately RMB12.5 million or 1.2% of our total current liabilities. Our lease liabilities comprise land use rights, buildings and automobiles.

Income tax liabilities as at 31 March 2021 amounted to approximately RMB25.1 million or 2.3% of our total current liabilities.

Shareholders' equity

As at 31 March 2021, our shareholders' equity amounted to approximately RMB124.1 million comprising mainly share capital of approximately RMB330.2 million, negative reserves of approximately RMB139.7 million consisting of capital reserve, shared-based reserve, exchange reserve and statutory reserve, and accumulated losses of approximately RMB74.6 million.

Historical net liability position of our Group

Our Group was formed following a series of reorganisation exercise by our Controlling Shareholder, TCA International, post 2015 ("**Internal Reorganisation Exercise**"). Please refer to the section entitled "Reorganisation Exercise" of this Offer Document for further details.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

It should be noted that prior to the Internal Reorganisation Exercise, TCA International had historically extended intercompany loans to our Company's onshore PRC subsidiaries (during the time when they were part of the then enlarged TCA International Group) to fund investment and other start-up costs for the dealerships and showrooms.

The Internal Reorganisation Exercise was subsequently undertaken to rationalise our corporate structure for the purposes of the Invitation, and involved the acquisition by our Group from TCA International of assets comprising the Foshan BMW Dealership, the Shenzhen BMW Dealership, the Guangzhou BMW Dealership and the Chongqing BMW Dealership as well as the Chongqing Property, through the acquisition of the holding companies of these assets. As this was an internal reorganisation exercise, our Group had acquired the holding companies of these assets at consideration amounts based either on the equity value of the holding company, a discount to the investment cost of the underlying asset, or at nominal consideration due to the holding company being loss-making at the time, further details of which can be found under the section entitled "Reorganisation Exercise" of this Offer Document. During the Internal Reorganisation Exercise, the intercompany loans previously extended by TCA International effectively became intercompany balances between TCA International and our Company.

Subsequently, our Group had, in anticipation of new investors investing into our Company in 2017, sought to address the differences between the transfer value and fair value of the assets that were transferred from TCA International to our Group during the Internal Reorganisation Exercise, so that the value of TCA International's resultant equity in our Company would reflect the fair value of the assets transferred (assuming such fair value had been the basis of the consideration amounts paid for the transfers under the Internal Reorganisation Exercise), thereby ensuring that the investors investing in 2017 invest into our Company at a fair market value. It should be noted that prior to the investments in 2017, our Company was wholly-owned by TCA International.

Accordingly, on 15 April 2017, our Company entered into a share repurchase agreement with TCA International to repurchase one (1) Share ("**Share Repurchase**") from TCA International in order to:

- (i) settle the intercompany balances between TCA International and our Company which were created during the Internal Reorganisation Exercise that was undertaken to rationalise our corporate structure for the purposes of the Invitation when our Company's subsidiaries were part of the then enlarged TCA International Group; and
- (ii) address the differences in transfer value and fair value of the assets that were transferred from TCA International to our Company during the Internal Reorganisation Exercise to reflect a fair market value when the then new investors invested directly in our Company in 2017.

As a result of the Share Repurchase, a debit entry was made to other reserve of RMB475.0 million, which represented the consideration determined by an independent valuer appointed by our Company, and recorded on the balance sheet as a credit against amount due from immediate holding company which led to our Group being in net liability positions of RMB103.7 million and RMB74.4 million as at 31 December 2018 and 31 December 2019 respectively. This was due to the fact that whilst the transfer of the one (1) Share from TCA International to our Company pursuant to the Share Repurchase was completed on 31 December 2020, the relevant agreement to effect the Share Repurchase had been entered into by our Company on 15 April 2017.

Notwithstanding the above, our Group has since recorded positive total equity of RMB79.5 million and RMB124.1 million as at 31 December 2020 and 31 March 2021 respectively as a result of historically recording profits for the Period Under Review.

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LIQUIDITY AND CAPITAL RESOURCES

Source of Liquidity

As at the Latest Practicable Date, we have two (2) sources of cash categorised as internal and external sources. Internal sources refer to cash generated from our operating activities. External sources of funds comprise mainly borrowings from financial institutions, credit granted by suppliers and capital investment from shareholders. The principal uses of these cash sources are to finance purchases including automobiles from automobile OEMs and purchasing automobile parts and accessories, capital expenditure and operating expenses such as rental, payroll and administrative expenses.

Our Group had cash and cash equivalents of approximately RMB117.6 million, RMB88.6 million, RMB105.8 million and RMB309.6 million as at 31 December 2018, 2019, 2020 and 31 March 2021 respectively. The net cash flow from operating activities of our Group were approximately RMB106.9 million and RMB217.1 million in FY2020 and 1Q2021 respectively.

In assessing whether our Group has sufficient working capital for at least 12 months after the listing of our Company on the Catalist to meet our obligations as and when they fall due including our anticipated capital expenditure, our Directors have considered, *inter alia*, the following:

- (a) as at the Latest Practicable Date, our Group had cash and cash equivalents of approximately RMB86.3 million;
- (b) as at the Latest Practicable Date, our Group had aggregate banking facilities of approximately RMB1,656.9 million, of which approximately RMB744.1 million have been utilised, or 55.1% of the aggregate banking facilities remained unutilised;
- (c) our Group had a positive working capital of approximately RMB69.9 million and RMB67.8 million for FY2020 and 1Q2021 respectively;
- (d) our Group had a positive net cash flow from operating activities of approximately RMB106.9 million and RMB217.1 million for FY2020 and 1Q2021 respectively;
- (e) as at the Latest Practicable Date, our Company has an amount owing to TCA International of approximately RMB96,221,000. Our Group intends to repay approximately RMB41,221,000 of the amount owing, representing 42.8% of the total amount owing, prior to 31 December 2022. The repayment of the remaining RMB55,000,000 will be deferred to after 31 December 2022. The repayment will be made out of the future operating cashflows of our Group, taking into consideration, *inter alia*, the purchasing plans and working capital requirements of our Group and the repayment requirements of existing banking and/or credit facilities of our Group. Further, such repayment to TCA International will be subordinated to other primary operating costs of our Group including the payment of any potential fines and penalties in the unlikely event that our Group is imposed with such potential fines and penalties in respect of the various non-compliance issues we face. The repayment of the amounts owing to TCA International will be subject to the review of our Audit and Risk Committee;
- (f) our Group intends to repay its inventory related banking facilities as well as bills payable which are due within the 12 months after listing;

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- (g) our Group expects net cash flow from operating activities to increase as we expect to continue to experience strong demand for premium and ultra-premium automobile brands in the PRC, specifically, BMW, being one (1) of the leading automobile brands in the PRC according to the Independent Market Research Consultant;
- (h) the automobile dealership industry that our Group operates in has intensive capital requirements and the primary uses of cash are to fund our working capital requirements, the cost of purchasing automobiles from automobile OEMs and purchasing automobile parts and accessories. Historically, our Group has not had any material difficulties with its cash flow management and our ability to finance our operations; and
- (i) our Group uses cash on hand, short-term bank bills, and bank loans which are typically short term in nature due to PRC banking practices which typically offer bank loans and working capital financing of a period of twelve (12) months, to finance our working capital requirements. Historically, our Group has not had any material difficulties in our ability to repay or rollover our bank loans when due. Further, our Group does not foresee any material difficulties in the ability to obtain further banking and/or credit facilities to further supplement the working capital requirements of our Group, if required, given our Group's strong and stable relationships with our banks and other financial institutions. Historically, our Group also has not faced any material difficulties in obtaining banking and/or credit facilities, even during periods when our Group's indebtedness was higher than it is as at the Latest Practicable Date.

Please refer to the sections entitled "Management's Discussion and Analysis of Financial Position and Results of Operations – Capital Expenditure, Divestments, Commitments and Contingent Liabilities", "Capitalisation and Indebtedness" and "General Information on our Group – Prospects" of this Offer Document for further details.

Non-Compliance Issues

Properties Occupied by our Group

As highlighted in further detail in the sections entitled "Risk Factors – Risks Relating to our Business and Industry – Our Group may not have valid titles or rights to use certain properties and the required permits for construction, development and carrying out of our business operations on certain properties occupied by us" and "General Information on our Group – Material Properties and Fixed Assets" of this Offer Document, our Group faces issues of non-compliance with designated land usage in relation to properties on which certain of our dealerships and showrooms are located, which may result in confiscation of such properties by the PRC governmental authorities or imposition of penalties by the PRC governmental authorities on our Group.

However, as highlighted in the abovementioned sections, the Legal Adviser to the Invitation as to PRC Law, JTGC, is of the view that the risk of the relevant PRC government authorities imposing any fines or penalties on our Group for the non-compliant usage of the relevant lands and the risk of the relevant PRC government authorities confiscating any of the relevant lands occupied by the Shenzhen BMW Dealership, the Guangzhou BMW Dealership, the Guangzhou McLaren Showroom and the Guangzhou McLaren Workshop is low. There are also procedures in place for our Group to put up a defence before the PRC governmental authorities and subsequent period given to make rectifications.

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Further, any potential fines in respect of non-compliance with the designated use of the Guangzhou BMW Land, Guangzhou McLaren Showroom Land and Guangzhou McLaren Workshop would accrue on a daily basis if rectifications are not made within prescribed time limits, at a rate of RMB500,000, RMB31,629 and RMB85,500 per day respectively. As such, as of the Latest Practicable Date, it is not possible to quantify the amount of potential fines in respect of non-compliance with the designated use of the Guangzhou BMW Land, Guangzhou McLaren Showroom Land and Guangzhou McLaren Workshop. Accordingly, it would not be possible for our Company to quantify the aggregate adverse financial impact (including the potential fines, penalties and relocation costs) to our Group arising from non-compliance with the designated use of the Guangzhou BMW Land, Guangzhou McLaren Showroom Land and Guangzhou McLaren Workshop and certain of these amounts have therefore not been taken into consideration when evaluating the sufficiency of our Group's working capital.

Social insurance and housing provident funds

As highlighted in further detail in the section entitled "Risk Factors – We are subject to labour laws and regulations in the PRC" of this Offer Document, our Group may not have paid in full certain statutory social welfare benefits for our employees due to: (i) certain employees choosing not to make such contributions due to the different levels of acceptance of the social welfare system by employees (i.e. their willingness to make their corresponding contribution thereto); and (ii) differences in local regulations and inconsistent implementation and interpretations of the relevant PRC laws and regulations by local government authorities.

However, as highlighted in the abovementioned section, based on the relevant confirmation letters issued by and interviews with relevant PRC government authorities, and on the premise that there have been no complaints from relevant employees and no significant change in current policies and regulations, as well as implementation and supervision requirements of local government authorities, the Legal Adviser to the Invitation as to PRC Law, JTGC, is of the view that the risk of the relevant PRC government authorities requiring each of our PRC subsidiaries (as the case may be) other than the Five PRC Subsidiaries to settle: (i) the relevant historical outstanding social insurance contributions; (ii) the relevant historical outstanding housing provident fund contributions; and (iii) any material administrative penalties in respect of the historical outstanding social insurance contributions and historical outstanding housing provident fund contributions, is low.

HK Corporate Secretarial Irregularities

As highlighted in further detail in the section entitled "Risk Factors – We are subject to penalties in respect of certain corporate secretarial irregularities by our Hong Kong subsidiaries" of this Offer Document, our Group had previously breached certain provisions of the Companies Ordinance as a result of corporate filing irregularities.

As at the Latest Practicable Date, each of our Hong Kong subsidiaries have rectified the relevant HK Corporate Secretarial Irregularities to the extent practicable. It is to be noted that certain of the HK Corporate Secretarial Irregularities cannot be retrospectively cured and, accordingly, the relevant Hong Kong government authorities may subject our Hong Kong subsidiaries to penalties under the Companies Ordinance.

However, as highlighted in the abovementioned section, the Legal Advisor to our Company as to Hong Kong Law, Deacons, is of the view that the risk of our Group being challenged and/or penalised by the relevant Hong Kong government authorities in respect of the unrectified HK Corporate Secretarial Irregularities, is low.

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Ongoing civil proceedings

As disclosed in the section "Risk Factors – Risks Relating to our Business and Industry – Our Group may be involved in disputes and legal and other proceedings arising out of our operations from time to time and may face significant liabilities as a result" of this Offer Document, as at the Latest Practicable Date, our Group is involved as a defendant in certain ongoing proceedings with certain customers of our dealerships in respect of disputes over sales contracts and alleged product defects in the automobiles sold to these customers. Such proceedings with customers are part of disputes which our Group encounters within the ordinary course of our Group's business.

Remaining non-compliances

As highlighted in further detail in the sections entitled "Risk Factors – Risks Relating to our Business and Industry – Our Group may not have valid titles or rights to use certain properties and the required permits for construction, development and carrying out of our business operations on certain properties occupied by us" and "General Information on our Group – Material Properties and Fixed Assets" of this Offer Document: (i) out of our Group's 15 leases which are required to be registered with the relevant local branch, seven (7) remain unregistered; and (ii) Guangzhou McLaren Workshop lacks the Fire Protection Permit, notwithstanding that it had incorporated all the required fire safety equipment and conducted the necessary checks, however, has not submitted the results of such checks to the relevant PRC government authorities as the record filing process requires the cooperation of the Guangzhou McLaren Workshop Landlord.

However, as highlighted in the abovementioned section, the Legal Adviser to the Invitation as to PRC Law, JTGC, is of the view that the non-registration of a lease has no effect on the validity of the lease and accordingly would not materially and adversely affect the operations of our Group. Further, our Group had on 4 July 2021 obtained a confirmation letter issued by Guangzhou Tianhe District Fire Rescue Brigade, the competent PRC government authority in charge of fire protection for the operations of automobile maintenance and repair, confirming that our Group has no record of administrative punishment imposed by such relevant PRC government authorities due to a violation of relevant laws and regulations. Based on the foregoing and the fact that there are no significant changes in current policies and regulations, the Legal Adviser to the Invitation as to PRC Law, JTGC, is of the view that the risk of the relevant PRC government authorities imposing material fines or penalties on Guangzhou Ruisheng Automobile for failure to carry out the Fire Protection Procedures, is low.

Notwithstanding the above, in the remote event where our Group is imposed with the maximum potential fines or penalties in respect of all the above non-compliances and assuming all occurring exactly at the same time, the following amounts have also been taken into consideration by our Directors when evaluating the sufficiency of our Group's working capital for at least 12 months after the listing of our Company:

- (1) the maximum potential fines or penalties that may be imposed on our Group, arising from the non-compliance with the designated use of the Shenzhen BMW Land, which would not exceed 20.0% of the assignment price paid by the Shenzhen BMW Landlord to the PRC government authorities for obtaining the land use rights (the assignment price being approximately RMB4.0 million, with 20.0% of such amount being approximately RMB800,000);

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- (2) the maximum potential fines or penalties that may be imposed on our Group, arising from the Guangzhou BMW Building on the Guangzhou BMW Land lacking its building ownership certificates, which would not exceed 10.0% of the costs of construction (the costs of construction being approximately RMB63.0 million, with 10.0% of such amount being approximately RMB6.3 million);
- (3) the estimated relocation costs in the event our Group is expected to relocate its Shenzhen BMW Dealership, Guangzhou BMW Dealership, Guangzhou McLaren Showroom and Guangzhou McLaren Workshop, arising from the non-compliance with the designated use of the Shenzhen BMW Land, Guangzhou BMW Land, Guangzhou McLaren Showroom Land and Guangzhou McLaren Workshop, being an amount of RMB83.0 million;
- (4) the potential shortfall for the historical outstanding social insurance contributions and housing provident fund contributions and potential fines in respect of historical outstanding social insurance contributions which may be payable by our Group for our other PRC subsidiaries (other than the Five PRC Subsidiaries), being an estimated amount of approximately RMB131.6 million;
- (5) the aggregate maximum potential fines and penalties that may be imposed on our Group arising from the HK Corporate Secretarial Irregularities, being an estimated amount of approximately HKD457,100;
- (6) the potential aggregate outcome from all the ongoing civil proceedings of our Group referred to in the section "Risk Factors – Risks Relating to our Business and Industry – Our Group may be involved in disputes and legal and other proceedings arising out of our operations from time to time and may face significant liabilities as a result" if the eventual outcome of such cases is not our Group's favour, which has been confirmed by the Legal Advisor to the Invitation as to PRC Law, JTGC, to be an estimated exposure not exceeding RMB2.9 million as at the date of this Offer Document (which excludes amounts relating to litigation fees of the plaintiff, interest on the amounts to be compensated to the plaintiff and the costs of any specific performance required by our Group); and
- (7) the potential fines and penalties which may be imposed in respect of our Group's non-compliance with the Fire Protection Procedures in respect of the Guangzhou McLaren Workshop, being an amount of approximately RMB5,000, and the non-registration of leases by certain of our Group's PRC subsidiaries, being an amount of approximately RMB70,000.

Taking into account the foregoing, our Directors are of the reasonable opinion that, after having made due and careful enquiry and after taking into account the cash flows generated from our operations, our Group's banking facilities and our Group's existing cash and cash equivalents, the working capital available to our Group as at the date of lodgement of this Offer Document is sufficient for present requirements and for at least 12 months after the listing of our Company on Catalist.

Taking into account the foregoing, the Issue Manager and Full Sponsor is of the reasonable opinion that, after having made due and careful enquiry and after taking into account the cash flows generated from the Group's operations, the Group's banking facilities and the Group's existing cash and cash equivalents, the working capital available to the Group as at the date of lodgement of this Offer Document is sufficient for present requirements and for at least 12 months after the listing of the Company on the Catalist.

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The following table sets out a summary of our Group's consolidated statements of cash flows for FY2018, FY2019, FY2020 and 1Q2021.

	← Audited →	← Unaudited →		
(RMB'000)	FY2018	FY2019	FY2020	1Q2021
Net cash generated from/(used in) operating activities	174,111	(60,964)	106,914	217,126
Net cash generated from/(used in) investing activities	1,980	(11,361)	(36,952)	1,854
Net cash (used in)/provided by financing activities	(190,944)	43,365	(51,716)	(14,492)
Net (decrease)/increase in cash and cash equivalents at the end of the financial year/period	(14,853)	(28,960)	18,246	204,488
Cash and cash equivalents at the beginning of the financial year/period	130,359	117,640	88,563	105,815
Effect of foreign exchange rate changes	2,134	(117)	(994)	(752)
Cash and cash equivalents at the end of the financial year/period	117,640	88,563	105,815	309,551

FY2018

In FY2018, we generated net cash flows from operating activities of approximately RMB174.1 million, which was a result of operating cash flow before working capital changes of approximately RMB129.7 million, adjusted for working capital inflows of approximately RMB63.8 million and income tax paid of approximately RMB19.4 million.

The net working capital inflow was mainly due to:

- (a) decrease in inventories of approximately RMB39.6 million as a result of lower inventory balance compared to FY2017 as some inventories arrived after year-end; and
- (b) increase in trade and bills payable, accruals and other payables of approximately RMB151.7 million was due to more automobile inventory purchases as a result of higher sales volume.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

This was partially offset by:

- (a) increase in trade and other receivables, prepayments and deposits of approximately RMB75.2 million, which is in tandem with increased business volume;
- (b) decrease in amount due from fellow subsidiaries of approximately RMB50.2 million relating to settlement made during the year; and
- (c) decrease in contract liabilities of approximately RMB2.2 million as a result of fewer new automobile orders received from customer but not delivered at year-end.

Net cash flows generated from investing activities amounted to approximately RMB2.0 million, which was attributable to purchases of property, plant and equipment of approximately RMB36.3 million, partially offset by proceeds from disposal of property, plant and equipment of approximately RMB35.6 million and interest received of approximately RMB2.7 million.

Net cash flows used in financing activities amounted to approximately RMB190.9 million, which was attributable to interest paid of approximately RMB35.5 million, net repayment to bank and other borrowings of approximately RMB48.6 million, repayment to our immediate holding company of approximately RMB17.9 million, repayment of warranty liabilities of approximately RMB7.1 million as a result of debt retirement, and lease payments of approximately RMB15.3 million. Pledged deposits increased by approximately RMB66.6 million as a result of higher bills payable balance.

FY2019

In FY2019, we had net cash outflows from operating activities of approximately RMB61.0 million, which was a result of operating cash flow before working capital changes of approximately RMB156.9 million, adjusted for working capital investment of approximately RMB199.4 million and income tax paid of approximately RMB18.4 million.

The net working capital outflow was mainly due to:

- (a) increase in inventories of approximately RMB122.6 million as a result of higher business volume and inventory arriving before year-end; and
- (b) decrease in trade and bills payable, accruals and other payables of approximately RMB149.8 million as a result of settlement of bills payable before year-end.

This was partially offset by:

- (a) decrease in trade and other receivables, prepayments and deposits of approximately RMB16.7 million as a result of rebate and other receivables collected before the end of year;
- (b) decrease in amount due from fellow subsidiaries of approximately RMB18.3 million as a result of collection; and
- (c) increase in contract liabilities of approximately RMB38.0 million as a result of increased number of customer orders but not delivered at year-end.

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Net cash outflow from investing activities amounted to approximately RMB11.4 million, which was attributable to purchases of property, plant and equipment of approximately RMB45.7 million, partially offset by proceeds from disposal of property, plant and equipment of approximately RMB32.4 million and interest received of approximately RMB1.9 million.

Net cash inflow from financing activities amounted to approximately RMB43.4 million, which was attributable to interest paid of approximately RMB58.9 million, repayment to our immediate holding company of approximately RMB36.0 million, principal elements of lease payments of approximately RMB17.3 million, repayment of interest of convertible notes of approximately RMB3.4 million and net proceeds from bank and other borrowings of approximately RMB9.0 million. Pledged bank deposits of approximately RMB150.0 million was returned to us as a result of payment of bills payable balance at year-end.

FY2020

In FY2020, we generated cash flow from operating activities of approximately RMB106.9 million, which was a result of operating cash flow before working capital changes of approximately RMB202.7 million, adjusted for working capital investment of approximately RMB66.4 million and income tax paid of approximately RMB29.4 million.

The net working capital outflow was mainly due to:

- (a) increase in trade and other receivables, prepayments and deposits of approximately RMB273.0 million as a result of rebate and other receivables of prepayments to manufacturing partner for inventory order to be delivered after year-end;
- (b) increase in amount due from fellow subsidiaries of approximately RMB2.1 million; and
- (c) decrease in contract liabilities of approximately RMB21.9 million as a result of decreased business volume at year-end.

This was partially offset by:

- (a) decrease in inventories of approximately RMB167.4 million as a result of lower inventory balance compared to FY2019 as some new automobile inventory arrived after year-end; and
- (b) increase in trade and bills payable, accruals and other payables of approximately RMB63.2 million as a result of increased bills payable and trade payables for purchases made near year-end.

Net cash outflow from investing activities amounted to approximately RMB37.0 million, which was mainly attributable to purchases of property, plant and equipment and prepayment for property, plant and equipment of approximately RMB73.9 million of which approximately RMB20.4 million primarily relates to renovation of the dealerships and approximately RMB53.5 million relates to motor vehicles. These capital investments were partially offset by proceeds from disposal of motor vehicles of approximately RMB38.6 million and interest received of approximately RMB917,000.

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Net cash outflow from financing activities amounted to approximately RMB51.7 million, which was attributable to interest paid of approximately RMB50.5 million, repayment to our immediate holding company of approximately RMB46.7 million, principal elements of lease payments of approximately RMB22.1 million, repayment of convertible notes of approximately RMB13.9 million, proceeds from issuance of shares of approximately RMB21.7 million and net proceeds of bank and other borrowings of approximately RMB45.7 million. Pledged bank deposits of approximately RMB14.3 million was returned to us as a result of lower pledged deposit ratio requirements of certain inventory financing credit lines.

1Q2021

In 1Q2021, we generated net cash flows from operating activities of approximately RMB217.1 million, which was a result of operating profit before working capital changes of RMB89.6 million, adjusted for working capital inflows of RMB133.3 million and income tax paid of RMB5.8 million.

The net working capital inflow was mainly due to decrease in trade and other receivables, prepayments and deposits of approximately RMB257.5 million as a result of lower deposits to automobile OEMs because new automobile inventory was received and collection of some rebates from automobile OEMs.

This was partially offset by:

- (a) decrease in contract liabilities of approximately RMB52.8 million as a result of lower business volume during the first quarter.
- (b) increase in inventories of approximately RMB8.3 million as a result of higher business volume and inventory arriving before period-end;
- (c) decrease in trade and bills payables, accruals and other payables of approximately RMB60.1 million, which is in tandem with increased business volume; and
- (d) increase in amount due from fellow subsidiaries of approximately RMB3.0 million relating to payments advanced for subsidiaries to settle its obligations.

Net cash inflow from investing activities amounted to approximately RMB1.9 million, which was attributable to proceeds from disposal of motor vehicles of approximately RMB11.8 million and interest received of approximately RMB433,000. These were partially offset by purchases of property, plant and equipment of approximately RMB10.4 million of which approximately RMB5.4 million were used to acquire motor vehicles for demonstration automobiles and courtesy automobiles.

Net cash outflow from financing activities amounted to approximately RMB14.5 million, which was attributable to interest paid of approximately RMB26.9 million, repayment to our immediate holding company of approximately RMB13.2 million, principal elements of lease payments of approximately RMB7.3 million, net proceeds from bank and other borrowings of approximately RMB102.8 million. Pledged bank deposits increased by approximately RMB69.8 million as a result of coming due bills payable.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

SEASONALITY

Substantially most of our revenue is generated within the PRC. There may be a seasonal pattern in the spending behavior of PRC consumers. Periods prior to major holidays in the PRC, such as the Chinese New Year, the International Labor Day holiday in May and the National Day holiday in October, may see significant fluctuations in demand with a general increase in demand for new automobile sales and/or aftersales services. As a result of these fluctuations, comparisons of sales and operating results between different periods within a single financial year, or between the same periods in different financial years, may not be meaningful and should not be relied upon as indicators of our performance.

Generally, new or refreshed models may also experience lifted sales, whereas older models that are approaching the end of their life cycle are more likely to see declining sales over time.

INFLATION

Our financial performance for the Period Under Review was not materially affected by inflation.

CAPITAL EXPENDITURE, DIVESTMENTS, COMMITMENTS AND CONTINGENT LIABILITIES

Capital Expenditure

The capital expenditures made by our Group during the Period Under Review were as follows:

(RMB'000)	FY2018	FY2019	FY2020	1Q2021	From 1 April 2021 to the Latest Practicable Date
Construction-in-progress ⁽¹⁾	2,177	–	12,037 ⁽²⁾	6,318 ⁽²⁾	1,042
Leasehold improvements	3,941	1,657	2,639	1,007	2,109
Plant and Machinery	1,651	1,499	1,985	82	1,156
Furniture, Fixtures and office equipment	1,488	1,631	5,793	1,315	786
Motor vehicles	27,088	40,873	47,757	5,432	11,487
Prepayment for property plant and equipment	–	–	3,738	(3,738)	–
Total	36,345	45,660	73,949	10,416	16,580

Notes:

- (1) Construction-in-progress relates to our Group's dealerships undergoing construction and/or renovation.
- (2) In FY2020, our Group had undertaken two (2) renovation projects in respect of the Foshan BMW Dealership which were completed in 1Q2021.

The above capital expenditures were mainly incurred in the PRC, save for certain expenditures relating to our office and operation in Hong Kong, namely for furniture, fixtures and office equipment as well as motor vehicles. The above capital expenditures were primarily financed by

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internally generated resources and external bank financing. As at the Latest Practicable Date, save as disclosed above, we do not have any material expenditure on capital investment in progress.

Divestments

The divestments made by our Group during the Period Under Review were as follows:

(RMB'000)	FY2018	FY2019	FY2020	1Q2021	From 1 April 2021 to the Latest Practicable Date
Construction-in-progress	–	–	183	–	–
Leasehold improvements	–	–	1,611	–	–
Plant and Machinery	–	15	205	4	43
Furniture, Fixtures and office equipment	131	142	397	109	8
Motor vehicles	28,958	29,724	32,448	8,458	3,693
Total	29,089	29,881	34,844	8,571	3,744

The above divestments were made in the PRC. As at the Latest Practicable Date, save as disclosed above, we do not have any material divestment of capital investment in progress.

Capital Commitments

As at the Latest Practicable Date, the capital commitments of our Group were as follows:

(RMB'000)	As at 31 March 2021	As at the Latest Practicable Date
Leasehold improvements	–	5,802

Lease Commitments

With the adoption of International Financial Reporting Standards (“IFRS”) 16, the lease commitments of our Group are reflected in our financial statements and comprised leasehold land and office premises.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

As at 31 March 2021 and the Latest Practicable Date, the lease commitments our Group were as follows:

(RMB'000)	As at 31 March 2021	As at the Latest Practicable Date
Not later than one year	28,461	27,925
Later than one year but not later than five years	141,452	139,225
More than five years	195,900	186,565
	365,813	353,715

The above lease commitments were primarily financed by internally generated resources.

Please refer to the section entitled "General Information on our Group – Material Properties and Fixed Assets" of this Offer Document for further details.

Contingent Liabilities

As at the Latest Practicable Date, our Group has no contingent liabilities.

Subsequent Events

On 8 April 2021, our Company fully repaid its secured long term loan of US\$27.8 million and related accrued interest costs to the lender. All pledged securities related to the long term loan were released.

FOREIGN EXCHANGE MANAGEMENT

Accounting Treatment of Foreign Currencies

Foreign currency transactions are translated into RMB/GBP/HKD/USD at rates of exchange approximating those prevailing at transaction dates. Foreign currency monetary assets and liabilities are translated at rates as at the balance sheet date. All profits and losses on exchange are dealt with through the income statement.

Foreign Exchange Exposure

As at the Latest Practicable Date, our revenue is denominated in RMB and accordingly, our Group does not have any exposure to foreign exchange risks for our revenue.

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The proportions of our purchases and expenses denominated in RMB and foreign currencies are as follows:

	FY2018	FY2019	FY2020	1Q2020	1Q2021
Percentage of purchases denominated in	(%)	(%)	(%)	(%)	(%)
RMB	99.5	99.6	99.3	97.5	98.2
GBP	0.5	0.4	0.7	2.5	1.8
	100.0	100.0	100.0	100.0	100.0

	FY2018	FY2019	FY2020	1Q2020	1Q2021
Percentage of expenses denominated in	(%)	(%)	(%)	(%)	(%)
RMB	93.2	88.8	87.2	89.0	92.9
HKD	5.9	9.3	11.6	9.3	6.1
USD	0.9	1.9	1.2	1.7	1.0
	100.0	100.0	100.0	100.0	100.0

For avoidance of doubt, the automobile OEMs are also the distributors in the PRC and are responsible for importing the automobiles and automobile parts and accessories from overseas. Our Group purchases the same from the automobile OEMs in the PRC and settles the payments in RMB, save for few rare instances where our Group purchases special McLaren vehicle models which are not distributed within the PRC. We also settle certain loan payments in USD and the operating costs and expenses for our Hong Kong head office are settled in HKD.

To the extent that our revenue, purchases and expenses are not naturally matched in the same currency and to the extent that there are timing differences between invoicing and collection/payment, we will be exposed to adverse fluctuations of the various currencies against the RMB, which will adversely affect our earnings.

Our net foreign exchange exposure for FY2018, FY2019, FY2020, 1Q2020 and 1Q2021 were as follows:

(RMB'000)	FY2018	FY2019	FY2020	1Q2020	1Q2021
Net foreign exchange gain/(loss)	(1,396)	(597)	389	(2,948)	3,574
As a percentage of revenue (%)	(0.04)	(0.02)	0.01	(0.4)	0.3
As a percentage of profit before tax (%)	(7.1)	(1.2)	0.3	(45.3)	5.9

At present, we do not have a formal policy for hedging against foreign exchange exposure. We will continue to monitor our foreign exchange exposure and may employ hedging instruments to manage our foreign exchange exposure should the need arise.

Should we enter into any hedging transaction in the future, such transaction shall be subject to the review of our Board. In addition, should we establish any formal hedging policy in the future, such policy shall be subject to the review and approval by our Board prior to implementation. Our Audit

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

and Risk Committee will review periodically the hedging policies, all types of instruments used for hedging as well as the foreign exchange policies and practices of our Group.

SIGNIFICANT ACCOUNTING POLICY CHANGES

The consolidated financial statements of our Group have been prepared in accordance with IFRS issued by the International Accounting Standards Board. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities measured at fair value.

Our Group has consistently applied IFRS 9 “Financial Instruments”, IFRS 15 “Revenue from Contracts with Customers” and IFRS 16 “Leases” throughout the years ended 31 December 2018, 2019 and 2020. We expect that the adoption of new or revised accounting standards issued but not yet effective for the Period Under Review will not have a material impact on our future financial statements. We do not expect to make changes to our accounting policies following our Listing, unless required in accordance with IFRS. Please refer to the section entitled “Summary of Significant Accounting Policies” in the Audited Consolidated Financial Statements and Unaudited Interim Condensed Consolidated Financial Statements as set out in Appendix A and Appendix B of this Offer Document respectively for details on our Group’s accounting policies.

GENERAL INFORMATION ON OUR GROUP

HISTORY

Our Company was incorporated in the Cayman Islands on 18 December 2015 under the laws of the Cayman Islands as an exempted company with limited liability, under the name of Trans-China Automotive Holdings Limited. Our Company's registration number is 306871. Our Group's business is headquartered in Hong Kong and Shenzhen and comprises: (i) the sale of automobiles; and (ii) the provision of after-sales services, which include maintenance and repair services and sale of automobile parts and accessories. As an ancillary business, our Group also provides automobile agency services, which include related automobile registration and administration for the provision of financing and insurance services in the PRC.

Our Group focuses exclusively on the premium and ultra-premium segments, and, as an authorised dealer, currently carries automobile brands comprising BMW, McLaren and Lotus at our BMW dealerships, McLaren showrooms and Lotus showroom.

KEY MILESTONES

Our Executive Director, Executive Chairman, CEO and Controlling Shareholder, Mr. Francis Tjia, has been involved in the automotive retail business and dealership business since the early 1990s. He was one (1) of the founding shareholders of Summit Motors (China) Limited ("**Summit Motors**") in 1994, which operates one (1) of the oldest BMW dealer groups in the PRC. Summit Motors was initially appointed as a Toyota importer and dealership operator for the PRC in 1994, followed by the appointment by BMW as importer and distributor for Western PRC in 1995. Summit Motors opened its first permanent Toyota dealership in Chengdu in 1996 and the first BMW store, also in Chengdu, in 1998. Prior to opening a number of 4S BMW dealerships, Summit Motors was one (1) of five (5) authorised BMW importers, distributors and retailers in the PRC. Following the establishment of a joint venture between BMW and Brilliance Auto Group in 2002, Summit Motors opened BMW 4S dealerships in Chengdu, Qingdao and Nanning. During the time that Mr. Francis Tjia was a shareholder and director of Summit Motors, Summit Motors also set up several Toyota showrooms and a Lexus showroom in the PRC, which it continues to own and operate to this day. Mr. Francis Tjia subsequently divested from Summit Motors in 2006.

Mr. Francis Tjia is also a significant shareholder and non-executive director of OpenRoad Auto Group Limited ("**OpenRoad Auto Group**"), which is wholly-owned by Mr. Francis Tjia and his three (3) siblings. OpenRoad Auto Group is one (1) of Canada's leading automotive retailers for new and pre-owned automobiles. It is based in Vancouver and represents approximately 20 leading automotive brands and operates approximately 30 dealership outlets in the Greater Vancouver area, the Greater Toronto area as well as in Seattle, Washington, USA. For avoidance of doubt, OpenRoad Auto Group is independently operated and managed separately from the management team of the Group. Please refer to the section entitled "Interested Person Transactions – Potential Conflicts of Interest" of this Offer Document for further details.

In 2009, Mr. Francis Tjia incorporated our Company's controlling shareholder, TCA International. In the same year, TCA International acquired a BMW dealership in Foshan, which had been operating since 2006. Since then, TCA International's BMW dealerships network in the PRC extended to other cities including Shenzhen, Guangzhou and Chongqing. TCA International subsequently made its foray into McLaren with a showroom in Shenzhen in 2014.

GENERAL INFORMATION ON OUR GROUP

In 2015, with the intention to streamline its operations, TCA International undertook the Internal Reorganisation Exercise and transferred the BMW dealerships in Foshan, Shenzhen, Guangzhou and Chongqing as well as the McLaren showroom to our Company, which had then been newly incorporated.

Following the Internal Reorganisation Exercise, our Group further expanded with the establishment of three (3) additional McLaren Showrooms in Guangzhou, Changsha and Wuhan as well as the Lotus showroom in Shenzhen.

The following table sets forth a brief summary of the key milestones of TCA International and our Group:

Year	Milestone
2009	TCA International was incorporated and acquired the Foshan BMW Dealership, which had been operating since 2006 and Shenzhen Bright Focus Automobile. ⁽¹⁾
2010	TCA International commenced operations of the Shenzhen BMW Dealership.
2013	TCA International commenced operations of the Guangzhou BMW Dealership.
2014	TCA International commenced operations of the Chongqing BMW Dealership and the Shenzhen McLaren Showroom.
2015	The Company was incorporated and TCA International commenced the Internal Reorganisation Exercise. Our Group commenced operations of the Changsha McLaren Showroom.
2017	Our Shenzhen McLaren Showroom was awarded China Dealer of the Year by McLaren. Our Group was awarded the 2017 BMW Dealer Excellence Award by BMW.
2018	Our Group commenced operations of the Guangzhou McLaren Showroom and the Wuhan McLaren Showroom. Our Group was awarded the 2018 BMW Dealer Excellence Award by BMW.
2019	Our Group commenced operations of the Shenzhen Lotus Showroom.

Note:

(1) At the time of TCA International's acquisition, Shenzhen Bright Focus Automobile was a non-operating entity which was party to the contracts in respect of the commencement of operations of the McLaren Showrooms.

BUSINESS OVERVIEW

We specialise in the business of automobile dealerships in the premium and ultra-premium market segments in the PRC, which includes: (i) the sale of automobiles; and (ii) the provision of after-sales services, which include maintenance and repair services and sale of automobile parts and accessories. As an ancillary business, our Group also provides automobile agency services, which include related automobile registration and administration for the provision of financing and insurance services in the PRC. As at the Latest Practicable Date, we carry automobile brands comprising BMW, McLaren and Lotus, and have dealerships in cities in the PRC, namely Foshan, Shenzhen, Guangzhou, Chongqing, Changsha and Wuhan.

GENERAL INFORMATION ON OUR GROUP

We derive our revenue primarily from the sale of new automobiles and the provision of after-sales services. Our revenue derived from our sale of automobiles accounted for approximately 87.2%, 86.3%, 87.9% and 90.3% of our total revenue for FY2018, FY2019, FY2020 and 1Q2021 respectively. Revenue from the provision of after-sales services accounted for approximately 12.8%, 13.7%, 12.1% and 9.7% of our total revenue in FY2018, FY2019, FY2020 and 1Q2021 respectively.

A. Sale of Automobiles

Sale of New Automobiles

We carry established automobile brands such as BMW, McLaren and Lotus, with over 87.2%, 86.3%, 87.7% and 90.3% of our revenue being derived from our BMW and McLaren automobile sales during the Period Under Review, respectively. As at the Latest Practicable Date, we have entered into dealership agreements and arrangements with the BMW Distributors, namely, BMW China and BMW Brilliance, the McLaren Distributor and the Lotus Distributor.

In relation to the BMW Distributors, BMW China is the general distributor of BMW models which are produced, manufactured and distributed internationally, and imports such BMW models from overseas and distributes them in the PRC. BMW Brilliance, on the other hand, produces and manufactures BMW models within the PRC and distributes them locally. Our Group's BMW dealerships distribute both internationally-produced BMW models purchased from BMW China as well as locally-produced BMW models purchased from BMW Brilliance.

As at the Latest Practicable Date, we offer BMW, McLaren and Lotus branded automobiles for sale, which include the following range:

Brand	Automobile models offered
BMW China	BMW 2 Series (including Convertible, Gran Coupe and Gran Tourer models)
	BMW 3 Series GT
	BMW 4 Series (including Convertible and Gran Coupe models)
	BMW 5 Series ⁽¹⁾
	BMW 6 Series GT
	BMW 7 Series
	BMW 8 Series (including Convertible and Gran Coupe models)
	BMW X4
	BMW X5 ⁽¹⁾
	BMW X6
	BMW X7
	BMW M5
	BMW M8
	BMW X3 M
	BMW X4 M

GENERAL INFORMATION ON OUR GROUP

Brand	Automobile models offered
	BMW X5 M
	BMW X6 M
	BMW Z4
	BMW iX ⁽¹⁾
	BMW i4 ⁽¹⁾
BMW Brilliance	BMW 1 Series
	BMW 3 Series (including LWB model) ⁽²⁾
	BMW 5 Series (including LWB model) ⁽¹⁾⁽²⁾
	BMW X1 ⁽¹⁾⁽²⁾
	BMW X2
	BMW X3 ⁽²⁾
	BMW iX3 ⁽³⁾
McLaren	McLaren GT
	McLaren 720S (including Coupe and Spider models)
	McLaren 765S
	McLaren Artura
Lotus	Lotus Evora GT410
	Lotus Evija

Notes:

- (1) We currently sell PHEV models of the BMW 5 Series and BMW X5 purchased from BMW China and the BMW 5 Series and BMW X1 purchased from BMW Brilliance. PHEV models of the BMW iX and BMW i4 purchased from BMW China are to be introduced in September 2021 and early 2022, respectively.
- (2) Each of the BMW 3 Series, BMW 5 Series, BMW X1 and BMW X3 purchased from BMW Brilliance accounted for more than 15.0% of the total BMW unit sales for our Group during the Period Under Review.
- (3) The BMW iX3 is also known as the electric vehicle version of the BMW X3.

One of the key drivers of our business since inception has been the sale of new BMW automobiles. Revenue from our sales of new BMW automobiles accounted for approximately 81.2%, 81.3%, 82.5% and 87.3% of our total revenue for FY2018, FY2019, FY2020 and 1Q2021 respectively.

Sale of pre-owned automobiles

From time to time, we are also engaged in the sale of pre-owned automobiles. Our supply of pre-owned automobiles come from customer trade-ins, as well as auction companies and other suppliers of used cars. As part of the resale process, we refurbish and conduct inspections of the pre-owned automobiles, take inventory of such second-hand purchases, following which we on-sell the automobiles to our retail customers. Such sales are not limited to the brands of the automobile OEMs we work with and we engage in sales of pre-owned automobiles outside the BMW, McLaren and Lotus brands.

GENERAL INFORMATION ON OUR GROUP

In respect of a used BMW automobile, we conduct additional checks to determine if it qualifies as a “Officially Certified Used” BMW automobile, which is eligible for a 6-month used-car warranty by BMW that is paid for by our Group. The McLaren Distributor also provides us with a checklist of requirements to ensure that McLaren pre-owned automobiles meet certain minimum standards before they are ready for resale.

Provision of Automobile Agency Services

In connection with our automobile sales, we also provide ancillary automobile agency services to our customers, including referrals for automobile financing, referrals for insurance and car registration agency services, where our Group receives referral fees.

For financing, we typically arrange for financing offered by the financial services arm of the relevant automobile OEM, where applicable, or financing by banks for our customers. To elaborate, each of the automobile OEMs typically have a financial services entity under their group, such as BMW Automotive Finance (China) Co., Ltd. which is the financial services entity for BMW in China.

Further, where pre-owned automobiles received as part of our trade-in services mainly to facilitate sales of new automobiles, do not meet certain criteria, such as condition, mileage, and the time period for which it has been in use, we also refer our customers to an alternative used car company to undertake the trade-in, with our Company earning a fee under a referral process or other profit-sharing arrangement.

B. Provision of After-Sales Services

The after-sales services offered to our customers include mainly maintenance and repair services and sale of automobile parts and accessories. Our customers for our after-sales services are mainly customers who have purchased our new automobiles and also comprise customers who own automobiles purchased from our automobile OEMs.

We have procedures in place to actively contact each customer and make appointments for repairs and routine maintenance checks. We carefully monitor each customer and the status and maintenance history of their vehicle under an internal system called the “Dealer Management System”, which allows us to easily retrieve data such as vehicle specifications and mileage, for carrying out our repairs and maintenance efficiently.

(i) Repair services

We provide repair services for automobiles which are under warranty or otherwise. Our repair services typically include repair of manufacturer’s defects, replacement of parts due to wear and tear, or repair of damage resulting from collisions or other automobile accidents.

The automobiles we sell come with an initial manufacturer’s warranty, in which the costs for claimable works are borne wholly by the manufacturers. Such warranties for new automobiles are typically for a period of three (3) years, commencing from the date the automobile is registered. Generally, the manufacturers additionally offer an option to purchase an extension of the warranty for a period of about two (2) years, at an additional fee.

GENERAL INFORMATION ON OUR GROUP

For automobiles which are covered by an existing manufacturer's warranty, we are able to make a claim against the manufacturer for repairing the automobile. The repair works consist of claimable and non-claimable works. For claimable works, our Group can do the repairs and subsequently claim the cost of repairs from the manufacturer. For non-claimable works, our customers will have to bear the cost of repairs and these works typically consist of wear and tear as well as damage caused by the customers. For automobile with an expired manufacturer's warranty, we will charge a fee for services rendered by us in respect of the repair services. Our repair services are typically charged based on the labour time and cost of parts incurred which are determined by the manufacturer's pricing guidelines and the applicable regulations issued by the local government authorities.

Automobile manufacturers may recall their automobiles from time to time to remedy certain problems or product defects. In cases of recalls by the manufacturer, we may assist to notify and request the customers to bring their vehicles to the workshop in the near future to carry out the replacement or repair, or we may carry out the replacement or repair the next time the vehicle visits the workshop. Please refer to the section entitled "Risk Factors – The success of our business significantly depends on the automobile OEMs – Product defects and automobiles recalls" of this Offer Document for further details.

(ii) Maintenance services

We provide regular scheduled maintenance services and routine inspections for our customers based on the mileage and age of the automobiles. These schedules as well as maintenance work to be done follow the prescribed recommendations and procedures of the relevant automobile OEMs. The maintenance services and routine inspections generally include safety checks and other safety-related maintenance, oil changes, replacement of spark plugs and air filters and wheel alignment.

In addition, we offer automobile detailing services, such as waxing and polishing, interior cleaning and leather treatment to our after-sales service customers.

(iii) Automobile parts and accessories and related merchandise

We retail automobile parts and accessories, such as body components, under-carriage components, engine parts and batteries, to our customers. In addition, we retail merchandise that features the automobile brands that we carry. Such merchandise includes a selection of apparel and accessories.

It should also be noted that where the automobile OEM discovers product defects in the automobiles, we may be called upon to conduct a product recall and to fix the defective automobiles. Our Group has experienced over 30 instances of automobile recalls in the Period Under Review which relate to product defects with the automobiles. Under the existing arrangements with our Distributors, we are generally obliged to bear our communication, administrative and management expenses relating to a recall and proactively reach out to the end customers to inform them of the same and to return the automobile, and all our other reasonable costs incurred by us such as for the labour costs expended by us in repairing the automobile and the costs of the spare parts which the automobile are missing are borne by the automobile OEMs. It should be noted however that product recalls are in and of themselves not necessarily events which adversely affect our business as we stand to profit from the labour involved in fixing the defective automobiles, although in the long-term such product recalls may negatively impact on the brand of the automobile OEM and consequently impact our sales.

GENERAL INFORMATION ON OUR GROUP

OUR GROUP'S DEALERSHIPS AND SHOWROOMS

A. Background

Our Group's focus is exclusively on authorised "4S" and "5S" BMW dealerships as well as showrooms for McLaren and Lotus.

Showrooms are spaces where our Group displays automobiles for sale, and may come with additional automobile agency services such as referrals for automobile financing, referrals for insurance and car registration agency services. Dealerships, on the other hand, are essentially showrooms with a larger range of products and services such as maintenance and repair services, and sale of automobile parts and accessories. Dealerships also include automobile agency services which showrooms have.

In the PRC, a "4S" dealership refers to an authorised dealership that offers "sales, spare parts, services and surveys", namely, a full range of dealership products and services that include sales of automobiles and spare parts, approved maintenance and repair services and the conduct of customer and market surveys for automobile OEMs.

A "5S" dealership, on the other hand, incorporates a fifth "S" – Sustainability, which refers to incorporation of environmentally-focused sustainable features and operational practices as a reinforcement of the company's corporate commitment to environmentally friendly processes, building design, engineering and construction.

The following are details of the dealerships and showrooms of our Group:

Name of dealership: Foshan BMW Dealership (4S Dealership) Owned and operated by: Foshan Shenbao Automobile Brands sold: BMW Location and area of coverage: Foshan, Guangdong Approximate size of outlet (Sqm): 20,000	Front  Showroom 

GENERAL INFORMATION ON OUR GROUP

	After-sales Reception Area  Lounge Area  Merchandise Store 
Name of dealership: Shenzhen BMW Dealership (5S Dealership) Owned and operated by: Shenzhen Chuangfengbao Automobile Brands sold: BMW Location and area of coverage: Shenzhen, Guangdong Approximate size of outlet (Sqm): 24,000	Front  New Electric Vehicle Display Area 

GENERAL INFORMATION ON OUR GROUP

Showroom



X Series Display



After-sales Reception Area



Lounge



GENERAL INFORMATION ON OUR GROUP

Name of dealership: Guangzhou BMW Dealership (4S Dealership) Owned and operated by: Guangzhou Changbao Automobile Brands sold: BMW Location and area of coverage: Guangzhou, Guangdong Approximate size of outlet (Sqm): 12,600	Front  Pre-Owned Automobile Display 
Name of dealership: Chongqing BMW Dealership (5S Dealership) Owned and operated by: Chongqing Qingdebao Automobile Brands sold: BMW Location and area of coverage: Chongqing Approximate size of outlet (Sqm): 11,100	Front  Showroom  

GENERAL INFORMATION ON OUR GROUP

Name of showroom: Shenzhen McLaren Showroom Owned and operated by: Shenzhen Bright Focus Automobile Brands sold: McLaren Location and area of coverage: Shenzhen, Guangzhou Approximate size of outlet (Sqm): 200	  
Name of showroom: Changsha McLaren Showroom Owned and operated by: Changsha Bright Focus Automobile Brands sold: McLaren Location and area of coverage: Changsha, Hunan Approximate size of outlet (Sqm): 200	 

GENERAL INFORMATION ON OUR GROUP

Name of showroom: Guangzhou McLaren Showroom Owned and operated by: Guangzhou Ruisheng Automobile Brands sold: McLaren Location and area of coverage: Guangzhou, Guangdong Approximate size of outlet (Sqm): 320	 
Name of showroom: Wuhan McLaren Showroom Owned and operated by: Wuhan Ruisheng Automobile Brands sold: McLaren Location and area of coverage: Wuhan, Hebei Approximate size of outlet (Sqm): 210	
Name of showroom: Shenzhen Lotus Showroom Owned and operated by: Shenzhen Qifeng Automobile Brands sold: Lotus Location and area of coverage: Shenzhen, Guangzhou Approximate size of outlet (Sqm): 75	

Our strategic aim is to build a profitable premium and ultra-premium car dealership group focused on the distribution and servicing of premium and ultra-premium automobiles in the PRC. This is mainly in consideration of the market conditions, with several key factors, such as a lower entry price point, helping to drive the steady growth of the premium and ultra-premium market segments. This growth trajectory is expected to continue, with premium and ultra-premium automobile sales expected to grow at a CAGR of 11.6% and 3.9% respectively between 2020 to 2025.⁽¹⁾

GENERAL INFORMATION ON OUR GROUP

In this regard, we have focused our resources around the BMW and McLaren brands due to their strong established images, consistent market strategy, high quality and commitment to the PRC market. Our Group also has a long-established relationship with both BMW and McLaren and is familiar and experienced with the requirements of BMW and McLaren and in operating BMW dealerships and McLaren showrooms.

Note:

(1) According to the Independent Market Research Report as set out in Appendix D of this Offer Document.

B. Arrangements with our Distributors

BMW

The arrangements between our Group and the BMW Distributors are primarily governed by the terms of dealership agreements entered into by our holding companies which own and operate the BMW dealerships under our Group and the BMW Distributors. The BMW dealership agreements are in force for a term of three (3) years each and generally govern the terms which each of the dealership operates its business.

Under the arrangements with the BMW Distributors, amongst others:

- (i) our annual sales targets are set by the BMW Distributors as agreed from time to time. The main criteria for determining the targets are: (a) the macroeconomic market situation and forecast in the PRC; (b) the estimates for future sales of the dealer; (c) the production planning, capacity and potential of new BMW automobiles; (d) sales achieved by the dealer in the past; and (e) the sales planning volume of the preceding year. If the dealer fails to meet the target, the relevant BMW Distributor may request that such dealer submits an improvement plan to the relevant BMW Distributor; and
- (ii) the BMW Distributors have a right to terminate the BMW dealership agreement in the event the dealership's holding company transfers or in any other way loses control over all or substantially all of the business assets required for carrying out the BMW dealership agreement, in particular the premises over which the relevant dealership is located.

McLaren

The arrangements between our Group and the McLaren Distributor are primarily governed by the terms of dealership agreements entered into by our holding companies which own and operate the McLaren showrooms under our Group and the McLaren Distributor. The McLaren dealership agreements remain in force until their termination in accordance with their provisions and generally govern the terms which each of the showroom operates its business.

Under the arrangements with the McLaren Distributor, amongst others:

- (i) each dealer is granted the right to market, promote, distribute and sell: (a) merchandise and spare parts (collectively, the **"McLaren Products"**); and (b) provide maintenance and repair services performed on the McLaren vehicles including warranty repairs, servicing, recall works and paint and body repairs (collectively, the **"McLaren Services"**), in an area specified by the relevant McLaren Distributor under the McLaren dealership agreements;

GENERAL INFORMATION ON OUR GROUP

- (ii) each dealer submits a business plan to the McLaren Distributor for each year, which includes sales and promotional benchmarks to be achieved by the dealer. The McLaren Distributor and the dealer will subsequently hold regular meetings to discuss progress and developments, to evaluate results against the benchmarks set out in the business plan, and to resolve any issues arising; and
- (iii) the McLaren Distributor has a right to terminate the McLaren dealership agreement in the event the showroom's holding company either in whole or in part, loses use of the premises over which the relevant showroom is located.

Lotus

Shenzhen Qifeng Automobile owns and operates the Shenzhen Lotus Showroom under an existing arrangement with the Lotus Distributor to sell Lotus automobiles. Such arrangement is expected to remain in place until such time as Shenzhen Qifeng Automobile and the Lotus Distributor enter into a formal distributor agreement in relation to the operations of the Shenzhen Lotus Showroom and its business.

As at the Latest Practicable Date, our Group is not in breach of any terms or conditions or covenants of the above dealership agreements and arrangements.

Each of the BMW dealership agreements and the McLaren dealership agreements contain provisions which provide either the BMW Distributors or the McLaren Distributor (as the case may be) with a right to terminate the agreement in the event that our Group loses the rights to the premises over which the relevant dealership or showroom is located. Please refer to the sections entitled "Risk Factors – Risks Relating to our Business and Industry – Our Group may not have valid titles or rights to use certain properties and the required permits for construction, development and carrying out of our business operations on certain properties occupied by us" and "General Information on our Group – Material Properties and Fixed Assets" of this Offer Document for more details in relation to the land use issues faced by our Group which may in certain circumstances result in such right being triggered. Save for the foregoing, to the best of their knowledge, our Directors are not aware of any information or arrangements which would lead to a cessation or termination of any of the above dealership agreements or non-renewal of these agreements with any of the Distributors.

Our Group may from time to time undertake management succession plans requiring a change in management. In anticipation of such changes, our Group has established procedures which allow our Distributors not to be overly dependent on any member of the senior management of our Group, even though our dealership agreements do theoretically contain provisions which would require the consent of the relevant Distributors where our Group undertakes any change in management. In any event, our Group will discuss and seek the approval or consent of the relevant Distributors before effecting such plans and ensure that our Distributors have a strong relationship and familiarity with the incoming management (where any change in management is to be effected). We have not previously encountered issues with our Distributors in effecting any changes in management change, given that our Distributors are familiar with our established processes and are therefore not overly dependent on any single member of the senior management of our Group.

GENERAL INFORMATION ON OUR GROUP

To date, our Group has not faced issues in achieving the sales targets and promotional benchmarks as set out in the business plan agreed with our respective Distributors for the relevant periods.

As at the date of this Offer Document, our Group, has in anticipation of the Invitation, secured consents and acknowledgements from the relevant Distributors in connection with the Invitation and the Listing, which includes changes in the legal and beneficial ownership of our Company arising from the Invitation and the Listing.

OUR PROCUREMENT PROCESS

Automobiles

New Automobiles

We procure new automobiles from our automobile OEMs, which, as at the Latest Practicable Date, are the BMW Distributors, the McLaren Distributor and the Lotus Distributor. We will place orders with the automobile OEMs depending on a number of factors including: (i) the level of our inventory of new automobiles, which is based on pre-determined sales targets set by the automobile OEMs; and (ii) historical movements of and anticipated demand for new automobiles. Sales targets are typically set by the automobile OEMs as part of their annual sales plan to us. These sales targets are specific for each model and are typically pre-determined before the start of the year based on discussions and negotiations between the parties and the prevailing economic conditions. Notwithstanding that sales targets are pre-determined, such sales targets may change in the course of the year, mainly due to changes in economic and market conditions.

The prices of new automobiles purchased by us from the automobile OEMs are set by the automobile OEMs and based on market conditions and pricing competitiveness vis-à-vis other automobile brands in the same market segment. For demonstration cars which are used for test drives at our BMW dealerships and McLaren showrooms, we purchase demonstration cars at a lower price than automobiles designated for sale to customers. Such demonstration cars are required to be registered and are typically sold as pre-owned automobiles within six (6) to twelve (12) months from the date of purchase.

When we place an order for new automobiles, we are required by the automobile OEMs to make a deposit payment which can be approximately 10% of the retail price of the automobile. After we receive a notice of shipping from the automobile OEMs which typically takes anywhere from a few days to several weeks depending on the model(s) ordered, we will make full payment of the remainder of the purchase price before delivery of the new automobiles to us. It takes approximately three (3) to five (5) days from the date of notice of shipping for the new automobiles, whether locally assembled or imported, to be delivered to us at our dealerships. While the automobile OEMs are responsible for the transportation of the new automobiles to our dealerships, the associated costs of the transportation, such as insurance and logistics costs, are built into the price of the automobiles paid by us.

GENERAL INFORMATION ON OUR GROUP

The volume of orders we place with our automobile OEMs for new automobiles during any month or calendar quarter are generally determined based on pre-determined sales targets for such period at the beginning of the year. Most of the time, the specification and number of automobiles ordered are determined by the Sales Planner in conjunction with the Sales Manager and General Manager at our Dealerships or Showrooms, keeping in mind the sales targets that have been determined together with the OEMs. For McLaren, approximately 25% of all McLaren sales by our Group are for cars which are customised for a specific customer, and orders are placed specifically for such customers with McLaren according to the allocation of production slots provided to us by McLaren.

Pre-owned Automobiles

We procure our pre-owned automobiles primarily through trade-ins from our customers and occasionally from auction companies and other third parties in circumstances where our pre-owned automobile inventories should be increased.

When doing trade-ins with our customers, we may extend invitations to buy their pre-owned automobiles if the pre-owned automobile meets certain criteria, such as condition, mileage, and the time period for which it has been in use, and such invitations are not limited to any particular automobile brand. In the event that such conditions are not met, we also refer our customers to an alternative automobile dealer to undertake the trade-in, with our Company earning a fee under a referral process or other profit-sharing arrangement.

Each invitation we make to a customer for their pre-owned automobile is made on an “as-is” basis without any warranties required from the customer, at a specified price which is typically based on the specific time period for which the car has been in use, subject to other factors such as condition and mileage.

Automobile Parts and Accessories and Related Merchandise

We primarily procure our automobile parts and accessories and related merchandise from the automobile OEMs. We will determine the type and quantum of such automobile parts and accessories and related merchandise to procure based on our past experience and historical sales data. In respect of each of our dealerships and showrooms, the relevant automobile OEMs require a minimum pre-set inventory of automobile parts and accessories to be complied with for the purposes of after-sales services. We also conduct spare parts inventory planning and purchasing on an ongoing basis based on the sales volume of each of the automobile parts and accessories and the overall level of inventory. The automobile OEMs also implement incentive plans for collective sales of merchandise across the stores in our dealerships and showrooms. We also consider the requirement of the incentives in determining the volume of merchandise to purchase for our stores.

The purchase prices of these automobile parts and accessories and related merchandise are typically determined based on the automobile OEMs’ price-list. The automobile parts and accessories are typically utilised as part of our after-sales services. We are typically required to make full payment of the purchase price of the automobile parts and accessories within a certain period from receiving them from the automobile OEMs.

GENERAL INFORMATION ON OUR GROUP

MARKETING AND SALES

Marketing

We plan and execute a variety of advertising and promotional events (both online and offline) to attract as many quality prospective customers as possible to visit our showrooms. We utilise a variety of methods to promote our dealerships, showrooms and the products and services we offer to our customers. We advertise through outdoor advertisements, distribution of marketing materials at our dealerships and showrooms, radio commercials, internet advertisements and advertisements in newspapers and magazines. We also organise various sales and marketing initiatives, such as complimentary gifts, lucky draws, promotional events, off-site automobile exhibitions, events held on-site such as new automobile launches. We view our marketing strategies and efforts as critical for maximising our sales with a view to achieving our sales targets set for new automobiles.

In addition, we also organise interactive events with our customers, such as Customer Experience Days which are held on a monthly basis, and Cars and Coffee mornings. We also organise biannual track days for McLaren, and jointly organise track days for BMW together with other dealerships carrying BMW automobiles, where customers have the opportunity to experience a ride in our automobiles.

BMW 3 Series Introduction Event



GENERAL INFORMATION ON OUR GROUP

BMW 5 Series Introduction Event



BMW 7 Series Introduction Event



GENERAL INFORMATION ON OUR GROUP

BMW 8 Series Introduction Event



McLaren Customer Event in Guangzhou



We plan the type of marketing and promotion activities based on a pre-determined budget. The automobile OEMs such as BMW and McLaren additionally set requirements as to marketing activities which we are to conduct, and typically direct that there should be certain percentage of sales revenue allocated as minimum expenditure for marketing activities, which varies from year to year.

We work closely with and take guidance from the automobile OEMs on the content and form of our marketing activities. In relation to marketing and promotional activities for BMW and McLaren automobiles, the BMW Distributors and the McLaren Distributor will set the sales and marketing direction to be taken by dealerships and showrooms in the quarterly regional dealerships or showrooms meetings. All BMW-related and McLaren-related template marketing materials are provided by the BMW Distributors and the McLaren Distributor, respectively. Our dealerships may develop its own BMW-related and McLaren-related marketing materials provided that such materials are approved for use by the marketing department of the BMW Distributors or the McLaren Distributor, as the case may be. Whilst the Lotus Distributor does not currently have similar requirements, our Group nevertheless actively conducts promotional events for the Lotus automobiles we carry, such as track days and morning drives.

GENERAL INFORMATION ON OUR GROUP

Whilst a bulk of our marketing activities are focused on sales of new automobiles, we also have specific marketing efforts aimed at promoting sales of our pre-owned automobiles including promoting our pre-owned automobile through social media platforms such as WeChat.

Sales

We have an established sales process in place across our dealerships and showrooms.

New prospective customers who arrive at our showrooms are accompanied by our Sales Consultants to tour the showroom. Our Sales Consultants actively engage with each prospective customer to understand their needs in order to suggest or introduce a suitable model from BMW's product line-up, as well as to understand the type of automobile the prospective customer is currently driving (with a view to facilitating a potential trade-in). Our prospective customers are offered test-drives of the demonstration automobiles on specific routes near the dealership to allow them to get a hands-on experience of the automobile.

Prospective customers are then provided with a quoted price for the automobile. Such quoted price typically takes into consideration if trade-in, financing, insurance and registration services are required. Once the customer agrees to place an order for the automobile, the sale is concluded with the customer signing a standard sale agreement with us.

The standard terms in the sales agreement include provisions on the quoted price, registration fee and other applicable taxes or levies. We are entitled to vary the quoted price for the automobile in accordance with market conditions. As such, as dealers, we will typically sell the new automobiles based on the automobile OEMs' recommended sales price, subject to discounts offered to customers from time to time at our discretion. The standard terms also include provisions relating to full payment and delivery. We are entitled to withhold registration and the delivery of the automobile until full payment has been made. We are entitled to forfeit any money received from the customer or deal with the automobile in such manner as we think fit under certain circumstances, such as the customer's failure to make full payment to us by the stipulated date. In practice, we provide refunds to customers who have placed deposits but wish to cancel their orders, as we generally are able to find replacement buyers for BMW automobiles and to a less frequent extent, for McLaren automobiles as well.

Once full payment is made, the customer is able to collect their new automobile from us. We hold elaborate delivery ceremonies to deliver the new automobile to each customer, which are held at special "delivery rooms" at our dealerships and showrooms. Such ceremonies are typically attended by one or more members of our Sales team and Customer Relationship Management ("CRM") team, and include the taking of group photos and follow-up briefings to ensure that the customer is provided with all necessary documents, information and items upon receipt of their new automobile.

All sales are reported back to our Distributors. In the case of BMW, each of our BMW dealerships have a Dealer Management System in place which allows us to upload the sales invoice and tax invoice from the sale of each new vehicle into the system, and such individual sales are effectively reported on a "live" basis to the BMW Distributors. In the case of McLaren, individual sales are reported to McLaren through upload on a web portal, with monthly reviews carried out for reconciliation.

GENERAL INFORMATION ON OUR GROUP

CUSTOMER RELATIONSHIP MANAGEMENT

Whilst we seek to attract and acquire new customers, we place an even firmer importance on maintaining and building long-lasting relationships with our existing customers.

Each dealership and showroom has a CRM Department whose role is to build such relationships with our customers and place an emphasis on serving their long-term automotive needs. We make use of our Group's Dealer Management System to store and analyse detailed records of the purchases and service histories and preferences of our customers, helping us to better understand the needs of our customers and to develop targeted and customised communications with each customer.

We actively engage our customers with initiatives such as providing after-sales services, sending periodic reminders of upcoming scheduled maintenance and inviting customers to exhibitions of new automobile models. We also constantly work to enhance the quality of our customer services through collecting feedbacks from multiple channels, including in-store interviews and our customer services hotline.

QUALITY CONTROL

As part of our Group's quality control measures, we are required to conduct a pre-delivery inspection ("PDI") on each automobile to be sold. Such PDI will consist of an inspection of all main components of an automobile, a cosmetic check on the exterior and interior of the automobile, followed by a final detailing of the automobile and if necessary, test-driving. If the condition of the automobile is found to be satisfactory, we will proceed to register and deliver the automobile. In the event of any discrepancies in quality of the automobile or if the automobile does not conform to the requirements and specifications in the delivery order, we will rectify such discrepancies to ensure that the automobile is delivered to our customer in acceptable standards and conditions. The same quality control checks are also carried out as part of our after-sales services.

Our automobile OEMs also have significant involvement in ensuring the quality of the automobiles which are sold through our dealerships and showrooms. The BMW Distributors and the McLaren Distributor both provide structured training courses for our all our customer-facing employees such as our sales consultants, service advisors, and other customer service officers. Additionally, technicians in the service workshops are also required to attend a number of technical courses to ensure that they are able to service and repair automobiles in accordance with the quality standards set by the automobile OEMs.

Dedicated managers from the automobile OEMs also make routine visits to our dealerships and showrooms so as to observe and inspect our operations, and to conduct regularly scheduled audits, which for the BMW Distributors include, audits on each of the operation segments of the Group, such as the retail standards, sales and after sales processes, used-vehicles certification, workshop services and warranty provided by the Group.

The McLaren Distributor also conducts regular scheduled audits, which include a comprehensive sales process audit and after-sales process audit. In addition to regularly scheduled audits, our Distributors may also perform unannounced anonymous audits (performed by either themselves or external third parties), which include "secret shopper" processes. Any feedback from such audits will be discussed with our Group during regular performance meetings. We have generally received consistently positive feedback from such inspections and audits and not previously been informed by our Distributors of any findings reflecting material issues in our dealerships and showrooms and their respective operations.

GENERAL INFORMATION ON OUR GROUP

We also assist the automobile OEMs such as the BMW Distributors in conducting customer surveys prepared by them, by distributing the surveys to our customers and collecting the results which are collected and provided to automobile OEMs for analysing and assessing the performance and ranking of our dealerships. In addition to assisting the automobile OEMs, we also conduct our own independent customer surveys. The findings of these in-house customer surveys and the rankings by the automobile OEMs allow us to collect market information, gauge the level of customer satisfaction and understand how our dealerships can improve to better meet the needs of our customers. We also assist with communicating with our customers on behalf of our Distributors about safety information and product defects. We also have internal protocols and an escalation procedures for dealing with customers complaints, to ensure that any customer complaints are dealt with in a swift and timely manner.

AWARDS AND ACCREDITATIONS

Our dealerships and showrooms have received awards and accreditations from the BMW Distributors and the McLaren Distributor. Details of significant awards and accreditations we received during the Period Under Review are as follows:

Dealership	Year	Award
Foshan BMW Dealership	2020	• 1H2020 BMW South Region Best M New Car Launch Dealer (2020上半年南区M最佳新车上市销售经销商)
		• Q32020 BMW South Region Best Performance Reward (2020年Q3南区全损无忧卓越表现奖)
		• Q32020 BMW South Region Financial and Leasing Dealer – Ranking of No. 2 in Group A (2020年Q3南区经销商综合业务排名奖A组第二名)
	2019	• 2019 BMW South Region Best Aftersales Service Quality Award (2019年度BMW南区最佳售后服务质量奖)
		• 2019 BMW BMW Best Aftersales Service Marketing (2019年售后市场最佳表现奖)
		• 2019 BMW South Region BMW Financial Excellence Award (2019年度南区BMW经销商宝马金融卓越表现奖)
		• 2Q2019 BMW South Region Winner for BMW Financial and Leasing Dealer Incentive Program (2019 Q2南区区域激励政策获奖经销商)
		• 2019 BMW Finance South Region Sales Competition Award (2019宝马金融南区销售技能大赛优胜奖)

GENERAL INFORMATION ON OUR GROUP

Dealership	Year	Award			
Shenzhen BMW Dealership	2018	• 2018 BMW Dealer Excellence Award (2018年度BMW经销商卓越表现奖) • 2018 BMW Best New Energy Vehicle Sales Award (2018年度BMW最佳新能源车销售奖) • 2018 BMW South Region Best Aftersales Service Quality Award (2018年度BMW南区最佳售后服务质量奖) • 2018 BMW Customer Care Excellence Award (2018 客户关怀精英奖) • 2018 BMW Finance Excellent Finance & Insurance Team (2018卓越金融保险团队)			
		2019	• 2019 BMW South Region Outstanding Marketing Award (2019 BMW南区市场卓越贡献奖) • 2019 BMW South Region Core Model Promotion Award (2019年度BMW南区核心车型推广奖)		
			2018	• 2018 South Region Best BMW I Series Sales (2018年度南区最佳BMW i销售奖) • 2018 South Region Best BMW Plug-In Hybrid Electric Vehicle Sales (2018年度南区最佳BMW PHEV销售奖) • 2018 South Region BMW Best New Energy Vehicle Dealer (2018年度南区最能“装”新能源经销商奖)	
		Chongqing BMW Dealership		2020	• 2Q2020 BMW West Region Best Customer Relationship Management Performance (BMW西区2020年第二季度客户关系管理最佳表现奖) • 2Q2020 BMW West Region Best Dealer for Replacement of Used Cars – Ranking of No. 2 in Group B (BMW西区置换二手车优秀经销商) • 1H2020 BMW West Region Aftersales Operational Management Award of Excellence (宝马西区上半年售后综合运营最佳优胜奖)

GENERAL INFORMATION ON OUR GROUP

Dealership	Year	Award
	2019	1Q2019 BMW West Region Customer Relationship Management Customer Loyalty Event – Joy Salon Best Practice (BMW西区CRM2019年第一季度客户忠诚活动–悦沙龙优秀案例) 2Q2019 BMW West Region Best Customer Relationship Management Performance (BMW西区2019年第二季度客户关系管理最佳表现奖) 3Q2019 BMW West Region Customer Relationship Management Customer Loyalty Event – Joy Salon Best Practice (BMW西区CRM2019年第三季度客户忠诚活动–悦沙龙优秀案例) 2019 Aftersales Best Performance Award (2019售后业务发展高业绩管理最佳表现奖)
	2018	2018 West Region Wechat Promotion Best Content Award (2018西区微信运营最佳内容奖) 2Q2018 BMW West Region Best Customer Relationship Management Performance (BMW西区2018年第二季度客户关系管理最佳表现奖) 4Q018 BMW West Region Best Customer Relationship Management Performance (BMW西区2018年第四季度客户关系管理最佳表现奖) 2018 BMW After-sales Vehicle Health Check Service Excellent Performance Award (2018售后VHC车辆健康检查服务最佳表现经销商) 2018 Best Technical Performance Award (2018年最佳技术表现奖)
Shenzhen McLaren Showroom	2020	Ranked No. 2 in After-sales amongst large-scale McLaren dealers in China for 2019
	2019	Retailer of the Year
Changsha McLaren Showroom	2020	Ranked No. 1 in After-sales amongst small-scale McLaren dealers in China for 2020
	2019	Best Practice in Marketing for 3Q2019
	2018	2018 Best Marketing Award

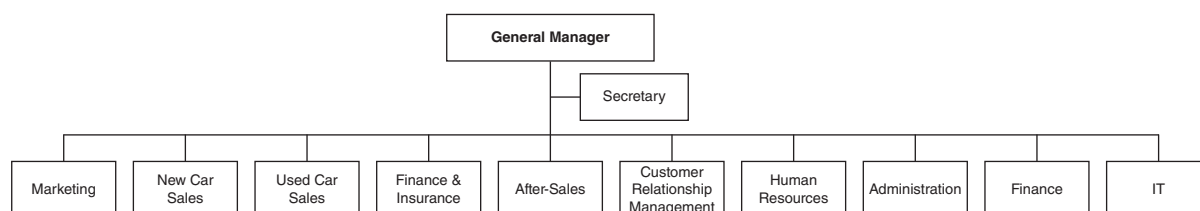
GENERAL INFORMATION ON OUR GROUP

MANAGEMENT OF OUR DEALERSHIPS AND SHOWROOMS

Each BMW dealership is headed by a General Manager, who with and through our COO (BMW), Roger Chan, reports to our headquarters in Hong Kong and Shenzhen. Mr. Roger Chan supervises, supports and coordinates daily operations of our BMW dealerships.

Our McLaren showrooms and Lotus showroom are also each headed by a General Manager, with each business in each location being managed by a team comprising a senior and junior salesperson. The management team of each showroom will report to our headquarters in Hong Kong and Shenzhen, with and through our COO (Premium Luxury), Mr. Raymond Woo. Mr. Raymond Woo supervises, supports and coordinates daily operations of our McLaren showrooms and Lotus showroom.

Each BMW dealership typically adopts the following management structure:



Each showroom, on the other hand, has departments for Marketing, New Car Sales, After-Sales Services, and Finance & Insurance. Each showroom also has a Customer Relationship Manager and a small Finance team, and the General Manager of the showroom directly oversees Used Car Sales. Human Resources, Administration, and IT functions are handled at a group level from our main office in Hong Kong.

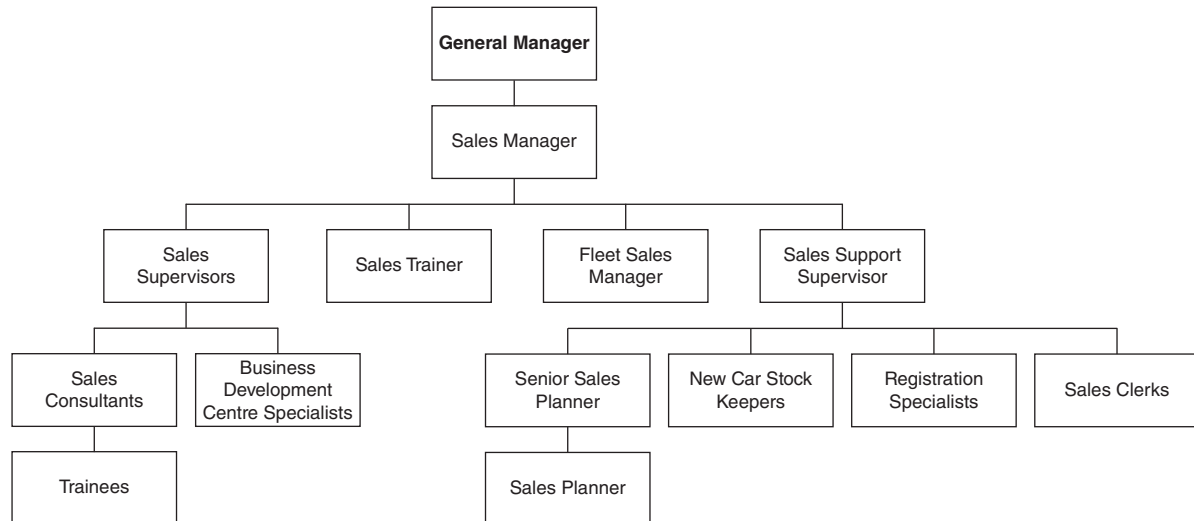
Marketing Department

Each dealership and showroom has a Marketing Department comprising a team of individuals who coordinate and manage marketing activities for the dealership or showroom.

GENERAL INFORMATION ON OUR GROUP

New Car Sales Department

Each dealership and showroom has a New Car Sales Department which oversees sales of new automobiles, and in the case of a dealership the following reporting structure is typically adopted:



The Sales Supervisors and Sales Consultants are the key customer-facing personnel who facilitate the sale of new automobiles to prospective customers. They work together with a Sales Support team which is managed by a Sales Support Supervisor and which handles ancillary matters relating to, amongst others, ordering of inventory, and allocation of model mix. The New Car Sales Department is managed by a Sales Manager who reports to the General Manager of the dealership or showroom.

Used Car Sales Department

Each dealership has a Used Car Sales Department which is responsible for overseeing the procurement and sale of pre-owned automobiles.

For showrooms, the General Manager of the showroom directly oversees Used Car Sales.

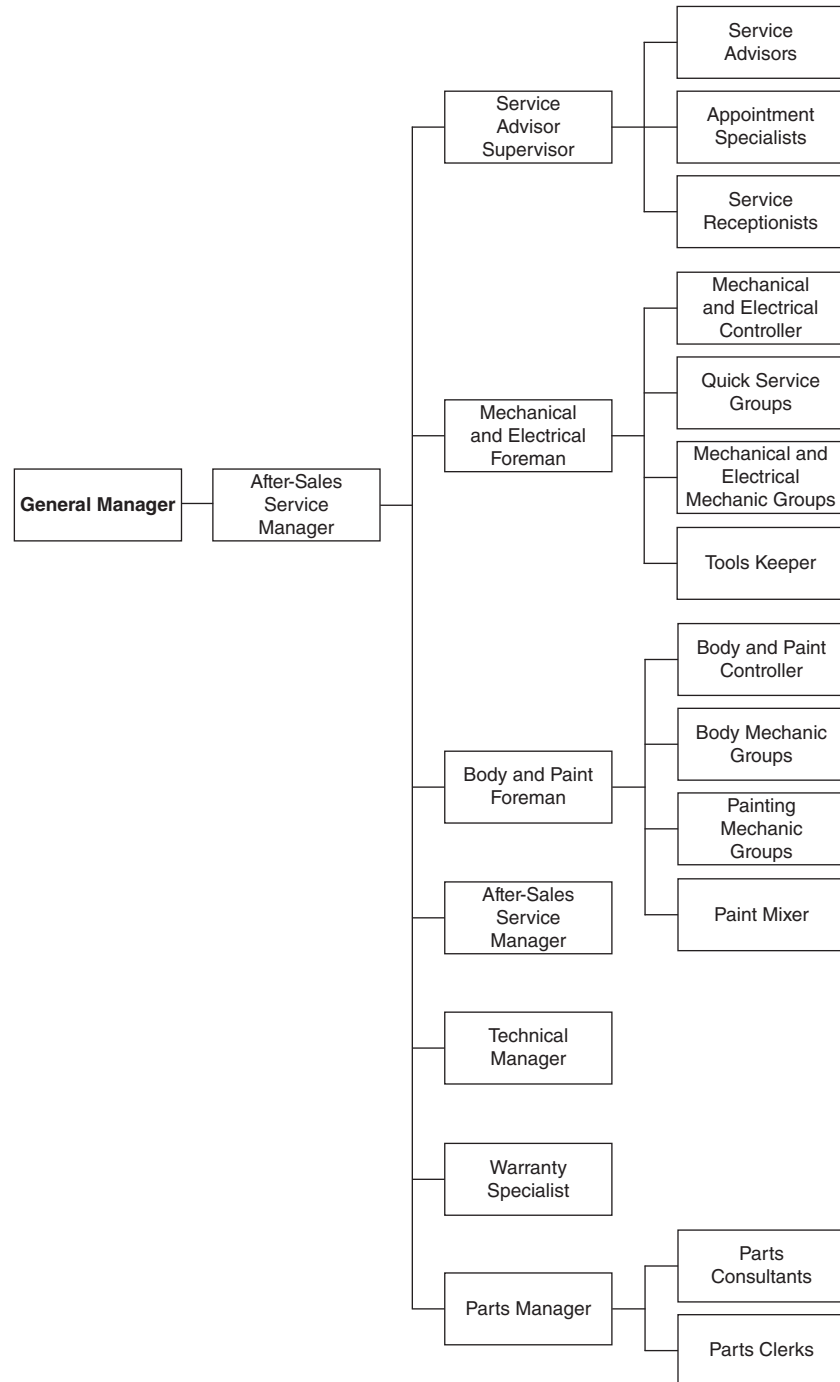
Finance & Insurance Department

Each dealership and showroom has a Finance & Insurance Department which has Finance & Insurance Managers who are responsible for provision of automobile agency services, in particular, working with the customers to arrange for and structure the financing package for each new automobile.

GENERAL INFORMATION ON OUR GROUP

After-Sales Services Department

Each dealership and showroom has an After-Sales Service Department which oversees after-sales and services of automobiles, and in the case of a dealership typically adopts the following reporting structure:



Each round of repair or maintenance work is overseen by a team of automotive engineers and technicians led by either a Mechanical and Electrician Foreman or Body and Paint Foreman. The completed work is supervised by a Quality Inspector. The department is managed by an After-sales Service Manager who reports to the General Manager of the dealership or showroom.

GENERAL INFORMATION ON OUR GROUP

Customer Relationship Management Department

Each dealership and showroom has a Customer Relationship Manager who is responsible for managing the customer database, and working with the sales teams to contact customers and keep them informed of special events and remind them of maintenance schedules.

Finance Department

Each dealership has a Finance Manager who supervises a team of six (6) to 10 team members. The Finance Manager reports to the Group Director of Finance. Due to the much smaller scale of McLaren and Lotus showroom operations, the showrooms' finance team is comprised of one (1) to two (2) accounting clerks. These accounting clerks report to a Group Finance Manager who in turn reports to the Group Director of Finance. The Group Director of Finance in turn reports to our Group's CFO.

Additionally, each dealership has departments for Human Resources, Administration and IT, each of which is headed by a team leader. In the case of showrooms, Human Resources, Administration, and IT functions are handled at a group level from our main office in Hong Kong.

ESTABLISHMENT AND RELOCATION OF DEALERSHIPS AND SHOWROOMS

As part of our plans to expand our dealership network to other regions in the PRC as well as to diversify our portfolio of automobile brands, we envisage setting up new dealerships and showrooms and acquiring existing dealerships and showrooms.

At the same time, there may arise circumstances where we are required to relocate our existing dealerships and showrooms to a new location, including by reason of enforcement action by PRC government authorities against the properties we occupy due to non-compliance with the designated land use. For further details, please refer to the sections entitled "Risk Factors – Risks Relating to our Business and Industry – Our Group may not have valid titles or rights to use certain properties and the required permits for construction, development and carrying out of our business operations on certain properties occupied by us" and "General Information on our Group – Material Properties and Fixed Assets" of this Offer Document. It should be noted however that our Group has as at the Latest Practicable Date not faced an instance of such relocation.

Set out below is the expected process and consents required for establishing or relocating a dealership or showroom:

Dealerships

When establishing a new dealership (including for the relocation of an existing dealership), our Group will identify a location for the leasing and operation of a new permanent dealership which is to be newly constructed or acquired as an existing dealership space. We will submit the relevant plans to the relevant automobile OEM whose automobiles we will be distributing at the new dealership, and engage with the automobile OEM so as to obtain their consent for the new dealership to be established or for the relocation of the existing dealership, including the chosen location of the dealership. We will engage in negotiations with the landlord or lessor to execute a binding lease agreement or sub-lease agreement (as the case may be) for the permanent use of the land for operation of the new dealership. We will, if necessary, also engage with any relevant PRC government authorities to ensure that all requisite approvals for the permanent use of the land, to be in compliance with all applicable PRC laws, are obtained (including being in

GENERAL INFORMATION ON OUR GROUP

compliance with the designated land usage and/or obtaining the relevant building ownership certificates) before commencement of the necessary construction or acquisition of the new dealership at the new premise.

The construction or acquisition process may take between six (6) to 12 months (including the estimated time to secure the relevant financing), although much will eventually depend on the circumstances at the time, including the scale of operations and size of the new dealership and whether there is an existing building to house the new dealership. We generally do not foresee any difficulties in obtaining the relevant financing given our Group's strong and stable relationships with banks and financial institutions whom we work with.

Following the completion of the construction and/or acquisition of the permanent dealership, our Group will establish or relocate (as the case may be) the operations and employees to the permanent dealership, and thereafter operations will commence.

Showrooms

Generally, our Group's showrooms are located as part of larger compounds or mixed-use developments (such as shopping areas and complexes). Showrooms are spaces where automobiles are displayed for sale, and do not come with the additional products and range of services typically provided in a dealership. Accordingly, the establishment or relocation of a showroom involves a more straightforward process.

We will identify a location (which is likely to be within a larger compound such as a shopping area), preferably located as close as possible to the original showroom, for the leasing and operation of a new permanent showroom which is to be newly constructed or acquired as an existing showroom space. We will submit the relevant plans to the relevant automobile OEM whose automobiles we will be distributing at the new showroom, and engage with the automobile OEM so as to obtain their consent for the new showroom to be established or for the relocation of the existing showroom, including the chosen location of the showroom. We will engage in negotiations with the landlord or lessor to execute a binding lease agreement or sub-lease agreement (as the case may be) for the permanent use of the land for operation of the new showroom. We will, if necessary, also engage with any relevant PRC government authorities to ensure that all requisite approvals for the permanent use of the land, to be in compliance with all applicable PRC laws, are obtained (including being in compliance with the designated land usage and/or obtaining the relevant building ownership certificates) before commencement of the necessary construction or acquisition of the new showroom at the new premise.

The construction and/or acquisition process may take approximately between three (3) to six (6) months, although much will eventually depend on the circumstances at the time, including the size and existing operations of the showroom. Following the completion of the construction and/or acquisition of the permanent showroom, our Group will establish or relocate (as the case may be) the operations and employees to the permanent showroom, and thereafter operations will commence. The costs of such construction and/or acquisition are typically low and are financed primarily through our internal resources.

RESEARCH AND DEVELOPMENT

We do not generally carry out any research and development activities. However, we constantly monitor the markets, consumer preferences and competition, and are always on the lookout for various opportunities to expand our existing businesses and to identify automobile-related businesses and products.

GENERAL INFORMATION ON OUR GROUP

RECRUITMENT AND TRAINING

Our strong pool of experienced and dedicated employees is critical to our success. We are committed to recruiting, training and retaining skilled and experienced employees to serve our customers better and to implement our growth strategies. We do so through offering attractive remuneration packages and placing an emphasis on employee training and career development.

We regularly review the performance of our employees and the results of such reviews form the basis of salary increments and promotions. We grant bonuses and awards to our employees to encourage our dealerships and showrooms to achieve higher customer satisfaction rankings. For our sales personnel, their commission is dependent on various key performance indicators, including whether their individual sales target has been met, quality of their service and customer feedback.

We value our employees and we have invested, and will continue to invest substantially, in training our employees by regularly reviewing and improving the training programmes for multiple levels of our employees, from senior management team to trainee managers and newly recruited sales and service personnel. Internally within our Group, we provide structured training courses to our customer-facing employees such as our sales personnel and customer service officers to achieve higher customer satisfaction rankings. We also have an in-house programme to train and develop our general managers, who are crucial in the management and the day-to-day operation of our dealerships. We rotate our trainee managers to different positions in a dealership to ensure that they are familiar with all operational aspects of a dealership. We also conduct internal trainings for our technical staff who work in our After-Sales Services Department.

We also require our customer-facing employees such as our sales personnel and customer service officers as well as our technical staff who work in our After-Sales Services Department to attend structured training courses provided by the BMW Distributors and the McLaren Distributor, which assist in improving our employees' technical knowledge and familiarity with the automobiles.

WORKPLACE SAFETY AND HEALTH MEASURES

We have established workplace safety and health policies to ensure that all works in our workplace are carried out safely and in accordance with the relevant laws and regulations of the PRC.

The General Manager and the Administration department and Human Resource department at each dealership is responsible for supervising and ensuring that we comply with all relevant rules and regulations in respect of workplace safety and health measures. The Human Resource department performs the following functions:

- To review safety and health of all persons in our workplace;
- To maintain safe and healthy working conditions in our workplace by promoting co-operation between our management and employees;
- To carry out inspections or investigations on any accident cases and dangerous occurrences in the interests of the safety and health of our employees; and
- To carry out such other functions and duties as prescribed by the relevant PRC laws and regulations.

GENERAL INFORMATION ON OUR GROUP

We regularly conduct health and safety briefings for our non-operational personnel. In addition, all our technicians and mechanics are required to attend briefings and trainings, including on-the-job familiarisation and safety demonstrations, which are provided by the automobile OEMs.

In response to the COVID-19 pandemic, we have also taken precautionary measures against the spread of COVID-19 in our dealerships and showrooms as well as our offices, such as closure of each of our dealerships and showrooms for a period of about four (4) to six (6) weeks in 1Q2020 which was during the peak of the COVID-19 outbreak in the PRC. Following the reopening of our dealerships and showrooms, from time to time as may be required depending on factors such as the level of outbreaks in the locality, we have implemented measures such as temperature taking for employees and customers, frequent cleaning and disinfection of common areas, restricting the number of customers and duration of visits to our dealerships per day, ensuring that customers comply with safe distancing and other guidelines imposed by the local PRC laws, restricting customers' access only to designated areas, ensuring split team work arrangements for our employees, and strict movement control of our employees and the customers.

MAJOR CUSTOMERS

Our customers comprise mainly individuals. Due to the retail nature of our business, we do not have one (1) single customer who accounted for 5.0% or more of our Group's total revenue during the Period Under Review. Our target customers are consumers residing in the rapidly developing cities in the PRC which are also the cities in which our Group operates in, who are likely to purchase premium and/or ultra-premium automobiles as well as pre-owned automobiles and who we expect to have a high automobile usage. Our Directors are of the opinion that our business and profitability are currently not dependent on any particular industrial, commercial or financial contract with any customer.

MAJOR SUPPLIERS

As at the Latest Practicable Date, we have entered into dealership agreements or arrangements with the BMW Distributors, McLaren Distributor and Lotus Distributor. We set out below a list of our major suppliers, whom we identify as one which accounted for 5.0% or more of our Group's total purchases during the Period Under Review.:

Major Supplier	Products or Services Purchased	As a percentage of total purchases (%)			
		FY2018	FY2019	FY2020	1Q2021
BMW Brilliance ⁽¹⁾	Automobiles and automobile parts and accessories	63.6%	65.6%	67.6%	65.4%
BMW China ⁽¹⁾	Automobiles and automobile parts and accessories	29.4%	27.4%	28.2%	31.7%
McLaren Distributor	Automobiles and automobile parts and accessories	5.1%	5.2%	2.4%	0.7%

Note:

(1) BMW Brilliance and BMW China are part of the BMW Group.

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The increase in the total purchases from BMW Brilliance from FY2018 to FY2019 and the corresponding decrease in the total purchases from BMW China from FY2018 to FY2019 arose as a result of BMW's increased reliance on local production of new automobiles and corresponding reduction in importation of automobiles. The decrease in the total purchases from the McLaren Distributor in FY2020 and 1Q2021 as compared to the previous years was mainly attributable to a reduced supply of new automobiles from the McLaren Distributor during this period, which arose because of production disruption and stoppage of McLaren automobiles in the United Kingdom as a result of the COVID-19 pandemic in FY2020.

Save as disclosed above, there are no other suppliers who accounted for 5.0% or more of our purchases during the Period Under Review. To the best of their knowledge, our Directors are not aware of any information or arrangements which would lead to a cessation or termination of our current relationship with any of our major suppliers.

As at the date of this Offer Document, none of our Directors, Executive Officers or Substantial Shareholders or their respective associates have any interest, direct or indirect, in BMW Brilliance, BMW China and McLaren Distributor.

CREDIT MANAGEMENT

Credit Terms to our Customers

We generally do not grant any credit terms to our customers. We typically refer our customers to banks and the automobile OEMs (through their relevant financial services entity) for acquisition financing, and collect commission through successful referrals.

Credit Terms to our Automobile OEMs and Insurers

We earn rebates from our automobile OEMs when we achieve the sales targets set by the automobile OEMs. Such rebates, which may be up to 8.5% of the purchase price of an automobile, are booked as receivables and are received as cash and/or as an offset against the costs of our next automobile purchases made with the relevant automobile OEMs, as per the agreed terms with the automobile OEMs. We also recognise outstanding accident insurance claims arising from repairs to customers' automobiles as receivables, which will be reimbursed by the insurers within a reasonable period of time.

Our average trade and other receivables turnover days during the Period Under Review were as follows:

	FY2018	FY2019	FY2020	1Q2021
Average trade and other receivables turnover (days) ⁽¹⁾	20	20	16	12

Note:

- (1) The average trade and other receivables turnover is calculated based on the average opening and closing trade and other receivables balances of the relevant financial year/period divided by the corresponding revenue for the financial year/period multiplied by 365 days or 90 days, as the case may be.

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Our average trade and other receivable turnover days remained stable at 20 days for each of FY2018 and FY2019 due to rebates having been received and collected earlier in the relevant financial year. Our average trade and other receivable turnover days decreased from 20 days in FY2019 to 16 days in FY2020 as trade and other receivables were being collected during FY2020. Our average trade and other receivable turnover days decreased from 16 days in FY2020 to 12 days in 1Q2021 as trade and other receivables were being collected during 1Q2021 in line with our usual practice such that the average trade and other receivables is generally lower after the first quarter of each financial year.

During the Period Under Review, no provision for impairment of trade and other receivables was made by our Group.

During the Period Under Review, the bad debts written-off by our Group accounted for less than 0.1% of our Group's revenue and were accordingly not material to our Group. The bad debts arose from rebates from automobile OEMs which were provisionally booked as receivables into the accounts but for which our Group was eventually not entitled to due to not meeting the relevant rebate criteria.

Aging analysis

The aging schedule for our trade and other receivables as at 31 March 2021 is as follows:

Age of trade and other receivables	(RMB'000)	(%)
Not past due and not impaired	—	—
Within 30 days	87,610	54.3%
31 to 60 days	30,243	18.8%
61 to 90 days	23,368	14.5%
More than 90 days	20,023	12.4%
Trade and other receivables	161,244	100.0%
Amount collected as at the Latest Practicable Date	133,815	83.0%

The remaining outstanding trade and other receivables are mainly due from our Distributors in respect of the rebates earned from the sale of automobiles, and with whom our Group has had regular business dealings. Based on past experience, some of our Distributors do occasionally make payment beyond the stipulated credit terms and our Group has generally not faced issues with collecting such payment from our Distributors eventually. Historically, the periods of extension afforded to the relevant Distributors to make payment has not exceeded 90 days. On the basis of the foregoing, our Directors do not foresee issues with the collection of such outstanding debt.

Credit terms for our purchases

Automobile OEMs typically do not provide credit terms for purchase of new automobiles. We make full payment of the purchase price of new automobiles before delivery of the new automobiles to us and this is financed with bills payables that we obtain from financial services entities (under the respective automobile OEM) which have repayment terms of 30 to 180 days. The new automobiles are pledged to such financial services entities until repayment is made when we obtain payment from customers through their banks or financial services entities who purchase such automobiles from us.

GENERAL INFORMATION ON OUR GROUP

Our trade payables mainly arise from purchase of automobile parts and accessories from automobile OEMs, which typically has a credit term of 30 days.

Our average trade and bills payables' turnover days during the Period Under Review were as follows:

	FY2018	FY2019	FY2020	1Q2021
Average trade and bills payables turnover (days) ⁽¹⁾	46	44	34	27

Note:

- (1) The average trade and bills payables turnover is calculated based on the average of the opening and closing trade and bills payables balances of the relevant financial year/period divided by the corresponding cost of purchases for the financial year/period multiplied by 365 days or 90 days (as the case may be).

Our trade and bills payables turnover days decreased from 46 days in FY2018 to 44 days in FY2019 due to more cash purchase of inventories during the year end of FY2019. Our trade and bills payables turnover days decreased from 44 days in FY2019 to 34 days in FY2020 mainly due to a lower average trade and bills payables and an increase in cost of purchases due to the higher sales recorded in FY2020.

Our trade and bills payables turnover days decreased from 34 Days in FY2020 to 27 days in 1Q2021 as a result of more cash purchase in the 1Q2021 for inventory purchases.

INVENTORY MANAGEMENT

Our inventory comprises new automobiles, pre-owned automobiles and automobile parts and accessories. New automobiles comprise the bulk of our inventory. Accordingly, our inventory turnover days are largely dependent upon the movement of the inventory for new automobiles. From time to time, automobile OEMs may also require us to hold a minimum amount of inventory, typically representing about four (4) to six (6) weeks of automobile sales.

In order to respond to customer demand and at the same time manage our cashflow effectively, we aim to stock a reasonable level of inventory of our products. As mentioned under the section entitled "General Information on our Group – Our Procurement Process" of this Offer Document, we typically procure our inventory based on a number of factors, including: (a) sales targets set by the automobile OEMs; and (b) historical movements of and anticipated demand for new automobiles and automobile parts and accessories. We maintain an inventory management system for new automobiles, pre-owned automobiles and automobile parts and accessories, which enables us to monitor and manage our inventory turnover for these products in a real-time manner. For new automobiles that have aged beyond a certain period of time, we will take initiatives, such as marketing events, to reduce such inventory level. These measures have been reviewed by the Internal Auditor.

Our average inventory turnover days for the Period Under Review are as follows:

	FY2018	FY2019	FY2020	1Q2021
Average inventory turnover (days) ⁽¹⁾	34	37	31	19

Note:

- (1) The average inventory turnover is calculated based on the average opening and closing inventory balance of the relevant financial year/period divided by corresponding cost of sales for the financial year/period and multiplied by 365 days or 90 days, as the case may be.

Our inventory turnover days increased to 37 days in FY2019 from 34 days in FY2018 mainly due higher inventory levels at FY2019 year-end as some orders received in late in the year were

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delivered in the following period. The inventory turnover decreased from 37 days in FY2019 to 31 days in FY2020 because of strong market demand in 2020 and order of new car inventory arrived after-year-end. Inventory turnover further decreased to 19 days in 1Q2021 as a result of higher revenue generated and corresponding increase in cost of sales in 1Q2021 compared with 1Q2020. As at the Latest Practicable Date, our Directors are not aware of any information or reasons that our Group may have to make material provision or write-down our inventory.

There was no material provision and/or write-down of our Group's inventory during the Period Under Review.

MATERIAL PROPERTIES AND FIXED ASSETS

Properties Owned by our Group

As at the Latest Practicable Date, our Group owns the land use rights and the property ownership rights of the following property:

Company	Location	Date of Expiry of Tenure	Approximate land area (sq m)	Zoned usage	Usage by our Group	Encumbrances
Chongqing Baize	No. 121 Tongjiang Road, Nan'an District, Chongqing (重庆市南岸区通江大道121号)	4 November 2043	17,327.09	Commercial use	Leased to Chongqing Qingdebao Automobile for operation of Chongqing BMW Dealership	Mortgaged to China Everbright Bank Co., Ltd. Shenzhen Branch (中国光大银行股份有限公司深圳分行) for provision of guarantees for an aggregate loan of RMB180,000,000 obtained by Chongqing Qingdebao Automobile, Guangzhou Changbao Automobile, Foshan Shenbao Automobile and Shenzhen Chuangfengbao Automobile.

As at the Latest Practicable Date, our Group leases the following material properties:

Lessee	Location	Tenure	Approximate land area (sq m)	Zoned usage	Usage by our Group	Lessor
TCA Holdings (HK) Limited	Flat B on the 17th Floor, Tower 1, No. 8 Ap Lei Chau Praya Road, Hong Kong	1 October 2021 to 30 September 2023	171.87	Residential use	Residence for CEO	Holy Joy International Limited
Trans-China Automotive Holdings (FS) Limited	3002, 30th Floor, No. 88 Hing Fat Street, Causeway Bay, Hong Kong	27 June 2019 to 26 June 2022	216.37	Office use	Head office	Winner Dynasty Limited
Foshan Shenbao Automobile	Block 62, Southeast of Guijiang Flyover (桂江立交桥东南侧62街区) ⁽¹⁾	1 November 2020 to 31 October 2035	20,000	Commercial use	Operation of Foshan BMW Dealership	Diebei Economics Union Committee of Guicheng Road, Nanhai District, Foshan (佛山市南海区桂城街叠北经济联合社)

GENERAL INFORMATION ON OUR GROUP

Lessee	Location	Tenure	Approximate land area (sq m)	Zoned usage	Usage by our Group	Lessor
	No. W-1-18B, 1st Floor, Block 2, West Lvdao Plaza, No. 129, Jihuaxi Road, Nanzhuang Town, Chancheng District, Foshan City (佛山市禅城区南庄镇季华西路129号绿岛广场西区2座1层W-1-18B号)	25 September 2020 to 24 September 2021 ⁽²⁾	310.93	Commercial use	Operation of Foshan BMW Dealership (showroom area)	Foshan Green Island Plaza Management Co., Ltd (佛山市绿岛广场经营管理有限公司)
	Beside Guangsan Railway Bridge, Dali Guihe Road, Nanhai City, Guangdong (No. 1, 2, 3 Workshop in new Huahao Aluminum Extrude Factory) (广东省佛山市南海大沥桂和路广三铁路桥旁(华豪铝型材厂内(新)1、2、3号车间))	1 February 2021 to 31 January 2024	6,100	Industrial use	Parking lot	Foshan Anqun Property Management Co., Ltd (佛山市安群物业管理有限公司)
Shenzhen Chuangfengbao Automobile	No. 2 Building, Boshen Industry Area, Longgang District, Shenzhen City (深圳市龙岗区博深工业厂区2号楼) ⁽³⁾	30 March 2010 to 29 March 2030 ⁽⁴⁾	17,863.98	Industrial use	Operation of Shenzhen BMW Dealership	Shenzhen Oujingcheng Investment Co., Ltd (深圳市欧景城投资有限公司)
	Boshen Industry Area, Longgang District, Shenzhen (深圳市龙岗区博深工业厂区)	17 May 2010 to 29 March 2030 ⁽⁴⁾	5,747.61	Industrial use	Parking lot	Shenzhen Oujingcheng Investment Co., Ltd (深圳市欧景城投资有限公司)
Guangzhou Changbao Automobile	Heinidun, Shangshe, Tangxia Village, Dongpu Town, Tianhe District, Guangzhou City (广州市天河区东圃镇棠下村上社黑坭墩)	1 January 2012 to 31 December 2026	7,592	Warehousing use	Parking or warehousing	Guangzhou Jun'an Trading Co., Ltd (广州骏安贸易有限公司)
	Heinidun, Shangshe, Tangxia Village, Dongpu Town, Tianhe District, Guangzhou City (广州市天河区东圃镇棠下村上社黑坭墩) ⁽⁵⁾	1 January 2012 to 31 December 2026	5,000	Warehousing use	Operation of Guangzhou BMW Dealership	Guangzhou Qianqu Trading Co., Ltd (广州前驱贸易有限公司)
Chongqing Qingdebao Automobile	No. 121 Tongjiang Road, Chayuan New Community, Nan'an District, Chongqing (重庆市南岸区茶园新区通江大道121号) ⁽⁶⁾	1 July 2014 to 30 June 2034	11,071	Commercial use	Operation of Chongqing BMW Dealership	Chongqing Baize Industrial Co. Ltd. (重庆百泽实业有限公司)
Shenzhen Bright Focus Automobile	No. 113, Floor I, Phase II, South of Pengrui Shenzhenwan No. 1 Square (鹏瑞深圳湾壹号广场南二期一层编号113)	1 September 2017 to 31 August 2025	198.95	Commercial use	Operation of Shenzhen McLaren Showroom	Shenzhen Pengrui Real Estate Development Co. Ltd (深圳市鹏瑞地产开发有限公司)

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Lessee	Location	Tenure	Approximate land area (sq m)	Zoned usage	Usage by our Group	Lessor
Changsha Bright Focus Automobile	Room 111, Building B1, Anxiyayuan, No. 9 of Shuyuan Road, Tianxin District (天心区书院路9号安玺雅苑B1栋111室)	1 October 2019 to 30 September 2029	82.93	Commercial use	Operation of Changsha McLaren Showroom	Guotao Yu (余果涛)
	Room 112, Building B1, Anxiyayuan, No. 9 of Shuyuan Road, Tianxin District (天心区书院路9号安玺雅苑B1栋112室)	1 October 2019 to 30 September 2029	119.84	Commercial use	Operation of Changsha McLaren Showroom	Ming Kang (康明)
Guangzhou Ruisheng Automobile	No. L112-L114, Ersha Island, Wenlifang, Plot No. 11-5-1, Qingbo Road, Ersha Island, Yuexiu District, Guangzhou, Guangdong (广东省广州市越秀区二沙岛晴波路11-5-1地块二沙岛文立方自编号L112-L114)	1 December 2017 to 30 November 2025	316.29	Culture and sports use	Operation of Guangzhou McLaren Showroom	Guangdong Qingbo Investment Co., Ltd (广东晴波投资有限公司)
	No. 101, Floor I, Building 18, No. 33, Fengzhuang Street, Cencun Road, Tianhe District (天河区岑村路丰庄大街33号18栋首层101号) ⁽⁷⁾	15 November 2019 to 15 November 2025	855 ⁽⁷⁾	Industrial use	Operation of Guangzhou McLaren Workshop	Guangzhou Qilong Industrial Co., Ltd (广州淇隆实业有限公司)
Wuhan Ruisheng Automobile	A- F1-005/006/008, Floor I, Phase I of Fanyue Nanguo Center, No. 1381, Jiefang Road, Jiangnan District, Wuhan (武汉市江汉区解放大道1381号泛悦•南国中心(一期)项目一层,商舖编号A-F1-005/006/008)	24 December 2019 to 31 August 2027	211.4	Commercial use	Operation of Wuhan McLaren Showroom	Langold Real Estate Co., Ltd. (南国置业股份有限公司)
Shenzhen Qifeng Automobile	No. 111A, Floor I, Phase II, South of Pengrui Shenzhenwan No. 1 Square (鹏瑞深圳湾壹号广场南二期一层编号111A)	24 April 2019 to 31 August 2025	74.32	Commercial use	Operation of Shenzhen Lotus Showroom	Shenzhen Pengrui Real Estate Development Co. Ltd (深圳市鹏瑞地产开发有限公司)

Notes:

- (1) Foshan Shenbao Automobile leases the property from the landlord Diebei Economics Union Committee of Guicheng Road, Nanhai District, Foshan (佛山市南海区桂城街叠北经济联合社). Foshan Shenbao Automobile has issued a Site Use Statement (场地使用声明) which permits Guangdong Yaohua Leasing, Foshan Branch to use the unit at no consideration from 1 July 2021 to 30 June 2023, and this has been consented to by the landlord.
- (2) As at the date of this Offer Document, this lease has already expired and was not renewed. The premises previously occupied by our Group under this lease had been used for a temporary marketing campaign conducted by our Group for the BMW Distributors, which has since ended.

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- (3) The property at No. 8 Changxing North Road, Shengping Community, Longcheng Street, Longgang District, Shenzhen (深圳市龙岗区龙城街道盛平社区长兴北路8号) is located within this area and pursuant to Site Use Statements issued by Shenzhen Chuangfengbao Automobile:
- (a) the unit at No. 302, No. 8 Changxing North Road, Shengping Community, Longcheng Street, Longgang District, Shenzhen (深圳市龙岗区龙城街道盛平社区长兴北路8号) is permitted to be used by Shenzhen Bright Focus Automobile at no consideration for a period from 1 June 2020 to 31 May 2025;
 - (b) the unit at No. 303, No. 8 Changxing North Road, Shengping Community, Longcheng Street, Longgang District, Shenzhen (深圳市龙岗区龙城街道盛平社区长兴北路8号) is permitted to be used by Yaohua Automobile Management at no consideration for a period from 1 June 2020 to 31 May 2025;
 - (c) the unit at No. 304, No. 8 Changxing North Road, Shengping Community, Longcheng Street, Longgang District, Shenzhen (深圳市龙岗区龙城街道盛平社区长兴北路8号) is permitted to be used by Guangdong Yaohua Leasing, Shenzhen Branch at no consideration for a period from 1 June 2020 to 31 May 2025; and
 - (d) the unit at No. 304, No. 8 Changxing North Road, Shengping Community, Longcheng Street, Longgang District, Shenzhen (深圳市龙岗区龙城街道盛平社区长兴北路8号) is permitted to be used by Shenzhen Shangxiantong Enterprise Consulting Management at no consideration for a period from 1 June 2020 to 31 May 2025,
- and in each case, such use is permitted pursuant to the terms of a tripartite agreement entered into between Shenzhen Chuangfengbao Automobile, the landlord Shenzhen Boshen Hightech Materials Co., Ltd (深圳市博深高新材料有限公司) and the lessor Shenzhen Oujingcheng Investment Co., Ltd (深圳市欧景城投资有限公司).
- (4) Whilst the respective leases provide that the term of the lease is until 29 March 2035, under the PRC laws, the term of a lease may not exceed 20 years and these leases will therefore only be effectively valid for a period of 20 years and will expire on 29 March 2030.
- (5) The property at No. 1, Bohui Street, Tianhe District, Guangzhou (广州市天河区博汇街1号) is located within this area and pursuant to a Site Use Statement by Guangzhou Changbao Automobile, the unit at No. 301 located at No. 1, Bohui Street, Tianhe District, Guangzhou (广州市天河区博汇街1号) is permitted to be used by Guangdong Yaohua Leasing at no consideration from 1 May 2020 to 30 April 2023, and this has been consented to by the landlord.
- (6) This property is located within the area owned by Chongqing Baize, No. 121 Tongjiang Road, Nan'an District, Chongqing (重庆市南岸区通江大道121号).
- (7) Pursuant to the terms of a sub-lease agreement between Guangzhou Ruisheng Automobile and an individual Zhiwen Zeng (曾智文), Guangzhou Ruisheng Automobile sub-leases to Zhiwen Zeng (曾智文) approximately 255 square metres out of the 855 square metres of premises that is leased by Guangzhou Ruisheng Automobile from Guangzhou Qilong Industrial Co., Ltd..

As at 31 March 2021, the net book value of our property, plant and equipment consisting of construction-in-progress, leasehold improvements, plant and machinery, furniture, fixtures and office equipment and automobiles amounted to approximately RMB170.2 million.

It is noted that majority of our Group's dealerships and showrooms are located on land leased from independent third parties (some of which are master tenants who in turn sublease the land to us), save for the Chongqing BMW Dealership, which is presently located on the Chongqing Property which is owned by Chongqing Baize, a subsidiary of our Group. Post-Listing, our Group will continue to make an assessment on a case-by-case basis as to the continuing arrangements for each of our dealerships and showrooms depending on the needs of each dealership or showroom at the relevant time, including whether to lease the land for such property or to explore the acquisition and ownership of the relevant land.

Our Group does not expect to face difficulties in renewing any of our leases which are expiring within one (1) year from the Latest Practicable Date.

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Non-Compliance Issues in relation to Properties Occupied by our Group

According to the PRC laws, the PRC government implements a land usage management system and designated land usage is required to be complied with by relevant entities and individuals. For the operations of automobile dealerships and showrooms, such land is required to be zoned for commercial use, and for operations of automobile maintenance and repair, the land must be zoned for other commercial services use. However, our Shenzhen BMW Dealership, Guangzhou BMW Dealership, Guangzhou McLaren Showroom and Guangzhou McLaren Workshop are located on land zoned for industrial use, warehousing use, culture and sports use and industrial use respectively.

It should also be noted that although we are not the landlord of the lands where our Shenzhen BMW Dealership, Guangzhou BMW Dealership, Guangzhou McLaren Showroom and Guangzhou McLaren Workshop are located, given that we are the lessee of the respective premises, we may be subject to the obligations to use the property in accordance with its designated use, as the PRC laws in the Guangdong province and/or Guangzhou Municipality (where these properties are located) also impose such obligations on the user of the premises and/or the lessee of such property.

Further details of non-compliances in relation to the properties occupied by our Shenzhen BMW Dealership, Guangzhou BMW Dealership, Guangzhou McLaren Showroom and Guangzhou McLaren Workshop Land, are set out below:

(a) Shenzhen BMW Dealership

The Shenzhen BMW Dealership is located at a property leased from Shenzhen Boshen High-tech Materials Co., Ltd (深圳市博深高新材料有限公司) ("**Shenzhen BMW Landlord**") by our Group, under a lease which commenced from 30 March 2010 and will expire on 29 March 2035 ("**Shenzhen Lease Agreement**"). The property sits on a land which is located at No. 2 Building, Boshen Industry Area, Longgang District, Shenzhen City (深圳市龙岗区博深工业厂区2号楼) and is presently zoned for industrial use ("**Shenzhen BMW Land**"). As mentioned above, under PRC laws, for the operations of automobile dealerships, the land must be zoned for commercial use. According to the PRC laws in Shenzhen, in the event of non-compliance with designated land usage, the relevant PRC government departments for land shall require the occupants or users of the land to make rectifications within a prescribed time limit and may impose a penalty in an amount equal to 20.0% of the assignment price which was paid to obtain the land use rights (the assignment price being approximately RMB4.0 million, with 20.0% of such amount being approximately RMB800,000). Where there is a failure to make corrections with the prescribed time limit, the respective land can be confiscated by the PRC government authority.

Notwithstanding the foregoing, it has been noted, amongst others, that:

- (i) the office of Longcheng Street, an agency of the PRC government of Longcheng District, Shenzhen which is legally authorised to inspect and enforce legal compliance in relation to city planning and land administration of the Shenzhen BMW Land ("**Longcheng Street Office**"), has on 4 January 2015 issued an internal approval for the temporary use of the Shenzhen BMW Land for commercial use without a specific duration ("**Shenzhen Internal Approval**"). The Shenzhen Internal Approval was issued during the period when our Group had already been operating on the Shenzhen BMW Land;

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- (ii) the lease of the property on the Shenzhen BMW Land has been reported and registered with the relevant PRC government department for house leasing management on 22 June 2020 and the relevant PRC government department has to date not raised any issues in respect of the usage of the Shenzhen BMW Land for the operations of automobile dealerships by our Group;
- (iii) the Shenzhen BMW Dealership has been in operation at the same location for more than ten (10) years and our Group has not to date faced any issues with the relevant PRC government authorities in respect of the entry into and performance of the Shenzhen Lease Agreement and the use of the Shenzhen BMW Land as commercial land, including being imposed with any fines or penalties, being required to vacate the respective land or having the respective land confiscated;
- (iv) the area which the Shenzhen BMW Dealership is located at comprises other dealerships which are similarly located on land which is also not designated for commercial use and as far as our Group is aware, these dealerships have not faced any penalties, fines or such other issues with the relevant PRC government authorities in respect of the use of their respective lands; and
- (v) an affiliate company of the Shenzhen BMW Landlord, pursuant to a supplemental agreement to the Shenzhen Lease Agreement entered into by our Group in June 2020 (“**Supplemental Agreement**”), has assumed the responsibility of compensating our Group in the event the Shenzhen BMW Land cannot be used for the business that is currently conducted by our Group.

The Legal Adviser to the Invitation as to PRC Law, JTGC, is of the view that:

- (1) the Shenzhen Lease Agreement and the Supplemental Agreement are binding on the Shenzhen BMW Landlord and our Group can use the Shenzhen BMW Land in accordance with the Shenzhen Lease Agreement. Pursuant to the Shenzhen Lease Agreement and the Supplemental Agreement, our Group has a right to seek compensation from the affiliate company of the Shenzhen BMW Landlord in the event that the Shenzhen BMW Land cannot be used for the business that is currently conducted by our Group;
- (2) considering the historical background and current operations for the Shenzhen BMW Land and for so long as the Shenzhen Internal Approval is in place, the risk of: (i) the relevant PRC government authorities imposing any fines or penalties on our Group in respect of the entry into, performance of the Shenzhen Lease Agreement or otherwise and the use of the Shenzhen BMW Land for the operations of automobile dealerships; and (ii) the relevant PRC government authorities confiscating the Shenzhen BMW Land or requiring our Group to vacate from the Shenzhen BMW Land, is low;
- (3) under PRC laws, where an unlawful act is not discovered within two (2) years from the date it is committed, an administrative penalty will not be imposed. As the non-compliance in respect of the Shenzhen BMW Land first arose more than two (2) years prior to the Latest Practicable Date and before the issuance of Shenzhen Internal Approval, and the nature of such non-compliance has not changed since it first arose, the risk of the relevant PRC government authorities imposing any retrospective potential fines or penalties on our Group for the period without the Shenzhen Internal Approval, between 2010 to 2015, is low;

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- (4) according to the Law of the PRC on Administrative Penalties (中华人民共和国行政处罚法), prior to any decision made to levy any potential penalties, a due process will be undertaken by the relevant PRC government authorities which includes, firstly, a process of investigation of the alleged non-compliance and subsequently a hearing of our Group's defence, if required, for any decision involving the order of the suspension of production or of business, the rescission of a business permit or a license or the imposition of a relatively heavy fine; and
- (5) under the PRC laws, the term of a lease may not exceed 20 years. The Shenzhen Lease Agreement will therefore only be effectively valid for a period of 20 years and will expire on 29 March 2030. In the event that our Group continues to occupy the Shenzhen BMW Land after 29 March 2030 in the absence of a renewed binding lease agreement, we would be exposed to claims for unauthorised use of the Shenzhen BMW Land by the Shenzhen BMW Landlord under PRC laws.

It should be noted that our Group nevertheless intends to renegotiate the renewal of the Shenzhen Lease Agreement for an additional term before the 20 year period expires, if required, and for as long as there is no dispute between our Group and the Shenzhen BMW Landlord, our Group does not anticipate any issues with doing so. In the unlikely event that our Group does not succeed in renegotiating an additional term, we intend to relocate our Shenzhen BMW Dealership and will not continue to occupy the land.

(b) Guangzhou BMW Dealership

The Guangzhou BMW Dealership is located on a land located at Heinidun, Shangshe, Tangxia Village, Dongpu Town, Tianhe District, Guangzhou City (广州市天河区东圃镇棠下村上社黑坭墩) owned by Tangxia Village, Tianhe District, Guangzhou ("**Guangzhou BMW Landlord**") who had leased a portion of the land to Guangzhou Jun'an Trading Co., Ltd (广州骏安贸易有限公司) ("**Guangzhou Jun'an Trading**") and the remaining portion of the land ("**Guangzhou BMW Land**") to Guangzhou Qianqu Trading Co., Ltd (广州前驱贸易有限公司) ("**Guangzhou Qianqu Trading**"). Both Guangzhou Jun'an Trading and Guangzhou Qianqu Trading have in turn subleased their land to our Group ("**Guangzhou BMW Subleased Lands**") with the term of the sublease being a period of 15 years commencing from 1 January 2012. There is no building located at the land covered by the lease agreement with Guangzhou Jun'an Trading and such land is used by our Group for parking or warehousing use which is in compliance with the designated land use while a building is located at the Guangzhou BMW Land ("**Guangzhou BMW Building**") covered by the lease agreement with the Guangzhou Qianqu Trading ("**Guangzhou BMW Lease Agreement**"), which is used by our Group for the operations of the Guangzhou BMW Dealership.

The Guangzhou BMW Land is zoned for warehousing use. As mentioned above, under the PRC laws, for the operations of automobile dealerships, the land must be zoned for commercial use. According to the PRC laws in Guangzhou, in the event of non-compliant designated land usage, the relevant PRC government departments for land shall require the occupants or users of the land to make rectifications within a prescribed time limit, and a fine of between RMB50 to RMB100 per square metre will be imposed for each day following the expiry of the prescribed time limit until the rectification is made, with the maximum potential fine being approximately RMB500,000 per day based on the Guangzhou BMW Land which occupies an aggregate area of approximately 5,000 square metres.

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Further, the Guangzhou BMW Building on the Guangzhou BMW Land lacks its respective building ownership certificates and given that our Group is merely a sublessee, our Group is not in a position to confirm whether the property has obtained the requisite approvals during the process of construction, as the responsibility of obtaining of such building ownership certificates would be within the capacity of the Guangzhou BMW Landlord, being the title holder to the Guangzhou BMW Land. According to the PRC laws in Guangzhou, for the failure to obtain the requisite construction approvals, the relevant PRC government departments for land shall require the occupants or users of the land to make rectifications within a prescribed time limit and may impose a penalty in an amount equal to between 5.0% to 10.0% of the cost of construction. Where there is a failure to make corrections within the prescribed time limit, the respective construction may be demolished and a penalty in an amount equal to 10.0% of the cost of construction (the cost of construction being approximately RMB63.0 million with 10.0% of such amount being approximately RMB6.3 million) may be imposed.

The terms of our lease agreement with the landlord of the Guangzhou BMW Land also provide that the landlord has a right to require compensation from our Group if it sustains losses as a result of the lack of requisite permits for the operation of our Group's business, although in the unlikely event that the landlord seeks to require such compensation, our Group intends to negotiate with the landlord not to enforce such rights given that the responsibility of obtaining of such building ownership certificates would be within the capacity of the landlord of the Guangzhou BMW Land in the first place. Based on the fact that our Group is merely a sublessee of the Guangzhou BMW Land and is therefore not in a position to confirm whether the property has obtained the requisite approvals during the process of construction, and the fact that the responsibility of obtaining such building ownership certificates would be within the capacity of the landlord and is not within our Group's capacity, the Legal Adviser to the Invitation as to PRC Law, JTGC, is of the view that in the event that the landlord seeks to enforce its contractual rights to compensation under the lease agreement, the likelihood of the landlord fully succeeding in such claim is low.

Notwithstanding the foregoing, it has been noted, amongst others, that:

- (i) at the time that the sublease agreements in respect of the Guangzhou BMW Subleased Lands were entered into in 2012, our Group had been provided with a copy of a letter from the Guangzhou BMW Landlord to Guangzhou Jun'an Trading and Guangzhou Qianqu Trading acknowledging that: (i) the Guangzhou BMW Subleased Lands are leased to Guangzhou Jun'an Trading and Guangzhou Qianqu Trading; and (ii) Guangzhou Jun'an Trading and Guangzhou Qianqu Trading have each subleased their respective portion of the Guangzhou BMW Subleased Lands to our Group for the operation of the Guangzhou BMW Dealership ("**Tangxia Village Confirmation**");
- (ii) the office of Tangxia Street, an agency of the PRC government of Tianhe District, Guangzhou, which is legally authorised to inspect and enforce legal compliance in relation to city planning and land administration of the Guangzhou BMW Land, has on each of 21 July 2016, 16 April 2018, and 27 May 2020 issued and upon expiry renewed (for maximum terms of three (3) years per each renewal) its provisional internal approval for the temporary use of the Guangzhou BMW Land for commercial use ("**Guangzhou Internal Approval**"). The Guangzhou Internal Approval was issued when our Group had been operating on the Guangzhou BMW Land and is currently valid from 1 May 2020 to 30 April 2023. Our Company has not faced any difficulties in respect of the past renewals of the Guangzhou Internal Approval;

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- (iii) the lease of the Guangzhou BMW Building has been registered with the relevant government department for house leasing management on 27 May 2020 and 25 May 2020 respectively and the relevant government department has to date not raised any issues in respect of the usage of the Guangzhou BMW Land and Guangzhou BMW Building for the operations of automobile dealerships by our Group;
- (iv) the Guangzhou BMW Dealership has been in operation at the same location since July 2013 and our Group has to date not faced any issues with the relevant PRC government authorities in respect of the entry into and performance of the Guangzhou BMW Lease Agreement, the use of the Guangzhou BMW Land as commercial land and the use of the Guangzhou BMW Building, including being imposed with any fines or penalties, being required to vacate the respective land or having the respective land confiscated; and
- (v) the area which the Guangzhou BMW Dealership is located at comprises other dealerships which are similarly located on land which is also not designated for commercial usage and as far as our Group is aware, these dealerships have not faced any penalties, fines or such other issues with the relevant PRC government authorities with the use of their respective lands.

The Legal Adviser to the Invitation as to PRC Law, JTGC, is of the view that:

- (1) considering the historical background, current operations and for so long as Guangzhou Internal Approval is in place, the risk of the relevant PRC government authorities imposing any fines or penalties on our Group in respect of the entry into, performance of the sublease agreements or otherwise and the use of the Guangzhou BMW Land for the operations of automobile dealerships or the lack of ownership certificate for the Guangzhou BMW Building, is low;
- (2) for as long as the Guangzhou Internal Approval is in place, the risk of the relevant PRC government authorities confiscating the Guangzhou BMW Land or demolishing the Guangzhou BMW Building is low and the risk of any relevant PRC government authorities requiring our Group to vacate from the Guangzhou BMW Land or the Guangzhou BMW Building is low;
- (3) under PRC laws, where an unlawful act is not discovered within two (2) years from the date it is committed, an administrative penalty will not be imposed. As the non-compliance in respect of the Guangzhou BMW Land first arose more than two (2) years prior to the Latest Practicable Date and before the issuance of Guangzhou Internal Approval, and the nature of such non-compliance has not changed since it first arose, the risk of the relevant PRC government authorities imposing any retrospective potential fines or penalties on our Group for the period without the Guangzhou Internal Approval, between 2012 to 2016, is low; and
- (4) according to the Law of the PRC on Administrative Penalties (中华人民共和国行政处罚法), prior to any decision made to levy any potential penalties, a due process will be undertaken by the relevant PRC government authorities which includes, firstly, a process of investigation of the alleged non-compliance and subsequently a hearing of our Group's defence, if required, for any decision involving the order of the suspension of production or of business, the rescission of a business permit or a license or the imposition of a relatively heavy fine.

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(c) Guangzhou McLaren Showroom

The Guangzhou McLaren Showroom is located on a property leased from Guangdong Qingbo Investment Co., Ltd (广东晴波投资有限公司) (“**Guangzhou McLaren Showroom Master Tenant**”) by our Group (“**Guangzhou McLaren Showroom Land**”). The Guangzhou McLaren Showroom Land is leased for a period of eight (8) years commencing from 1 December 2017 and expiring on 30 November 2025 under a sublease agreement (“**Guangzhou McLaren Showroom Lease Agreement**”).

The Guangzhou McLaren Showroom Land is ultimately owned by Guangzhou City Construction Development Co., Ltd. (广州市城市建设开发有限公司) (“**Guangzhou McLaren Showroom Landlord**”) who had leased the property to the Guangzhou McLaren Showroom Master Tenant and who in turn had subleased the Guangzhou McLaren Showroom Land to our Group. Accordingly, under the PRC laws, the Guangzhou McLaren Showroom Lease Agreement is subject to the approval of the Guangzhou McLaren Showroom Landlord.

The Guangzhou McLaren Showroom Land is located at No. L112-L114, Ersha Island, Wenlifang, Plot No. 11-5-1, Qingbo Road, Ersha Island, Yuexiu District, Guangzhou, Guangdong (广东省广州市越秀区二沙岛晴波路11-5-1地块二沙岛文立方自编号L112-L114) and is presently zoned for activities related to culture and sports. As mentioned above, under the PRC laws, for operations of automobile dealerships and showrooms, the land must be zoned for commercial use.

As mentioned above, according to the PRC laws in Guangzhou, in the event of non-compliant designated land usage, the relevant PRC government departments for land shall require the occupants or users of the land to make rectifications within a prescribed time limit, and a fine of between RMB50 to RMB100 per square metre will be imposed for each day following the expiry of the prescribed time limit until the rectification is made, with the maximum potential fine being approximately RMB31,629 per day based on the Guangzhou McLaren Showroom Land which occupies an aggregate area of approximately 316.29 square metres.

Notwithstanding the foregoing, it has been noted, amongst others, that:

- (i) as far as our Group is aware, the Guangzhou McLaren Showroom Landlord has provided all the requisite approvals for the subleasing of the Guangzhou McLaren Showroom Land by the Guangzhou McLaren Showroom Master Tenant to our Group;
- (ii) the Guangzhou McLaren Showroom has been in operation at the same location for more than two (2) years and our Group has not to date faced any issues with the relevant PRC government authorities in respect of the entry into and performance of the Guangzhou McLaren Showroom Lease Agreement and the use of the Guangzhou McLaren Showroom Land as commercial land, including being imposed with any fines or penalties, being required to vacate the respective land or having the respective land confiscated;
- (iii) when our Group had entered into the Guangzhou McLaren Showroom Lease Agreement, the Guangzhou McLaren Showroom Master Tenant had confirmed that the Guangzhou McLaren Showroom Land could be used as an automobile showroom. Further, together with the Guangzhou McLaren Showroom, there are shopping malls, exhibition halls and restaurants operating on the Guangzhou McLaren Showroom Land, all of which are activities zoned for commercial uses unrelated to culture and sports, and as far as our Group is aware, there have not been any penalties or fines imposed by relevant PRC government authorities on any person in connection with such commercial usage of the land;

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- (iv) pursuant to the Guangzhou McLaren Showroom Lease Agreement, our Group has a right of compensation against the Guangzhou McLaren Showroom Master Tenant where the Guangzhou McLaren Showroom Land is seized or auctioned, or if any restriction is imposed on its use, or where the Guangzhou McLaren Showroom Master Tenant fails to conduct any procedure that shall be conducted by Guangzhou McLaren Showroom Master Tenant, which results in the Group's use of the Guangzhou McLaren Showroom Land being affected, in addition to the right to terminate the Guangzhou McLaren Showroom Lease Agreement; and
- (v) the Guangzhou McLaren Showroom contributes a small percentage of the Group's total revenue in FY2020 and 1Q2021, representing approximately 1.3% and 0.4% respectively and accordingly, our Group is of the view that any cessation to the business of the Guangzhou McLaren Showroom as a result of or arising from the non-compliance of the designated usage of the Guangzhou McLaren Land would not be expected to have a material and adverse impact on the operations of our Group.

The Legal Adviser to the Invitation as to PRC Law, JTGC, is of the view that:

- (1) the Guangzhou McLaren Showroom Lease Agreement is binding on the Guangzhou McLaren Showroom Master Tenant and our Group can use the Guangzhou McLaren Showroom Land in accordance with the Guangzhou McLaren Showroom Lease Agreement;
- (2) where the Guangzhou McLaren Showroom Land is seized or auctioned, or if any restriction is imposed on its use, or where the Guangzhou McLaren Showroom Master Tenant fails to conduct any procedure that shall be conducted by Guangzhou McLaren Showroom Master Tenant, which results in our Group's use of the Guangzhou McLaren Showroom Land being affected, our Group has the right to terminate the Guangzhou McLaren Showroom Lease Agreement and be able to claim compensation from the Guangzhou McLaren Showroom Master Tenant;
- (3) based on telephone consultations with the relevant PRC government authorities, namely, the Yuexiu District branch of Guangzhou Municipal Bureau of Planning and Natural Resources (广州市规划和自然资源局越秀区分局) and the Guangzhou Yuexiu District Urban Management and Comprehensive Law Enforcement Bureau (广州市越秀区城市管理和综合执法局), where a company has already obtained the requisite business license for operating an automobile showroom for automobile sales, the relevant PRC government authorities have no issue with the company using the property at that location for such purposes. Based on the foregoing consultations, the risk of the relevant PRC government authorities imposing any fines or penalties on the Group or having the respective land confiscated in respect of the entry into, performance of the Guangzhou McLaren Showroom Lease Agreement or otherwise and the use of the Guangzhou McLaren Showroom Land for the operations of an automobile showroom for automobile sales (including being ordered to suspend its operations), is low; and
- (4) according to the Law of the People's Republic of China on Administrative Penalties (中华人民共和国行政处罚法), prior to any decision made to levy any potential penalties, a due process will be undertaken by the relevant PRC government authorities which includes, firstly, a process of investigation of the alleged non-compliance and subsequently a hearing of our Group's defence, if required, for any decision involving the order of the suspension of production or of business, the rescission of a business permit or a license or the imposition of a relatively heavy fine.

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(d) Guangzhou McLaren Workshop

Our Group also operates a separate workshop in Guangzhou which is part of the after-sales business of the Guangzhou McLaren Showroom (“**Guangzhou McLaren Workshop**”) and is located on a property leased from Guangzhou Qilong Industrial Co., Ltd (广州淇隆实业有限公司) (“**Guangzhou McLaren Workshop Master Tenant**”) by our Group (“**Guangzhou McLaren Workshop Land**”). The Guangzhou McLaren Workshop Land is leased for a period of six (6) years commencing from 15 November 2019 and expiring on 15 November 2025 under a sublease agreement (“**Guangzhou McLaren Workshop Lease Agreement**”).

The Guangzhou McLaren Workshop Land is ultimately owned by Cencun Joint Stock Cooperative Economic Association, Changxing Street, Tianhe District, Guangzhou (广州市天河区长兴街岑村股份合作经济联社) (“**Guangzhou McLaren Workshop Landlord**”) who had leased the property to the Guangzhou McLaren Workshop Master Tenant and who in turn had subleased the Guangzhou McLaren Workshop Land to our Group. Accordingly, under the PRC laws, the Guangzhou McLaren Workshop Lease Agreement is subject to the approval of the Guangzhou McLaren Workshop Landlord.

The Guangzhou McLaren Workshop Land is located at No. 101, Floor I, Building 18, No. 33, Fengzhuang Street, Cencun Road, Tianhe District (天河区岑村路丰庄大街33号18栋首层101号) and is presently zoned for activities related to industrial use. As mentioned above, under the PRC laws, for operations of automobile maintenance and repair, the land must be zoned for other commercial services use.

As mentioned above, according to the PRC laws in Guangzhou, in the event of non-compliant designated land usage, the relevant PRC government departments for land shall require the occupants or users of the land to make rectifications within a prescribed time limit, and a fine of between RMB50 to RMB100 per square metre will be imposed for each day following the expiry of the prescribed time limit until the rectification is made, with the maximum potential fine being approximately RMB85,500 per day based on the Guangzhou McLaren Workshop Land which occupies an aggregate area of approximately 855 square metres.

Notwithstanding the foregoing, it has been noted, amongst others, that:

- (i) as far as our Group is aware, the Guangzhou McLaren Workshop Landlord has provided all the requisite approvals for the subleasing of the Guangzhou McLaren Workshop Land by the Guangzhou McLaren Workshop Master Tenant to our Group respectively;
- (ii) the Guangzhou McLaren Workshop has been in operation at the same location for more than one (1) year and our Group has to date not faced any issues with the relevant PRC government authorities in respect of the entry into and performance of the Guangzhou McLaren Workshop Lease Agreement and the use of the Guangzhou McLaren Workshop Land as other commercial service land, including being imposed with any fines or penalties, being required to vacate the respective land or having the respective land confiscated;

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- (iii) the area which the Guangzhou McLaren Workshop is located at comprises other companies which operate automobile maintenance and repair services which are similarly located on land which is also not designated for other commercial service use and as far as our Group is aware, these companies have not faced any penalties, fines or such other issues with the relevant PRC government authorities with the use of their respective lands;
- (iv) the lease of the Guangzhou McLaren Workshop has been registered with the relevant PRC government department for housing leasing management on 20 December 2019 and the relevant PRC government department has to date not raised any issues in respect of the usage of the Guangzhou McLaren Workshop Land for the operations of automobile maintenance and repair by the Group; and
- (v) the operations of the after-sales automobile maintenance and repair which is part of the after-sales business of the Guangzhou McLaren Showroom contributes a small percentage, representing less than 0.1%, of the Group's total revenue in FY2020 and 1Q2021. Accordingly, any cessation to the business of the Guangzhou McLaren Showroom and/or the ability to provide after-sales automobile maintenance and repair through the Guangzhou McLaren Workshop as a result of or arising from the non-compliance of the designated usage of the Guangzhou Workshop Land would not be expected to have a material and adverse impact on the operations of the Group.

The Legal Adviser to the Invitation as to PRC Law, JTGC, is of the view that:

- (1) the Guangzhou McLaren Workshop Lease Agreement is binding on the Guangzhou McLaren Workshop Master Tenant and our Group can use the Guangzhou McLaren Workshop Land in accordance with the Guangzhou McLaren Workshop Lease Agreement;
- (2) based on telephone consultations with the relevant PRC government authorities, namely, the Administration of Planning and Natural Resources of Guangzhou Municipal Tianhe District (广州市规划和自然资源局天河区分局) and the Bureau of Urban Administration and Comprehensive Law Enforcement of Guangzhou Municipal Tianhe District (广州市天河区城市管理和综合执法局), the relevant officers had confirmed that a property designated for industrial use can be utilised for the operations of automobile maintenance and repair in the Guangzhou Municipal Tianhe District. Based on the foregoing consultations, the risk of the relevant PRC government authorities imposing any fines or penalties on the Group or having the respective land confiscated in respect of the entry into, performance of the Guangzhou McLaren Workshop Lease Agreement or otherwise and the use of the Guangzhou Workshop Land for the operations of automobile maintenance and repair (including being ordered to suspend its operations), is low; and
- (3) according to the Law of the PRC on Administrative Penalties (中华人民共和国行政处罚法), prior to any decision made to levy any potential penalties, a due process will be undertaken by the relevant PRC government authorities which includes, firstly, a process of investigation of the alleged non-compliance and subsequently a hearing of our Group's defence, if required, for any decision involving the order of the suspension of production or of business, the rescission of a business permit or a license or the imposition of a relatively heavy fine.

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Further, in relation to any enforcement action in relation to each of the Shenzhen BMW Land, the Guangzhou BMW Land, the Guangzhou McLaren Showroom Land and/or the Guangzhou McLaren Workshop Land, in the course of its investigations, the PRC government authority will communicate primarily with the relevant landlord of the land to which the non-compliance relates, and our Group may be subsequently involved in the investigations in view of it occupying the land. Where applicable, our Group will, with the advice of our professional legal advisers, either negotiate directly (or work with the relevant landlord to negotiate) with the PRC government authority on the matter, putting forth the necessary submissions as to why penalties should not be imposed on our Group. Our first priority would always be to seek to negotiate a settlement with the relevant PRC government authority, where appropriate, and would also seek to work with the relevant landlord to implement any rectification measures required by the PRC government authorities.

(c) Non-Registration of Leases

Under PRC laws, property lease contracts for land in the PRC must be registered with the local branch of the Ministry of Housing and Urban Rural Development of China (住房和城乡建设部) and such obligation lies with both parties of the relevant lease agreement. As at the Latest Practicable Date, out of our Group's 15 leases which are required to be registered with the relevant local branch, seven (7) remain unregistered. These unregistered lease contracts are in respect of the following entities:

- Three (3) leases entered into by Foshan Shenbao Automobile, which operates the Foshan BMW Dealership;
- One (1) lease entered into by Chongqing Qingdebao Automobile, which operates the Chongqing BMW Dealership;
- Two (2) leases entered into by Changsha Bright Focus Automobile, which operates the Changsha McLaren Showroom; and
- One (1) lease entered into by Wuhan Ruisheng Automobile, which operates the Wuhan McLaren Showroom.

The following remaining PRC entities have registered their relevant leases with the relevant local branch:

- Two (2) leases entered into by Shenzhen Chuangfengbao Automobile, which operates the Shenzhen BMW Dealership;
- Two (2) leases entered into by Guangzhou Chuangfengbao Automobile, which operates the Guangzhou BMW Dealership;
- One (1) lease entered into by Shenzhen Bright Focus Automobile, which operates the Shenzhen McLaren Showroom;
- Two (2) leases entered into by Guangzhou Ruisheng Automobile, which operates the Guangzhou McLaren Showroom; and
- One (1) lease entered into by Shenzhen Qifeng Automobile, which operates the Lotus Showroom.

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As the registration process for leases involves support and cooperation of the relevant landlords for which our Group has no control over, our Group therefore faces certain practical difficulties in obtaining registration for such leases. Accordingly, we do not foresee the registration for such unregistered leases in the near future by ourselves. Under the PRC laws, a maximum penalty of RMB10,000 may be imposed for each lease that is not registered with such liability falling on both parties of the relevant lease agreement. Accordingly, the maximum potential fines or penalties that may be imposed under the Management Rules of Commodity House Leasing (商品房屋租赁管理办法) and other local law on our Group arising from non-registration of the seven (7) leases, would be approximately RMB70,000. In any event, prior to any decision made to levy any potential penalties, our Group will be afforded the opportunity to a similar due process of investigations by the relevant PRC government authorities and subsequently putting forward a defence (if necessary) and undertaking rectification measures within a prescribed time limit and only failing which would any penalties be imposed. Notwithstanding the above, the Legal Adviser to the Invitation as to PRC Law, JTGC, is of the view that the non-registration of a lease has no effect on the validity of the lease and accordingly would not materially and adversely affect the operations of our Group.

(d) Lack of Fire Protection Permit

Pursuant to PRC laws, an entity which has undergone renovation is required to conduct an acceptance check for fire protection and subsequently to submit the results of such checks to the competent housing and urban-rural department of the PRC government authorities (“**Fire Protection Procedures**”) for record purposes. It is to be noted that our Guangzhou McLaren Workshop had incorporated all the required fire safety equipment and conducted the necessary checks, however, has not submitted the results of such checks to the relevant PRC government authorities as the record filing process requires the cooperation of the Guangzhou McLaren Workshop Landlord. Given that our Group does not control the McLaren Workshop Landlord, we do not foresee such Fire Protection Procedures being completed for the Guangzhou McLaren Workshop in the near future.

In respect of non-compliance of the Fire Protection Procedures, according to the PRC laws, the PRC government authorities may order the Group to make a rectification and impose a fine of no more than RMB5,000.

Notwithstanding the foregoing, it has been noted, amongst others, that our Group has on 4 July 2021 obtained a confirmation letter issued by Guangzhou Tianhe District Fire Rescue Brigade, the competent PRC government authority in charge of fire protection for the operations of automobile maintenance and repair confirming that our Group has no record of administrative punishment imposed by such relevant PRC government authorities due to a violation of relevant laws and regulations. Based on the foregoing and the fact that there are no significant changes in current policies and regulations, the Legal Adviser to the Invitation as to PRC Law, JTGC, is of the view that the risk of the relevant PRC government authorities imposing material fines or penalties on Guangzhou Ruisheng Automobile for failure to carry out the Fire Protection Procedures, is low. Further, as advised by JTGC, in any event, prior to any decision made to levy any potential penalties, our Group will be afforded the opportunity to a similar due process of investigations, as mentioned above, by the relevant PRC government authorities.

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The terms of our lease agreement with the landlord for the Guangzhou McLaren Workshop Land also provide that the landlord has a right to require compensation from our Group if it sustains losses as a result of the lack of requisite permits for the operation of our Group's business, although in the unlikely event that the landlord seeks to require such compensation, our Group intends to negotiate with the landlord not to enforce such rights given that record filing process had required the cooperation of the landlord in the first place. Based on the fact that the results of the checks have not been submitted to the relevant PRC government authorities as our Group presently faces certain practical difficulties in obtaining the support and cooperation of the landlord to assist with doing so, the Legal Adviser to the Invitation as to PRC Law, JTGC, has advised that in the event that the landlord seeks to enforce its contractual rights to compensation under the lease agreement, the likelihood of the landlord fully succeeding in such claim is low.

The following are further considerations and mitigating factors in respect of the land issues for the Shenzhen BMW Land, the Guangzhou BMW Land, the Guangzhou McLaren Showroom Land and the Guangzhou McLaren Workshop Land:

Implications of non-compliance of designated land usage on our dealership agreements

Each of the BMW dealership agreements and the McLaren dealership agreements contain provisions which provide either the BMW Distributors or the McLaren Distributor (as the case may be) with a right to terminate the agreement in the event that our Group loses our right to the premises over which the relevant dealership or the showroom is located. As such, any necessary relocation of the Shenzhen BMW Dealership, Guangzhou BMW Dealership, Guangzhou McLaren Showroom and Guangzhou McLaren Workshop resulting from the land use issues mentioned above may potentially entitle the automobile OEM to terminate the relevant dealership agreements or dealership agreements between the automobile OEM and our Group.

Nonetheless, it should be noted that each Distributor has, from the inception of each of our dealerships and showrooms, been provided with information relating to the land on which the dealership or showroom (including the Shenzhen BMW Dealership, the Guangzhou BMW Dealership, the Guangzhou McLaren Showroom and the Guangzhou McLaren Workshop) is located, and to date none of the automobile OEMs have raised any issues with respect to the lands on which the Shenzhen BMW Dealership, the Guangzhou BMW Dealership, the Guangzhou McLaren Showroom and the Guangzhou McLaren Workshop operate or our Group's non-compliant designated land usage thereof (including the lack of the building ownership certificates in respect of the Guangzhou BMW Building).

In this regard, our Group has also built a longstanding and strong relationship with our automobile OEMs. In particular, our relationship with our BMW Distributors is one which has been forged over a period of more than 11 years from working together. Our Group has maintained its strong track record with the BMW Distributors through annual sales which consistently meet the targets set by the BMW Distributors, and through this, our Group believes that it has demonstrated its commitment to the BMW Distributors as a long-term business partner. As such, our Group is of the view that the practical likelihood of the BMW Distributors electing to terminate the relevant BMW dealership agreement is low, and it is far more likely that the BMW Distributors would instead be concerned with our Group's formulation of a viable plan for the relocation of the relevant dealership (if so required) and other rectification measures undertaken by our Group so as to ultimately minimise any impact on the BMW Distributors' targeted sales. In the remote event that there is a termination of the relevant BMW dealership agreement arising from the land use issues in respect of a particular premise, our Group is nevertheless of the view that such termination would be confined to the particular premise and our Group's other dealership agreements with the BMW Distributors would not be automatically terminated as each dealership agreement is

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independent from the other dealership agreements, and none of the dealership agreements provide for cross-termination rights by the relevant BMW Distributor in respect of the other BMW dealership agreements when a particular dealership agreement is terminated.

Our Group similarly has a good track record with our McLaren Distributor and our Group's working relationship with the McLaren Distributor has remained strong for the last seven (7) years. Our Group has consistently produced high annual sales for the McLaren Distributor and has demonstrated its commitment to the McLaren Distributor through the opening of multiple McLaren showrooms from 2014 to 2018. In view of this, the management of our Group is of the view that the practical likelihood of the McLaren Distributor electing to terminate the McLaren dealership agreement is also low. In the remote event that there is a termination of the relevant McLaren dealership agreement arising from the land use issues in respect of a particular premise, our Group is nevertheless of the view that such termination would be confined to the particular premise and our Group's other dealership agreements with the McLaren Distributor would not be terminated by the McLaren Distributor as a result. In any event, termination by the McLaren Distributor would only be confined to the particular premise to which the relevant dealership agreement relates, as each dealership agreement is independent from the other dealership agreements, and none of the dealership agreements provide for cross-termination rights by the McLaren Distributor in respect of other dealership agreement when a particular dealership agreement is terminated.

Business Materiality

The Shenzhen BMW Dealership contributed approximately 26.9% and 25.4% to our Group's total revenue in FY2020 and 1Q2021 respectively, and the Guangzhou BMW Dealership contributed approximately 18.7% and 19.1% to our Group's total revenue in FY2020 and 1Q2021. Our Group is not materially dependent on the location of either of the Shenzhen BMW Land or the Guangzhou BMW Land, given that our Group's other BMW dealerships are located in the Guangdong Province and therefore in relatively close proximity to the Shenzhen BMW Dealership and Guangzhou BMW Dealership. As such, our Group can leverage on this by redirecting customers who require a full suite of dealership products and services to these other permanent dealerships during the interim period of any relocation. In the worst-case scenario and after exhausting all avenues to resolve the matter, in the event that our Group is required to vacate either of the respective lands, our Group is of the view that relocation of the Shenzhen BMW Dealership or the Guangzhou BMW Dealership to another location is a viable course of action and would not materially and adversely affect the operations of our Group.

In the case of the Guangzhou McLaren Showroom Land, the Guangzhou McLaren Showroom contributed a small percentage of approximately 1.3% and 0.4% to our Group's total revenue in FY2020 and 1Q2021 respectively. In the case of the Guangzhou McLaren Workshop Land, the Guangzhou McLaren Workshop contributed an even smaller percentage of less than 0.1% to our Group's total revenue in FY2020 and 1Q2021. Our Group is not dependent on either the Guangzhou McLaren Showroom or the Guangzhou McLaren Workshop and, if required to vacate the Guangzhou McLaren Showroom Land or the Guangzhou McLaren Workshop Land, our Group is of the view that relocation to another location is a viable course of action and would not materially and adversely affect the operations of our Group.

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It is highlighted that the establishment or relocation of any dealership or showroom requires the prior written consent of the relevant automobile OEM which will be obtained prior to our Group commencing the necessary construction or acquisition of the new dealership or showroom at the new premise. As mentioned, our Group has a longstanding and good relationship with both the BMW Distributors and the McLaren Distributor, and no circumstances have arisen which would lead our Group to believe that the BMW Distributors or the McLaren Distributor would not grant their future approval for the new location of any dealership or showroom (if so required). Further, as at the Latest Practicable Date, our Group has not, since the commencement of its operations, been required to relocate any of our dealerships or showrooms.

Relocation

In the case of any relocation of a dealership at the direction of PRC government authorities, generally, barring any circumstances such as a direction by the relevant PRC government authorities to vacate the land with immediate effect (which has been noted as unlikely), we will strive to remain in operation at the location of the original dealership while constructing a new dealership facility. Otherwise, we will concurrently lease a temporary location for the operation of a car display showroom, with customers being redirected to other facilities (such as our Group's other dealerships, which all lie in relatively close proximity to each other) for repair and after-sales services. The relevant interim lease agreement and requisite PRC government approvals for temporary leasing and use of the land will also be put in place wherein the processes to obtain these are expected to be more straightforward as these relates to a temporary use of land. The making of such arrangements for relocation of showrooms and services to temporary facilities is expected to take between two (2) to four (4) months. In the case of relocation, there may be further estimated relocation costs in addition to the costs for the construction and/or acquisition of a new permanent dealership. The size and operations of the new permanent dealership would also have to take into account the size and operations of the existing dealership.

In the case of any relocation of a showroom at the direction of PRC government authorities, generally, unless the PRC government authorities demand that our Group vacates the land with immediate effect (which has been noted as unlikely), our Group similarly expects to remain in operation at the location of the original showroom whilst this is ongoing, and thus the impact to the operations of any showroom as a result of any relocation is not expected to be significant. In respect of the Guangzhou McLaren Showroom, our Group estimates any relocation to involve minimal cost, in view that approximately RMB2.0 million was spent on the original leasehold improvements, which mainly comprised movable furniture and electronics that can be shifted to the new premises when secured.

Please refer to the section entitled "General Information on our Group – Establishment and Relocation of Dealerships and Showrooms" of this Offer Document for further details.

Similar considerations would apply in respect of any relocation of an after-sales maintenance and repair facility such as the Guangzhou McLaren Workshop. To the extent possible, we will redirect our customers to our other facilities for repair and after-sales services, whilst we source for a new location to relocate to. The making of such arrangements for relocation of an after-sales facility is expected to take between two (2) to four (4) months, and there may be further estimated relocation costs in addition to the costs for the construction and/or acquisition of a new permanent workshop. In respect of the Guangzhou McLaren Workshop, our Group estimates any relocation to involve minimal cost.

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Save as disclosed under this section and the sections entitled “Risk Factors – Risks Relating to our Business and Industry – Our Group may not have valid titles or rights to use certain properties and the required permits for construction, development and carrying out of our business operations on certain properties occupied by us”, “General Information on our Group – Government Regulations” and “Appendix I – Description of Relevant PRC laws and Regulations – PRC Laws Relating to Environment Protection” of this Offer Document, to the best of our Directors’ knowledge, there are no regulatory requirements or environmental issues that may materially affect our utilisation of the above properties and fixed assets.

As at the Latest Practicable Date, our Directors are not aware of any breach of any obligations under the abovementioned lease agreements that would result in their termination by the lessor or non-renewal, if required, when they expire.

The Legal Adviser to the Invitation as to PRC Law, JTGC, has also confirmed that apart from the potential fines and penalties which may be imposed on our Group by the PRC government authorities and potential implications in respect of our Distributors (such as the right to terminate the dealership agreements) which have been disclosed in this Offer Document, including in this section, (a) there are no other penalties specified under applicable PRC laws in respect of any of the non-compliances which our Group, as a lessee of each of the Shenzhen BMW Land, Guangzhou BMW Land, Guangzhou McLaren Showroom Land and Guangzhou McLaren Workshop Land may be subject to, and (b) the relevant lease agreements specify the permitted usage of each of the Shenzhen BMW Land, Guangzhou BMW Land, Guangzhou McLaren Showroom Land and Guangzhou McLaren Workshop Land by our Group as commercial land or other commercial service land (where relevant) accordingly, the use of each of these premises in and of itself does not contravene the terms the relevant lease agreements.

We do not have any manufacturing facility as we are not engaged in the business of manufacturing automobiles or automobile parts or accessories.

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MATERIAL LICENCES, PERMITS, REGISTRATIONS AND APPROVALS

As at the Latest Practicable Date, our Group has the following material approvals, licences and permits:

Licencee	Type of licence/ certificate/ approval	Licensing body/ Issuing body	Validity period/ Date of expiry	Description
Bright Promise Limited	Business Registration Certificate	Inland Revenue Department	9 August 2021 to 8 August 2022	Business Registration Certificate for Unit 3002, 30/F, 88 Hing Fat Street, Causeway Bay, Hong Kong
Focus Win (Chongqing) Limited	Business Registration Certificate	Inland Revenue Department	23 May 2021 to 22 May 2022	Business Registration Certificate for Unit 3002, 30/F, 88 Hing Fat Street, Causeway Bay, Hong Kong
Focus Win (Guangzhou) Limited	Business Registration Certificate	Inland Revenue Department	23 May 2021 to 22 May 2022	Business Registration Certificate for Unit 3002, 30/F, 88 Hing Fat Street, Causeway Bay, Hong Kong
Global Gallant Limited	Business Registration Certificate	Inland Revenue Department	29 August 2021 to 28 August 2022	Business Registration Certificate for Unit 3002, 30/F, 88 Hing Fat Street, Causeway Bay, Hong Kong
N-Tech Services Limited	Business Registration Certificate	Inland Revenue Department	25 April 2021 to 24 April 2022	Business Registration Certificate for Unit 3002, 30/F, 88 Hing Fat Street, Causeway Bay, Hong Kong

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Licencee	Type of licence/ certificate/ approval	Licensing body/ Issuing body	Validity period/ Date of expiry	Description
Red Star (Shenzhen) Limited	Business Registration Certificate	Inland Revenue Department	4 November 2020 to 3 November 2021	Business Registration Certificate for Unit 3002, 30/F, 88 Hing Fat Street, Causeway Bay, Hong Kong
Power Summit Corporation Limited	Business Registration Certificate	Inland Revenue Department	8 November 2020 to 7 November 2021	Business Registration Certificate for Unit 3002, 30/F, 88 Hing Fat Street, Causeway Bay, Hong Kong
TCA Holdings (HK) Limited	Business Registration Certificate	Inland Revenue Department	19 April 2021 to 18 April 2022	Business Registration Certificate for Unit 3002, 30/F, 88 Hing Fat Street, Causeway Bay, Hong Kong
Trans-China Automotive Holdings (FS) Limited	Business Registration Certificate	Inland Revenue Department	24 June 2021 to 23 June 2022	Business Registration Certificate for Unit 3002, 30/F, 88 Hing Fat Street, Causeway Bay, Hong Kong
Foshan Shenbao Automobile	Business License (营业执照)	Administration for Market Regulation of Nanhai District, Foshan Municipality (佛山市 南海区市场监督管理 局)	26 August 2005 to 27 April 2031	Incorporation of Foshan Shenbao Automobile
	Road Transport Operation Permit (道路运输经营许可 证)	Administration for Transportation of Nanhai District, Foshan Municipality (佛山市 南海区交通运输局)	From 24 April 2017 to 23 April 2023	Permit for repairing automobiles

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Licencee	Type of licence/ certificate/ approval	Licensing body/ Issuing body	Validity period/ Date of expiry	Description
	Concurrent-Business Insurance Agency Permit (保险兼业代理业务许可证)	China Insurance Regulatory Commission, Guangdong Office (中国保险监督管理委员会广东监管局)	Long term validity ⁽¹⁾	Permit for conducting insurance agency services
	Record of automobile sales (汽车销售备案)	Unified platform of business system of Ministry of Commerce (商务部业务系统统一平台)	No validity period ⁽²⁾	Sales of automobiles, sales of second-hand automobiles
	Record of second-hand automobile brokerage (二手车经纪公司备案)	Unified platform of business system of Ministry of Commerce (商务部业务系统统一平台)	No validity period ⁽²⁾	Second-hand automobile brokerage company
	Food Operation Permit (食品经营许可证)	Administration for Food and Drugs of Nanhai District, Foshan Municipality (佛山市南海区食品药品监督管理局)	Expiry on 23 July 2023	Permit for production and sale of hot food ⁽³⁾
	Pollutant Discharging Permit (排污许可证)	Administration for Ecology and Environment of Foshan Municipality (佛山市生态环境局)	6 July 2020 to 5 July 2023	Permit for discharging pollutants under specific conditions
	Approval Opinion (审批意见)	Administration for Environment, Transportation and Urban Management of Nanhai District, Foshan Municipality (佛山市南海区环境运输和城市管理局)	No validity period ⁽²⁾	Approval for handling a project under the Environmental Impact Statements for Construction Projects

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Licencee	Type of licence/ certificate/ approval	Licensing body/ Issuing body	Validity period/ Date of expiry	Description
	Letter of Opinions on the Environmental Protection Acceptance of the Construction Project of Foshan Shenbao Automobile (关于佛山市坤宝汽车销售服务有限公司建设项目竣工环境保护验收意见的函)	Administration for Environment Protection of Nanhai District, Foshan Municipality (佛山市南海区环境保护局)	No validity period ⁽²⁾	Passing of the acceptance check of the environmental protection of the construction project
	Record of the acceptance check for fire protection (消防验收备案)	Online Record Acceptance System (网上备案受理系统)	No validity period ⁽²⁾	Passing of the acceptance check for fire protection
	Letter of Authorisation for Handling Motor Vehicle Registration Business (办理机动车登记业务授权书)	Traffic Police Branch of Foshan Public Security Bureau (佛山市公安局交通警察支队)	No validity period ⁽²⁾	Authorisation for Foshan Shenbao Automobile to handle the registration business for domestic passenger cars with less than nine seats of the brands approved to be sold by Foshan Shenbao Automobile
	Permit for Sewage Discharge into Drainage Network (污水排入排水管网许可证) ⁽⁴⁾	Municipal Administration Office of Guicheng Street, Nanhai District, Foshan City (佛山市南海区桂城街道市政管理处)	30 August 2021 to 29 August 2026	Permit for discharge of sewage into the urban drainage facilities within the permitted scope
Shenzhen Chuangfengbao Automobile	Business License (营业执照)	Administration for Market Regulation of Shenzhen Municipality (深圳市市场监督管理局)	No validity period ⁽⁵⁾	Incorporation of Shenzhen Chuangfengbao Automobile

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Licencee	Type of licence/ certificate/ approval	Licensing body/ Issuing body	Validity period/ Date of expiry	Description
	Food Operation Permit (食品经营许可证)	Administration for Market Regulation of Shenzhen Municipality, Longgang Bureau (深圳市市场监督管理局龙岗监管局)	Expiry on 24 June 2026	Permit for production and sale of hot food ⁽³⁾
	Road Transport Operation Permit (道路运输经营许可证)	Administration for Transportation of Shenzhen Municipality (深圳市交通运输委员会)	29 November 2016 to 28 November 2022	Permit for repairing automobiles
	Concurrent-Business Insurance Agency Permit (保险兼业代理业务许可证)	China Banking and Insurance Regulatory Commission, Shenzhen Office (中国银行保险监督管理委员会深圳监管局)	Expiry on 2 July 2022	Permit for conducting insurance agency services
	Record of automobile sales (汽车销售备案)	Unified platform of business system of Ministry of Commerce (商务部业务系统统一平台)	No validity period ⁽²⁾	Sales of automobiles, sales of second-hand automobiles
	Record of second-hand automobile brokerage (二手车经纪公司备案)	Unified platform of business system of Ministry of Commerce (商务部业务系统统一平台)	No validity period ⁽²⁾	Second-hand automobile brokerage company
	Pollutant Discharging Permit (排污许可证)	Administration for Ecology and Environment of Longgang, Shenzhen Municipality (深圳市生态环境局龙岗管理局)	20 August 2020 to 19 August 2023	Permit for discharging pollutants under specific conditions
	Urban Drainage Permit (城市排水许可证)	Administration for Environment Protection and Water of Longgang District, Shenzhen Municipality (深圳市龙岗区环境保护和水务局)	24 April 2018 to 23 April 2023	Permit for discharge of sewage into the urban drainage pipe network and its affiliated facilities within the permitted scope

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Licencee	Type of licence/ certificate/ approval	Licensing body/ Issuing body	Validity period/ Date of expiry	Description
	Approval of the Environmental Impact Examination of the Construction Project (建设项目环境影响审查批复)	Administration for Environment Protection of Longgang District, Shenzhen Municipality (深圳市生态环境局龙岗管理局)	No validity period ⁽²⁾	Approval for handling the project of operating a 4S store by our Company following the measures in the Environmental Impact Statements
	Announcement on the result of environmental protection acceptance of the construction project of Shenzhen Chuangfengbao Automobile Sales and Service Co., Ltd. (关于深圳市创丰宝汽车销售服务有限公司建设项目竣工环保验收结果的公告)	Shenzhen Chuangfengbao Automobile Sales and Service Co., Ltd. (深圳市创丰宝汽车销售服务有限公司) ⁽⁶⁾	No validity period ⁽²⁾	Passing of the acceptance check of the environmental protection of the construction project
	The acceptance certificate of fire protection record for construction project completion acceptance, Filing Form of Fire Protection Filing for Completion Acceptance of Construction Project (建设工程竣工验收消防备案受理凭证, 建设工程竣工验收消防备案表)	Fire Protection Supervision and Management Brigade of Public Security Bureau of Longgang District, Shenzhen (深圳市公安局龙岗消防监督管理大队)	No validity period ⁽²⁾	Accomplishment of construction project completion acceptance fire prevention filing
	Notice on Approving to Entrust Shenzhen Chuangfengbao Automobile to Construct Registration Service Station to Handle Registration Business (关于同意委托深圳市创丰宝汽车销售服务有限公司建设登记服务站办理登记业务的通知)	Traffic Police Department of Shenzhen Public Security Bureau (深圳市公安局交通警察局)	Until 22 March 2023	Authorisation for Shenzhen Chuangfengbao Automobile to handle the registration business for domestic passenger cars with less than nine seats of the brands and issue temporary driving license plates

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Licencee	Type of licence/ certificate/ approval	Licensing body/ Issuing body	Validity period/ Date of expiry	Description
Guangzhou Changbao Automobile	Business License (营业执照)	Administration for Examination and Approval of Tianhe District, Guangzhou Municipality (广州市 天河区行政审批局)	8 June 2011 to 8 June 2031	Incorporation of Guangzhou Changbao Automobile
	Road Transport Operation Permit (道路运输经营许可证)	Administration for Transportation of Guangzhou Municipality (广州市 交通委员会)	29 August 2017 to 28 August 2023	Permit for repairing automobiles
	Record of automobile sales (汽车销售备案)	Unified platform of business system of Ministry of Commerce (商务部 业务系统统一平台)	No validity period ⁽²⁾	Sales of automobiles, sales of second-hand automobiles
	Record of second- hand automobile brokerage (二手车 经纪公司备案)	Unified platform of business system of Ministry of Commerce (商务部 业务系统统一平台)	No validity period ⁽²⁾	Second-hand automobile brokerage company
	Pollutant Discharging Permit (排污许可证)	Administration for Ecology and Environment of Guangzhou Municipality (广州市 生态环境局)	10 July 2020 to 9 July 2023	Permit for discharging pollutants under specific conditions
	Urban Drainage Permit (城镇污水排 入排水管网许可证)	Administration for Housing, Construction and Water of Tianhe District, Guangzhou Municipality (广州市 天河区住房和城乡建设 水务局)	28 August 2018 to 27 August 2023	Permit for discharge of sewage into the urban drainage pipe network and its affiliated facilities within the permitted scope
	Environmental Filing Form of Construction Projects of Tianhe District Environmental Protection Bureau (天河区环境保护局建 设项目环保备案表)	Administration for Environment Protection of Tianhe District, Guangzhou Municipality (广州市 天河区环境保护局)	No validity period ⁽²⁾	Approval filing of the project

GENERAL INFORMATION ON OUR GROUP

Licencee	Type of licence/ certificate/ approval	Licensing body/ Issuing body	Validity period/ Date of expiry	Description
	Food Operation Permit (食品经营许可证)	Administration for Market Regulation of Guangzhou Municipality, Tianhe Bureau (广州市天河区市场监督管理局)	Expiry on 30 June 2026	Permit for production and sale of hot food and pastry food (excluding decorated cakes) ⁽³⁾
	Letter of Authorisation for Entrusting Motor Vehicle Registration Business (委托办理机动车登记业务授权书)	Traffic Police Branch of Guangzhou Public Security Bureau (广州市公安局交通警察支队)	Until 30 April 2023	Entrusted services: registration of small and mini passenger vehicles and mini trucks
Chongqing Qingdebao Automobile	Business License (营业执照)	Administration for Market Regulation of Nan'an District, Chongqing Municipality (重庆市南岸区市场监督管理局)	24 August 2011 to 15 January 2034	Incorporation of Chongqing Qingdebao Automobile
	Food Operation Permit (食品经营许可证)	Administration for Food and Drugs of Nan'an District, Chongqing Municipality (重庆市食品药品监督管理局南岸区分局)	Expiry on 9 July 2022	Permit for production and sale of hot food ⁽³⁾
	Vehicle Maintenance and Repair Operating Permit (机动车维修经营许可证)	Administration for Transportation of Nan'an District, Chongqing Municipality (重庆市南岸区交通运输管理所)	Expiry on 28 July 2023	Permit for repairing automobiles
	Record of automobile sales (汽车销售备案)	Unified platform of business system of Ministry of Commerce (商务部业务系统统一平台)	No validity period ⁽²⁾	Sales of automobiles, sales of second-hand automobiles
	Record of second-hand automobile brokerage (二手车经纪公司备案)	Unified platform of business system of Ministry of Commerce (商务部业务系统统一平台)	No validity period ⁽²⁾	Second-hand automobile brokerage company

GENERAL INFORMATION ON OUR GROUP

Licencee	Type of licence/ certificate/ approval	Licensing body/ Issuing body	Validity period/ Date of expiry	Description
	Pollutant Discharging Permit (排污许可证)	Administration for Ecology and Environment of Nan'an District, Chongqing Municipality (重庆市南岸区生态环境局)	13 July 2020 to 12 July 2023	Permit for discharging pollutants under specific conditions
	Proof of the connection of unit drainage pipe network to municipal pipe network of Economic and Technological Development Zone, Chongqing Municipality (重庆经开区单位排水管网接入市政管网的证明)	Municipal Sanitation and Greening Administration Office of Economic and Technological Development Zone, Chongqing Municipality (重庆经济技术开发区市政环卫绿化管理处)	No validity period ⁽²⁾	Connecting the sewage pipe network to the municipal sewage pipe network of Changsheng River tributaries
	Letter of Approval on Environmental Impact Assessment Documents of Construction Projects in Chongqing Municipality (重庆市建设项目环境影响评价文件批准书)	Administration for Environment Protection of Nan'an District (南岸区环境保护局)	No validity period ⁽²⁾	Approval of construction of the project
	Approval of Environmental Protection Acceptance of Construction Projects in Chongqing Municipality (重庆市建设项目竣工环境保护验收批复)	Administration for Environment Protection of Nan'an District (南岸区环境保护局)	No validity period ⁽²⁾	Passing of the acceptance check of the environmental protection of the construction project
	Comments of Fire Control Acceptance of Construction Project (建设工程消防验收意见书)	Public Security Fire Detachment of Nan'an District, Chongqing Municipality (重庆市南岸区公安消防支队)	No validity period ⁽²⁾	Accomplishment of construction project completion acceptance fire prevention filing

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Licencee	Type of licence/ certificate/ approval	Licensing body/ Issuing body	Validity period/ Date of expiry	Description
	Permit for Discharging into Sewage Pipelines (城镇污水排入排水管网许可证)	Chongqing Municipal Commission of Housing and Urban-Rural Development (重庆市住房和城乡建设委员会)	26 August 2021 to 25 August 2026	Permit for discharge sewage into urban drainage facilities
Shenzhen Shangxiantong	Business License (营业执照)	Administration for Market Regulation of Shenzhen Municipality (深圳市市场监督管理局)	30 years from 24 August 2012 ⁽⁷⁾	Incorporation of Shenzhen Shangxiantong
Chongqing Baize	Business License (营业执照)	Administration for Market Regulation of Nan'an District, Chongqing Municipality (重庆市工商行政管理局南岸区分局)	No validity period ⁽⁸⁾	Incorporation of Chongqing Baize
Shenzhen Bright Focus Automobile	Business License (营业执照)	Administration for Market Regulation of Shenzhen Municipality (深圳市市场监督管理局)	30 years from 19 November 2013 ⁽²⁾	Incorporation of Shenzhen Bright Focus Automobile
	Record-filing of automobile maintenance and repair businesses (Special (Class III) automobile maintenance and repair enterprises (business entities)) (机动车维修经营备案 (专项(三类)汽车维修企业(业户)))	Longgang Administration Bureau of Transportation of Shenzhen Municipality (深圳市交通运输局龙岗管理局)	No validity period ⁽²⁾	Permit for repairing automobiles
	Record of automobile sales (汽车销售备案)	Unified platform of business system of Ministry of Commerce (商务部业务系统统一平台)	No validity period ⁽²⁾	Sales of automobiles, sales of second-hand automobiles
	Record of second-hand automobile brokerage (二手车经纪公司备案)	Unified platform of business system of Ministry of Commerce (商务部业务系统统一平台)	No validity period ⁽²⁾	Second-hand automobile brokerage company

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Licencee	Type of licence/ certificate/ approval	Licensing body/ Issuing body	Validity period/ Date of expiry	Description
	Comments of Fire Control Acceptance of Construction Project (建设工程消防验收意见书)	Fire Protection Supervision and Management Brigade of Public Security Bureau of Nanshan District, Shenzhen (深圳市公安局南山分局消防监督管理大队)	No validity period ⁽²⁾	Accomplishment of construction project completion acceptance fire prevention filing
Shenzhen Bright Focus Automobile, Nanshan Branch	Business License (营业执照)	Administration for Market Regulation of Shenzhen Municipality (深圳市市场监督管理局)	30 years from 19 November 2013 ⁽⁷⁾	Incorporation of Shenzhen Bright Focus Automobile, Nanshan Branch
Changsha Bright Focus Automobile	Business License (营业执照)	Administration for Market Regulation of Tianxin District, Changsha Municipality (长沙市中心区市场监督管理局)	19 November 2014 to 18 November 2064	Incorporation of Changsha Bright Focus Automobile
	Record of automobile sales (汽车销售备案)	Unified platform of business system of Ministry of Commerce (商务部业务系统统一平台)	No validity period ⁽²⁾	Sales of automobiles, sales of second-hand automobiles
Shenzhen Qifeng Automobile	Business License (营业执照)	Administration for Market Regulation of Shenzhen Municipality (深圳市市场监督管理局)	No validity period ⁽⁵⁾	Incorporation of Shenzhen Qifeng Automobile
	Record of automobile sales (汽车销售备案)	Unified platform of business system of Ministry of Commerce (商务部业务系统统一平台)	No validity period ⁽²⁾	Sales of automobiles, sales of second-hand automobiles
	Record of second-hand automobile brokerage (二手车经纪公司备案)	Unified platform of business system of Ministry of Commerce (商务部业务系统统一平台)	No validity period ⁽²⁾	Second-hand automobile brokerage company
Yaohua Automobile Management	Business License (营业执照)	Administration for Market Regulation of Shenzhen Municipality (深圳市市场监督管理局)	30 years from 21 September 2012 ⁽⁷⁾	Incorporation of Yaohua Automobile Management Service

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Licencee	Type of licence/ certificate/ approval	Licensing body/ Issuing body	Validity period/ Date of expiry	Description
Wuhan Ruisheng Automobile	Business License (营业执照)	Administration for Examination and Approval of Jiangnan District, Wuhan Municipality (武汉市江汉区行政审 批局)	No validity period ⁽⁸⁾	Incorporation of Wuhan Ruisheng Automobile
	Record of automobile sales (汽车销售备案)	Unified platform of business system of Ministry of Commerce (商务部 业务系统统一平台)	No validity period ⁽²⁾	Sales of automobiles, sales of second-hand automobiles
Guangzhou Ruisheng Automobile	Business License (营业执照)	Administration for Market Regulation of Yuexiu District, Guangzhou Municipality (广州市 越秀区市场监督管理 局)	No validity period ⁽⁸⁾	Incorporation of Guangzhou Ruisheng Automobile
	Record of automobile sales (汽车销售备案)	Unified platform of business system of Ministry of Commerce (商务部 业务系统统一平台)	No validity period ⁽²⁾	Sales of automobiles, sales of second-hand automobiles
	Record of second- hand automobile brokerage (二手车 经纪公司备案)	Unified platform of business system of Ministry of Commerce (商务部 业务系统统一平台)	No validity period ⁽²⁾	Second-hand automobile brokerage company
	Record of automobile repair and maintenance business (机动车维 修经营备案表)	Traffic Administration Station of Guangzhou Tianhe District (广州市天河 区交通管理总站)	No validity period ⁽²⁾	Automobile maintenance (Class III)
Guangzhou Ruisheng Automobile, Tianhe Branch	Business License (营业执照)	Administration for Examination and Approval of Tianhe District, Guangzhou Municipality (广州市 天河区行政审批局)	No validity period ⁽⁸⁾	Incorporation of Guangzhou Ruisheng Automobile, Tianhe Branch
Guangdong Yaohua Leasing	Business License (营业执照)	Administration for Examination and Approval of Tianhe District, Guangzhou Municipality (广州市 天河区行政审批局)	From 25 June 2013 to 25 June 2043	Incorporation of Guangdong Yaohua Leasing

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Licencee	Type of licence/ certificate/ approval	Licensing body/ Issuing body	Validity period/ Date of expiry	Description
	Record of sales of automobiles, sales of second-hand automobiles, second-hand automobile brokerage (汽车经销商 二手车经销企业 二手车经纪公司备案)	Unified platform of business system of Ministry of Commerce (商务部 业务系统统一平台)	No validity period ⁽²⁾	Sales of automobiles, sales of second-hand automobiles, second-hand automobile brokerage
Guangdong Yaohua Leasing, Shenzhen Branch	Business License (营业执照)	Administration for Market Regulation of Shenzhen Municipality (深圳市市场监督管理局)	No validity period ⁽⁴⁾	Incorporation of Guangdong Yaohua Leasing, Shenzhen Branch
Guangdong Yaohua Leasing, Foshan Branch	Business License (营业执照)	Administration for Market Regulation of Foshan Municipality, Nanhai District (佛山市南海区市场监督管理局)	No validity period ⁽⁷⁾	Incorporation of Guangdong Yaohua Leasing, Foshan Branch

Notes:

- (1) The relevant licence, permit, registration or approval states that it is for a long-term validity.
- (2) There is no validity period or similar language stated in the relevant licence, permit, registration or approval.
- (3) Our Group is required to obtain licenses for the Production and Sale of Hot Food as we operate cafeterias for our customers at customer lounges located in our dealerships and showrooms which provide cooked food to customers.
- (4) This permit is issued in the name of the landlord Diebei Economics Union Committee of Guicheng Road, Nanhai District, Foshan (佛山市南海区桂城街道北经济联合社) but effectively enables Foshan Shenbao Automobile to carry out discharge of sewage into the urban drainage facilities on the relevant property.
- (5) The term has not been specified, hence according to the company's Articles of Association and PRC laws, there is no stipulated validity period.
- (6) This announcement on the result of environmental protection acceptance of the construction project was issued by Shenzhen Chuangfengbao Automobile in its own name as the relevant PRC laws prescribe that the company which carries out the relevant construction project undertakes such procedures by itself in accordance with standards specified under PRC laws.
- (7) The term has not been specified, hence according to the company's Articles of Association and PRC laws, the term is 30 years from incorporation.
- (8) The licence is for a long term, and in such circumstances, according to the company's Articles of Association and PRC laws, there is no stipulated validity period.

Save as disclosed in the section "General Information on our Group – Material Properties and Fixed Assets" of this Offer Document, our Directors have confirmed that, at the Latest Practicable Date, to the best of their knowledge and belief, our Group has obtained all material licences, permits, registrations and approvals and is in compliance with the relevant laws and regulations that would materially affect our business operations. Please refer to the section entitled "General Information on our Group – Government Regulations" of this Offer Document for further information.

GENERAL INFORMATION ON OUR GROUP

As at the Latest Practicable Date, none of the aforesaid material licences, permits, registrations and approvals has been suspended, revoked or cancelled, and to the best of our Directors' knowledge, they are not aware of any facts or circumstances which would cause such material licences, permits, registrations and approvals to be suspended, revoked or cancelled as the case may be, or cause any applications for, or renewal of, any of these material licences, permits, registrations and approvals to be rejected by the relevant authorities.

Our Group does not expect to face difficulties in renewing any of our licenses, permits, registrations and/or approvals which are expiring within one (1) year from the Latest Practicable Date. While we have not submitted renewal applications for the material licences, permits, registrations and approvals that are due to expire within one (1) year of the date of this Offer Document, we will, at the appropriate juncture, make the relevant filing or submission to the relevant government authorities prior to the expiration of material licences, permits, registrations and approvals.

INTELLECTUAL PROPERTY RIGHTS

Under our dealership arrangements, we are generally able to use the trade names, trademarks and other branding materials in a manner consistent with the standards and requirements set by the relevant automobile OEMs for the purposes of promoting and marketing their respective automobiles.

Save as disclosed above, our business or profitability is not dependent on nor do we have any registered trademark, patent or licence, or any other intellectual property rights.

INSURANCE

As at the Latest Practicable Date, we have taken up insurance policies in respect of, *inter alia*, the following:

- (a) Property damage, business interruption and industrial all risks policies in respect of our premises;
- (b) Motor trade policy in respect of automobiles;
- (c) Work injury compensation for our employees;
- (d) Public liability in respect of our premises;
- (e) Money policy in respect of money in our premises and money in transit; and
- (f) Social insurance including basic pension insurance, basic medical insurance, unemployment insurance, work injury insurance and maternity insurance.

Our Directors are of the view that the above insurance policies are adequate for our existing operations. However, any significant damage to our assets and properties, whether as a result of fire or other causes, may still have an adverse effect on our business, results of operations or financial position. Please refer to the section entitled "Risk Factors – Our insurance coverage may not be adequate" of this Offer Document for further details. Our Directors will review and procure the necessary additional insurance coverage as and when the need arises.

GENERAL INFORMATION ON OUR GROUP

COMPETITION

The automobile retail industry has high barriers to entry due to, *inter alia*, intensive capital requirements and stringent distributor and/or dealer selection criteria of automobile OEMs.

Our competitors are other dealers of BMW and McLaren which are located within the same town or city as our dealerships and showrooms. As of February 2021, 128 BMW dealerships operating were in the southern region of the PRC, which is where our Group principally operates.⁽¹⁾ To the best of our knowledge and belief, our competitors include private companies as well as listed companies, such as China Yongda Automobile Services Holdings Limited and China Meidong Auto Holdings Limited.

We also face competition from distributors and dealers of other brands of automobiles. In the premium and ultra-premium segments of the automobile market, to the best of our knowledge and belief, direct competing brands are premium brands such as Mercedes-Benz, Audi and Lexus and ultra-premium brands such as Ferrari, Lamborghini and Aston Martin.

Save as disclosed in the section entitled “Interested Person Transactions – Potential Conflicts of Interest”, our Directors and Substantial Shareholders do not have any interest, direct or indirect, in any of the distributors or dealers of any other brands of automobiles.

Note:

(1) According to the Independent Market Research Report as set out in Appendix D of this Offer Document.

COMPETITIVE STRENGTHS

We believe we have the following competitive strengths:

- **We carry well-established automobile brands and have strategic presence in key automobile markets in geographically affluent provinces in the PRC**

We carry automobile brands such as BMW and McLaren, which are well-established brands both globally and in the PRC. Our strategic focus is to concentrate primarily on the premium and ultra-premium market segments of automobiles because we believe that the premium and ultra-premium market segments of automobiles provide more stable gross margins on new automobile sales and the after-sales service revenue of the premium and ultra-premium market segments of automobiles is more resilient and more profitable compared to that of mass-market brand automobiles. We have therefore concentrated our core business in geographically affluent provinces in the PRC, by developing a strategic network of sizeable dealership and showrooms and establishing a strong presence in key automobile markets there. The strength of the automobile brands we carry, coupled with our focused sales and marketing activities, has been a key contributor to our growth.

- **We maintain strong business relationships with BMW and McLaren**

We have established relationships with BMW and McLaren, both in terms of the length of time that we have been working together and the depth of our working relationships with them. In addition, BMW has awarded our Group with, amongst others, the BMW Best Dealer General Manager Award in 2016 and 2017, the BMW Dealer Excellence Award in 2017 and 2018, and the Aftersales High Performance Prize in 2019 and other various sales performance awards to recognise our good sales performance and superior after-sales

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services. McLaren has awarded our Changsha McLaren Showroom with the Best Marketing Award for 3Q2019 and our Shenzhen McLaren Showroom as Retailer of the year in 2019. Further, our Changsha McLaren Showroom was ranked No. 1 in After-sales amongst small-scale McLaren dealers in China for 2020, and our Shenzhen McLaren Showroom was ranked No. 2 in After-sales amongst large-scale McLaren dealers in China for 2019. As such, our Group is confident that the business relationships with BMW and McLaren will continue and grow further.

- **We have a customer-focused strategy which places an emphasis on providing consistent quality services**

We place great emphasis on understanding the needs of our customers and providing them with consistent quality services. In keeping with the premium branding and image of the automobiles we sell, we ensure that our service standards match up to such expectations by putting the right people in the right place to provide sales or after-sales services of the highest standards. In recognition of our consistent quality services, we have received numerous awards from BMW such as the BMW Best Aftersales Service Manager and the National Best Practice award in 2018, and the Aftersales High Performance Prize in 2019, and have consistently attained high rankings within the BMW dealership network in the PRC.

- **We are able to expand our Group's dealerships both organically and through acquisitions**

With our extensive industry experience and expertise, strong and established relationships with BMW and McLaren and strong pool of experienced and dedicated employees, we have the capability to expand our BMW dealership and McLaren showroom operations in a timely manner either by increasing the scale of our existing operations, or through setting up or acquiring other BMW dealerships or McLaren showrooms.

We also believe that our extensive industry experience and expertise would enable us to diversify to other premium and ultra-premium automobile brands, whether by way of setting up new dealerships or acquiring existing dealerships under other premium and ultra-premium automobile brands.

- **We have an experienced and committed management team with proven track record**

We have an experienced and dedicated management team, led by our founder and Executive Director, Executive Chairman and CEO, Mr. Francis Tjia, our Executive Director and CFO, Mr. Michael Cheung, our COO (BMW), Mr. Roger Chan, and our COO (Premium Luxury), Mr. Raymond Woo.

Mr. Francis Tjia has more than 20 years of experience in, as well as in-depth knowledge and understanding of, the automobile industry in the PRC which is essential to our Group's continual growth. Mr. Michael Cheung has more than 10 years of experience in the finance and accounting sector, and out of that time has spent more than five (5) years in the automobile industry. Mr. Raymond Woo and Mr. Roger Chan each have more than 10 years of relevant experience in the automobile industry in the PRC.

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BUSINESS STRATEGIES AND FUTURE PLANS

Our business strategies and future plans for the growth and expansion of our businesses are described below:

Increasing the concentration of our business in regions where we operate our existing operations

We intend to increase the concentration of our business in the regions where we have already established our existing presence. Our dealerships are currently strategically located in cities with affluent populations in the southern coastal region of PRC, namely Shenzhen, Foshan, Guangzhou, and other selected regions of PRC such as Chongqing. Out of these, Shenzhen, Guangzhou and Foshan are located in the Guangdong province in the GBA, which according to the Independent Market Research Report has the largest population of high-net-worth individuals in the PRC, making it a ripe market for luxury products. We thus aim to continue capitalising on the strong growth potential in these areas, and for such growth to take place in the form of organic growth which involves setting up new dealerships, as well as acquisition of existing dealerships.

Through organic growth, we will expand our dealership network by capitalising on our know-how, relationships and positive brand image established by our existing dealerships to secure new dealerships. We proactively apply to the automobile OEMs we partner with such as the BMW Distributors to set up new dealerships in the existing regions we operate in, and will also continuously evaluate new dealership opportunities made available by our automobile OEMs.

We may also expand our dealerships through acquisitions of existing dealerships. We are constantly looking out for potential acquisition targets, in particular from smaller companies seeking to exit the business, that are strategically important to our geographical coverage. We believe that with our existing dealerships, industry expertise and automobile OEMs' support, we would be able to quickly integrate newly-acquired dealerships in our Group by appointing a management team to newly-acquired dealerships to share best practice, conduct training and improve operational efficiency.

These future plans, however, are subject to economic and market conditions and available opportunities. We expect to fund the aforesaid expansion plans using the net proceeds from the issue of the Invitation Shares, external financing and/or our internal resources. If we establish new dealerships, the funds will go towards leasing expenses for the dealerships, hiring of staff, purchasing of inventory and other operating expenses. If we acquire existing dealerships, the funds will go towards the purchase consideration and other incidentals. Please refer to the section entitled "Use of Proceeds and Listing Expenses" of this Offer Document for further details.

Expanding our business through growing our dealership network to new regions, diversifying to other premium and ultra-premium automobile brands, and expanding and diversifying into complementary businesses

Growing our dealership network to new regions

As mentioned above, our dealerships are currently strategically located in cities with affluent populations in the southern coastal region of PRC. We nevertheless believe that there is significant market potential and demand for automobiles and automobile-related services in the southern coastal region as well as other regions of PRC, and in particular the GBA (in which we already have operations in Shenzhen, Foshan, Guangzhou) which leads the PRC in terms of economic development and has a higher propensity for consumption than other regions of the PRC.

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Similar to how we intend to undertake organic growth in the cities we already operate in through the setting up of new dealerships, we will also capitalise on new dealership opportunities made available by our automobile OEMs in new regions which we intend to expand to. We may also grow our business in new regions through the acquisition of existing dealerships.

In time to come, we intend to expand our business beyond the PRC and into other parts of Asia. We aim to replicate automobile-related business models which have found success in the PRC and particular those which have been successful for our Group, in other parts of Asia.

Diversifying to other premium and ultra-premium automobile brands

In line with our strategy to focus on premium *and ultra-premium* automobile brands, we intend to secure new dealerships for other premium *and ultra-premium* automobile brands. With our aggregated group resources as well as industry experience and expertise, we believe that we have the capability to diversify to other premium *and ultra-premium* automobile brands, whether by way of setting up new dealerships or acquiring existing dealerships of other premium *and ultra-premium* automobile brands.

Expanding and diversifying into complementary businesses

We also strive towards broadening our business scope upstream, downstream, horizontally and vertically, into related ventures which would complement our existing business scope, both in the PRC and overseas. For example, we may expand our businesses through vertical integration which we believe will complement our current and future businesses, such as increasing or expanding the range of automobile agency services which we currently provide.

In particular, we may explore opportunities to collaborate with suitable partners, either through joint ventures or strategic alliances, to expand our pre-owned automobile sales business and automobile-related services business. We believe that suitable joint ventures and strategic alliances will also give us access to new markets and customers as well as new businesses, including new dealerships with strong brand owners. Should such opportunities arise, we will seek approval, where necessary, from our Shareholders and the relevant authorities as required by the relevant rules and regulations.

PROSPECTS

Going forward, in light of our competitive strengths and barring any unforeseen circumstances, our Directors are confident of the prospects and outlook of our business, due to the following factors.

Strong demand for premium and ultra-premium automobile brands in the PRC

The PRC has been experiencing rapid economic growth, with nominal GDP per capita increasing at a CAGR of 7.6% from RMB54,000 in 2016 to RMB72,300 in 2020.⁽¹⁾ Our Company operates in a number of cities which have comparably high rates of GDP increase. From 2016 to 2020, the nominal GDP of Chongqing, Shenzhen and Guangzhou have grown at a faster rate than the overall GDP of the PRC as a whole, and steady growth is further anticipated for the period from 2020 to 2025.⁽¹⁾ Such growth has been supported by government stimulus policies in the PRC, which have been formulated with a view to maintaining macroeconomic stability through 2025.

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In addition to the overall economic growth of the PRC, the number of high net worth individuals (with net asset value of RMB10 million or above) grew by 54.4% from 1.58 million persons in 2016 to 2.44 million persons in 2020, and is further projected to grow at a CAGR of 8.5% from 2020 to 2025.⁽¹⁾

Shenzhen, Guangzhou, Chongqing and Foshan are key cities in which our Company operates our BMW dealerships, and out of which, Shenzhen, Guangzhou and Foshan are located in the Guangdong province in the GBA. The GBA is a region spanning Hong Kong, Macao, and nine (9) cities in the Guangdong province, and which leads the PRC in terms of economic development, and owing to its wealth per capita has a higher propensity for consumption than other regions of the PRC. Guangdong province, in particular, has the largest population of high-net-worth individuals in the PRC, making it an especially lucrative market. High-net-worth individuals are more likely to contribute to and drive consumer demand for premium and ultra-premium automobiles, given their spending power and higher propensity to spend on aspirational products such as premium and ultra-premium automobiles, which are often regarded as status symbols.

Driven by higher household incomes and the growing number of high-net-worth individuals, demand for premium and ultra-premium automobiles has been and is expected to continue thriving. New premium automobile sales grew from 2.3 million vehicles in 2016 to 3.5 million vehicles in 2020, and new ultra-premium automobile sales increased from 81,300 vehicles in 2016 to 100,500 vehicles in 2020. In fact, the sales volume for new premium and ultra-premium automobiles increased 9.1% year-on-year in 2020 despite the 11.1% slide in the overall automobile market in the PRC for 2020 brought on by the COVID-19 pandemic.⁽¹⁾ The Independent Market Research Consultant has stated in the Independent Market Research Report the combined premium and ultra-premium segments in terms of volume as a percentage of all new automobile sales in the PRC, is expected to increase from 17.9% in 2020 to 22.9% in 2025.⁽¹⁾

Furthermore, penetration rates for premium and ultra-premium automobile ownership has also been strong. The premium automobile ownership of the automobile population (referring to the population of persons owning and/or using personal automobiles) increased from 17.4 million vehicles in 2016 to 29.0 million vehicles in 2020, representing a CAGR of 13.7% for the relevant period, and the Independent Market Research Consultant has stated in the Independent Market Research Report that this is expected to further increase to 46.3 million vehicles in 2025, with an expected strong CAGR of 9.8% for the period from 2020 to 2025.⁽¹⁾ The ultra-premium automobile ownership of the automobile population is expected to exceed 1 million vehicles for the first time in the PRC in 2021, and to reach 1.4 million vehicles in 2025.⁽¹⁾

Overall, we aim to capitalise on the growing higher-income population in the PRC, which will continue to have a positive effect on premium and ultra-premium vehicle sales.

Promising prospects on BMW automobile sales and after-sales services in the PRC

BMW, the main brand of automobiles sold by our Group and for which we have established BMW dealerships to provide BMW-specific after-sales and ancillary services, is one of the leading automobile brands in the PRC.

In 2016 and 2020, BMW ranked as the second-highest brand in the premium automobile market in the PRC in terms of sales volumes. In 2020, BMW delivered 761,100 cars in the PRC (accounting for about 21.7% of all new premium automobile sales), and recording a 7.6% year-on-year growth.⁽¹⁾ As of February 2021, the BMW dealership network comprised a total of 103 BMW dealership groups and 636 BMW sales locations which were operational in the PRC.⁽¹⁾ In 2020, the BMW brand sold an average of 1,342 vehicles per dealership.⁽¹⁾ Our Group's sales

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per dealership were well above the national average, at 2,516 vehicles per dealership. Our BMW dealerships contributed to 11.3%, 9.4%, 14.5% and 38.1% of all BMW sales in Shenzhen, Guangzhou, Chongqing and Foshan respectively.⁽¹⁾

There is not only high demand for new BMW automobiles, but also growing demand for after-sales services of BMW automobiles. As a premium brand with a high retail price, BMW owners consider their cars to be valuable assets and normally return to dealerships that can offer original, high-quality parts and more trustworthy service skills. This may be largely attributable to the fact that BMW offers a 3-year warranty for its new automobiles in the PRC; at least 95% of BMW owners return to dealership stores for repairs and maintenance within the warranty period.⁽¹⁾

We believe that backed by the robust demand, BMW expects to open more dealerships in different locations in the PRC, especially the second and third tier cities. Given our strong business relationship with BMW, we believe that we are able to secure approvals to open more BMW dealerships in future.

Promising prospects for the new energy vehicle market in the PRC

The PRC has become the world's largest new energy vehicle market, and according to the Independent Market Research Report contributed to more than 50% of global sales volumes of electric vehicles in 2020.⁽¹⁾ It is further estimated that nearly one (1) in five (5) new vehicles purchased in 2025 is likely to be an electric vehicle.⁽¹⁾ With developing infrastructure, the cost of owning an electric vehicle has been reduced, and in fact it is estimated that the overall cost of ownership of electric vehicle and the conventional "internal combustion engine" models have become comparable sometime in late 2020 or early 2021.⁽¹⁾

Government subsidies and favourable industrial investment policies have contributed to the electric vehicle industry's robust growth since 2016 and will likely continue to do so.⁽¹⁾ In addition, the PRC government has extended a tax exemption for new energy vehicles until the end of 2022, in support for the innovation and development of new energy vehicles.

OEMs such as BMW have launched a number of new energy vehicle versions of automobile models and in fact are planning further new energy vehicle launches through to 2025. In keeping with this growing market, our Group's dealerships carry new energy vehicle versions of BMW automobiles such as the BMW 5 Series, BMW X1, BMW X5 and BMW iX3, and we intend to continue carrying new energy vehicle versions as and when launched by BMW or our other OEM partners. Our BMW dealerships are also up-to-date with the latest technology and infrastructure for the provision of after-sales services for the new energy vehicle models we carry.

Our Group intends to continue keeping abreast of this trend, and taking into account the fact that our Distributors are also increasingly offering various versions of automobile models which are new energy vehicles, we do anticipate a gradual transition from sale of traditional internal combustion energy vehicles to more sales of new energy vehicles. We do not however expect this to result in material changes to our Group's business model or significant impact to our Group's financials and/or operations for the next 12 months from the date of the Listing.

Note:

(1) According to the Independent Market Research Report as set out in Appendix D of this Offer Document.

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TREND INFORMATION

Barring unforeseen circumstances, our Directors have observed the following trends for the next 12 months from the Latest Practicable Date:

- (a) our revenue for new automobile sales is expected to increase due to an anticipated increase in demand in conjunction with the release of new BMW models such as the iX3 in 2020 and the i4 in 2021;
- (b) our revenue for after-sales services is expected to increase in line with a growth in new automobile sales;
- (c) our financing costs relative to the size of our business is expected to decline, due to continued deleveraging arising from the repayment of loans and other borrowings;
- (d) our operating expenses are expected to increase in line with our revenue growth; and
- (e) based on our Group's previous experience in FY2020 where a closure of each of our dealerships and showrooms for a period of about four (4) to six (6) weeks in 1Q2020 as a result of COVID-19 measures did not result in a material impact on our Group's financials and/or operations for FY2020, COVID-19 is not expected to have a material impact on our Group's financials and/or operations for the next 12 months, other than in a situation where the COVID-19 situation worsens in the PRC, and in particular where there is any prolonged imposition of restrictions and other lockdown measures which inhibits our Group's ability to conduct our business.

Save as disclosed above and in the sections entitled "Risk Factors", "Management's Discussion and Analysis of Financial Position and Results of Operations", "General Information on our Group – Business Strategies and Future Plans" and "General Information on our Group – Prospects" of this Offer Document, the Audited Consolidated Financial Statements, Unaudited Interim Condensed Consolidated Financial Statements and Unaudited Pro Forma Consolidated Financial Information as set out in Appendices A, B and C to this Offer Document, and the related notes thereto, and barring any unforeseen circumstances, our Directors believe that there are no other significant recent known trends in the costs and prices of our products and services, or any other known uncertainties, demands, commitments or events that are reasonably likely to have a material and adverse effect on our revenue, profitability, liquidity and capital resources for at least FY2021 and FY2022. Our Directors are also not aware of any such trends that would cause the financial information disclosed in this Offer Document to be not necessarily indicative of our future operating results or financial condition. Please also refer to the section entitled "Cautionary Note Regarding Forward Looking Statements" of this Offer Document for further information.

ORDER BOOK

Due to the nature of our business, the concept of an order book is not meaningful to us.

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GOVERNMENT REGULATIONS

Save as disclosed below, as at the Latest Practicable Date, our Company, our subsidiaries incorporated in the BVI and our business operations in the PRC and Hong Kong are not subject to any special legislations or regulatory controls other than those generally applicable to companies (including foreign investment companies) and businesses incorporated and/or operating in the PRC, Hong Kong, BVI and the Cayman Islands. We have thus far not experienced any adverse effect on our business in complying with these regulations. Our Directors confirm after having made all reasonable enquiries, that as at the Latest Practicable Date, our Group has obtained all relevant business licences, certificates and approvals necessary for our business operations and we have complied with all relevant laws and regulations that would materially affect our business operations. Save as disclosed herein, we do not require any other material licences, registrations, permits or approvals in respect of our operations apart from those pertaining to general business registration requirements. As at the Latest Practicable Date, our Directors believe that we are not in breach of any laws or regulations applicable to our Company in the Cayman Islands, our BVI-incorporated subsidiaries in the BVI and our business operations in the PRC and Hong Kong that would materially affect our business operations.

PRC

The following is a summary of the material laws and regulations of PRC that are relevant to our business as at the Latest Practicable Date. Please refer to the section entitled “Appendix I – Description of Relevant PRC laws and Regulations” for further details.

Government Measures and Regulations relating to Automobile Industry in the PRC

The PRC Automobile Industry

On 21 May 2004, the National Development and Reform Commissions (“**NDRC**”) promulgated the Policy on Development of Automotive Industry (汽车产业发展政策) (the “**Policy**”), which became effective on the same day, and was further amended jointly by the NDRC and Ministry of Industry and Information Technology (the “**MIIT**”) on 15 August 2009. The Policy contains provisions relating to the PRC automobile industry’s technology policies, structural adjustments, market access administration, trademarks, product development, spare parts sales and other relevant subindustries, distribution networks, investment administration, import administration, and automobile consumption.

On 22 December 2011, MOFCOM promulgated the Guidance Opinion on Promoting the Development of Automobile Circulation Industry under Twelfth Five-Year Plan (关于促进汽车流通业“十二五”发展的指导意见) (the “**Guidance Opinion**”), which sets forth the overall objectives and major tasks for the automobile circulation industry. The Guidance Opinion encourages, the nurturing of large-scale new vehicle and used vehicle dealers, and foreign investment in the automobile distribution network in middle and western China.

On 22 January 2013, twelve central government agencies, including MIIT, NDRC, MOFCOM and CSRC, jointly promulgated the Guidance Opinions on Further Promoting the Acquisitions and Restructuring of Enterprises in the Key Industries (关于加快推进重点行业企业兼并重组的指导意见), which set forth guidelines for nine (9) key industries, including the automobile sector, encouraging domestic and outbound acquisitions and restructuring.

GENERAL INFORMATION ON OUR GROUP

On 6 April 2017, the MIIT, NDRC and Ministry of Science and Technology (the “**MST**”) jointly promulgated the Medium and Long Term Development Planning of Automotive Industry (汽车产业中长期发展规划), which is a general and macro regulatory guidance setting forth, the guiding ideology, cardinal principles, objectives, major tasks, supporting measures for the development of automotive industry.

Automobile Sales

The sale of new automobiles is subject to the Measures for the Administration of Automobile Sales (汽车销售管理办法) (the “**Automobile Sales Measures**”), which was promulgated by MOFCOM on 5 April 2017, and came into effect on 1 July 2017.

The Automobile Sales Measures allows sales of motor vehicles to be carried out with or without authorised dealership agreements. In addition, it allows the separation of provision of sales of motor vehicles and after sales services by stipulating that automobile manufacturers shall not request dealers to possess both sales and after-sales functions. Dealers that sell: (a) motor vehicles whose sales are not authorised by automobile manufacturers; or (b) imported motor vehicles whose sales are not authorised by overseas auto manufacturers, shall issue reminders and explanations to consumers in writing, and inform consumers of the parties bearing relevant responsibilities for consumers in writing. A dealer that is not authorised by an automobile manufacturer or that has its authorisation terminated may not engage in business activities in the name of sales of motor vehicles authorised by the automobile manufacturers. Automobile manufacturers may request dealers to set up standalone showrooms for its products in order to maintain the brand image of such automobile manufacturers but the automobile manufacturers shall not restrict the automobile dealers to act as dealers of other brands. Where an automobile manufacturer intends to sell motor vehicles by granting authorisation to a dealer, the period of authorisation (excluding the store construction period) shall generally not be shorter than three (3) years on each occasion, and the period of first-time authorisation shall generally not be shorter than five (5) years. Upon reaching consensus after consultation, both parties may terminate their authorisation contract ahead of schedule. Unless otherwise agreed under contracts by both parties, an automobile manufacturer shall not sell motor vehicles directly to consumers within the areas where a dealer is authorised to sell the automobile manufacturer’s motor vehicles.

Dealers shall perform record-filing of the basic information through the national automobile circulation information management system of the competent commerce department of the State Council within 90 days of the date of receipt of business licenses. Where there is any change to the information concerned, its update shall be made within 30 days of the date of the change.

Second-Hand Sales of Motor Vehicles

Our sales of used vehicles are subject to the Measures for the Administration of the Circulation of Second-hand Automobiles (二手车流通管理办法) (the “**Second-hand Automobile Measures**”), promulgated by MOFCOM, the Ministry of Public Security, the SAIC and SAT on 29 August 2005, which became effective on 1 October 2005 and amended on 14 September 2017.

Under the Second-hand Automobile Measures, a second-hand automobile dealer shall enter into written contracts with its customers, and provide warranties relating to the quality of the used vehicles and offer arrangements for after-sale services. The Second-hand Automobile Measures also provide for the establishment of a nationwide archival system to keep records of second-hand automobile dealers. Any second-hand automobile dealer that has been legally registered with the relevant administrative department for industry and commerce and obtained the business license shall report to the commerce authorities at the provincial level for record-filing.

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Available Maintenance and Repair Services

According to the Regulations on the Administration of Automobile Maintenance and Repair (机动车维修管理规定), which was promulgated by the Ministry of Transport on 24 June 2005, became effective on 1 August 2005, and was further amended on 8 August 2015, 19 April 2016 and 21 June 2019, an operator of automobile maintenance and repair services shall have suitable facilities, equipment and technical personnel to operate maintenance and repair of motor vehicles business. In addition, an operator shall implement quality management systems and safety procedures, provide training to its technical personnel, maintain proper repair and maintenance records and archives, and ensure that there are sufficient safeguards for environmental protection.

According to the Regulation of the People's Republic of China on Road Transport (中华人民共和国道路运输条例), promulgated by the State Council on 30 April 2004, which became effective on 1 July 2004 and as further amended on 9 November 2012, 6 February 2016 and 2 March 2019, an operator of automobile maintenance and repair services shall file a record with the local department of the Ministry of Transport for providing maintenance and repair of motor vehicles services. Enterprises engaged in motor vehicle maintenance operations shall: (i) have the necessary site to conduct repair of motor vehicles; (ii) possess necessary equipment, facilities and employees; (iii) have adopted sound administrative rules on repairing of motor vehicles; and (iv) have adopted necessary environmental protection measures. On 28 July 2018, the State Council promulgated the Decision of the State Council on Canceling a Batch of Administrative Licensing Items (国务院关于取消一批行政许可等事项的决定) (the “**Decision of the State Council**”), according to which the administrative approval for maintenance and repair of motor vehicles business has been cancelled. According to the Decision of the State Council, after the cancellation of approval for maintenance and repair of motor vehicles business, the Ministry of Transport shall develop, improve and announce the maintenance and repair of motor vehicles business standards, and urge local transport administrative departments to strengthen interim and post event regulation through establishing and improving the record system for maintenance and repair of motor vehicles operation, and publishing relevant information in a timely manner as well as other measures.

Subsidies for New Energy Vehicles

On 20 October 2020, the State Council of the PRC issued the Planning for the Development of the Energy-Saving and New Energy Automobile Industry (2021-2035) (新能源汽车产业发展规划(2021-2035年) (国办发[2020]39号)), granting generous support and subsidies to the electric vehicles and hybrid vehicles.

On 14 July 2014, the General Office of the State Council issued the Guiding Opinion of the General Office of the State Council on Accelerating the Popularisation and Application of New Energy Vehicle (国务院办公厅关于加快新能源汽车推广应用的指导意见(国办发[2014]35号) to grant further tax incentives and exemptions for electric vehicles, which provides that governmental subsidies shall be extended to consumers purchasing qualified pure electric vehicles, plug-in (including extended-range) hybrid electric vehicles or fuel cell vehicles.

On 22 April 2015, the PRC Ministry of Finance (“**MOF**”), MIIT, MST and NDRC issued Notice on the Financial Support Policy for the Promotion and Application of New Energy Vehicles from 2016 to 2020 (关于2016-2020年新能源汽车推广应用财政支持政策的通知 (财建[2015]134号)), specifying the beneficiaries, products and standards of subsidies for new energy vehicles.

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The MOF, MIIT, MST and NDRC jointly issued the Notice on Adjusting the Financial Subsidy Policy for the Promotion and Application of New Energy Vehicles (关于调整新能源汽车推广应用财政补贴政策的通知) in 2016, the Notice on Adjusting and Perfecting the Financial Subsidy Policy for the Promotion and Application of New Energy Vehicles (关于调整完善新能源汽车推广应用财政补贴政策的通知) in 2018, the Notice of Further Improving the Fiscal Subsidy Policies for the Promotion and Application of New Energy Vehicles (关于进一步完善新能源汽车推广应用财政补贴政策的通知) in 2019, the Notice on Improving the Policies on Government Subsidies for Promotion and Application of New Energy Vehicles (关于完善新能源汽车推广应用财政补贴政策的通知) in 2020 and their respective interpretation. Pursuant to these rules, local governments may no longer subsidise new energy vehicles (except new energy buses and fuel cell vehicles) after the transitional period.

Automobile Insurance

According to the Provisions on the Regulation of Insurance Agents (保险代理人监管规定) promulgated by the China Banking and Insurance Regulatory Commission (the “CBIRC”) on 12 November 2020 and came into effect on 1 January 2021, a concurrent-business insurance agency branch may carry out insurance agency business after obtaining the corresponding authorisation from the corporation and shall promptly report the relevant situation via the regulatory information system. Where a concurrent-business insurance agency corporation authorises a branch of a province, autonomous region, municipality directly under the central government or city specifically designated in the state plan other than that where its place of registration is located to engage in insurance agency business, it shall designate a branch to be responsible for all matters concerning insurance agency business management in the region.

The General Office of the CBIRC has issued the Circular on Matters relating to Further Tightened Regulation of Vehicle Insurance (中国银保监会办公厅关于进一步加强车险监管有关事项的通知) (the “Circular”) on 14 January 2019. Aimed at addressing two (2) issues existing in the current vehicle insurance market which are the failure to follow, as required, insurance premium rates set out in clauses of vehicle insurance policies and the false listing of fees for vehicle insurance business, the Circular proposes the following measures. First, all local branches established by the CBIRC shall, within the scope of their duties, detect, investigate and punish violations in respect of vehicle insurance business committed by property insurance agencies within their respective jurisdiction. Second, the Insurance Association of China shall establish a mechanism to accept and verify complaints and reports against its members, and timely refer clues to any possible violations to the CBIRC’s Property Insurance Department.

Third, the China Insurance Information Technology Management Co., Ltd. shall institute a mechanism to monitor data related to the practically adopted vehicle insurance premium rates and report any unusual data in a timely fashion to the CBIRC’s Property Insurance Department.

Automobile Recalls

On 29 December 2012, the General Administration of Quality Supervision, Inspection and Quarantine promulgated the Rules on the Liability for Repair, Replacement and Return of Family Car Products (家用汽车产品修理、更换、退货责任规定) (the “3R Provisions”), which became effective on 1 October 2013.

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The 3R Provisions provide for the “three guarantees services” responsibilities of the motor vehicle sellers. After discharging the responsibilities for their “three guarantees services”, the seller is entitled to claim against and seek compensation from the manufacturers or other dealers of family car products if the liabilities are attributable to the manufacturers or other dealers, as the case may be.

According to the 3R Provisions, the repair guarantee period for family car products shall cover no less than three (3) years or a mileage of 60,000 kilometers, whichever comes first; and the three-guarantee period shall cover no less than two (2) years or a mileage of 50,000 kilometers, whichever comes first.

If quality problems with the key components of the engine or the gear box of a family car product emerge within 60 days from the date of invoice or within the mileage of 3,000 kilometers, whichever comes first, consumers are entitled to free replacement of the engine or the gear box. Within 60 days from the date of invoice or within the mileage of 3,000 kilometers, whichever comes first, consumers may demand for the replacement or return of the family car products if there are serious quality problems such as the cracking of car body, failure of the braking or steering system and fuel leaks, and the seller shall be responsible for free replacement or return.

Further, within the warranty period, consumers are entitled to free replacement or return a family car product if, after two (2) repairs, serious safety problems persist or new safety problems emerge. The same applies if quality problems with the engine or gear box are such that normal usage is impossible after two (2) replacements of the assembly concerned; or if normal usage is impossible after two (2) replacements of the same key component of other assemblies or systems expressly specified in the manufacturer’s guarantee. The seller shall be responsible for free return or replacement.

Within 15 working days upon a consumer making a demand for replacement of a family car product, the seller shall provide the consumer with a proof of replacement. Within 15 working days upon a consumer making a demand for return, the seller shall provide the consumer with a proof of return and pay back the invoice price of the car in one (1) lump sum. In case of violation of the 3R Provisions, the sellers will be punished for illegal activities according to the relevant laws and regulations; if such violations do not constitute an illegal activity, the sellers will be given formal warnings and ordered to make corrections; and in serious cases, the seller will be made to pay fines up to RMB30,000. Any violation of the 3R Provisions will be publicly disclosed.

Product Quality Law

The principal law governing product liability in the PRC is the Product Quality Law of the People’s Republic of China (中华人民共和国产品质量法) promulgated by the SCNPC on 22 February 1993, and as amended on 8 July 2000, 27 August 2009 and 29 December 2018 (the “**Product Quality Law**”).

Pursuant to the Product Quality Law, a seller shall adopt measures to keep products for sale in good quality and comply with regulations regarding the labeling of products, and shall not sell defective or damaged products, forge the origin of a product, forge or falsely use another manufacturer’s authentication marks, or substitute a fake product for a genuine product or a defective product for a high-quality product. Violation of the Product Quality Law may result in the imposition of fines, suspension of business operations, revocation of business licenses and criminal liability. Aggrieved consumers may seek compensation from both the manufacturer and the retailer. A retailer may seek reimbursement from the manufacturer in cases where the defect is due to the manufacturer, unless any agreement between the retailer and the manufacturer provides otherwise.

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Consumer Protection

The Consumer Rights and Interests Protection Law of the People's Republic of China (中华人民共和国消费者权益保护法) (the “**Consumers Protection Law**”) was promulgated on 31 October 1993 and became effective on 1 January 1994. The Consumers Protection Law was further revised on 27 August 2009 and 25 October 2013. According to the Consumers Protection Law, unless otherwise provided by this law, an operator that provides products or services may bear civil liability in accordance with the Product Quality Law and other relevant laws and regulations. When an operator collects or uses the personal information of a consumer, it shall follow the principles of acting in a legal, justifiable and necessary approach and shall expressly indicate the purpose, method and scope of the collection or use of the information and obtains the consent of the consumer. The operator shall take technical and other necessary measures to ensure the safety of such information and prevent the personal information of consumers from being disclosed or stolen. In case the information has been or potentially will be disclosed or lost, remedial measures shall be taken promptly. Civil Code of the People's Republic of China (中华人民共和国民法典) promulgated on 28 May 2020 and effective on 1 January 2021 provides that in the event of damage arising from a defective product, the victim may seek compensation from either the manufacturer or seller of such a product. If the defect is caused by the seller, the manufacturer shall be entitled to seek reimbursement from the seller upon compensation to the victim. If the defect is caused by the manufacturer, the seller shall be entitled to seek reimbursement from the manufacturer upon compensation to the victim.

Quota

On 29 December 2014, the Shenzhen People's Government announced the implementation of a quota on the number of car licence plates with effect from 6.00 p.m. on 29 December 2014. The quota is temporarily set per year and would be adjusted from time to time depending on the road carrying capacity and environmental protection needs. The quota could be acquired through lottery or bidding. The quota for the year of 2020 is 120,000.

According to the Measures on Adjusting and Controlling the Total Quantity of Medium and small Vehicles in Guangzhou (广州市中小客车总量调控管理办法的通知), which was promulgated and took effect on 21 November 2019, the incremental license plate quota in Guangzhou is allocated through lottery schemes for new energy automobiles and through lottery and bidding for ordinary automobiles. The allocation cycle for incremental license plate quota is 12 months.

Regulations Relating To Vehicle Loans

The Measures for the Management of Automobile Loans (Revised in 2017) (汽车贷款管理办法(2017年修订)) (the “**Loans Measures**”), promulgated by the PBOC and the China Banking Regulatory Commission on 13 October 2017, became effective on 1 January 2018. According to the Loans Measures, the term of loans granted to distributors of motor vehicles for purchasing passenger vehicles and spare parts shall not be longer than one (1) year. An automobile dealer will be subject to regular credit reviews and inspections conducted by the relevant financial institutions, the frequency of which is not specified in the Loans Measures.

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Regulations Relating to Production Safety

Pursuant to the Work Safety Law of the PRC (中华人民共和国安全生产法) promulgated on 29 June 2002, last revised on 31 August 2014 and became effective on 1 December 2014, production and operation entities must comply with the relevant work safety laws and regulations. Enterprises should establish relevant work safety rules, perfect the conditions for safe production, and ensure safety during production. Enterprises that do not meet the requirements for safe production are prohibited from engaging in production or other business activities. Except for mine, metal smelting, construction and road transportation entities as well as the entities engaging in the production, sales, and storage of hazardous substances which shall establish a work safety management body or have full-time work safety management personnel, any other business entity shall establish a work safety management body or have full-time work safety management personnel if the number of its employees exceeds 100; or shall have full-time or part-time work safety management personnel if the number of its employees is 100 or less. Where an enterprise fails to comply with the relevant work safety requirements, it may be subject to fines and ordered to discontinue production. Where an enterprise is found guilty of an offence under the Work Safety Law of the PRC, the person in charge of the enterprise may be subject to criminal liabilities.

Vehicle Data Security

On 16 August 2021, the Several Provisions on Vehicle Data Security Management (“**Vehicle Data Security Regulation**”) was promulgated by the Cyberspace Administration of China, National Development and Reform Commission, Ministry of Industry and Information Technology, Ministry of Public Security and Ministry of Transport, which became effective on 1 October 2021. According to the Vehicle Data Security Regulation, “vehicle data” includes “personal information”, which refers to any type of information related to an identified or identifiable vehicle owner, driver, passenger or any person outside the vehicle that is electronically or otherwise recorded by the vehicle. Personal information involving more than 100,000 personal information subjects will be deemed as “important data”. Important data must be stored within the PRC in accordance with the law, and if it is necessary to provide any important data to a recipient outside of the PRC due to a business need, such provision of information must pass a security assessment conducted by the relevant national cyberspace authority in conjunction with relevant authorities under the State Council.

Regulations on Foreign Exchange and Foreign Debts in the PRC

According to the Regulation on Foreign Exchange Administration of the PRC (中华人民共和国外汇管理条例) promulgated on 29 January 1996, last revised on 5 August 2008 and which became effective on the same day, the foreign exchange income and expenditure and foreign exchange business operations of Chinese institutions and individuals, as well as the foreign exchange income and expenditure and foreign exchange business operations conducted within the territory of the PRC by overseas institutions and individuals, shall be subject to foreign exchange administration. The international payments or transfers on current account is not restricted, but the capital account such as direct investment or investments in securities outside of the PRC is restricted unless approval from SAFE or its local counterpart and other authorities is obtained in advance as the case may be.

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According to the Circular of SAFE Concerning Reform of the Administrative Approaches to Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (国家外汇管理局关于改革外商投资企业外汇资本金结汇管理方式的通知), which was issued on 30 March 2015, became effective on 1 June 2015 and last revised on 30 December 2019, a voluntary settlement mechanism for foreign exchange capital funds to foreign-invested enterprises shall be implemented, and RMB funds from voluntary settlement of capital funds shall be deposited into and managed under an “account for foreign exchange fund settled and to be paid”.

As at the Latest Practicable Date, all offshore Group entities which are involved in the receipt of cash remitted through cross-border cash repatriations from onshore accounts in the PRC have where required undergone the requisite registrations and procedures to enable our Group to be in compliance with SAFE.

Dividend Distribution

According to PRC Company Law, where a company distributes its after-tax profits for the current financial year, it shall set aside 10% of its profits as the company’s statutory common reserve, provided that a company with an aggregate common reserve of more than 50% of the company’s registered capital may elect not to draw any statutory common reserve. Where the aggregate balance of the company’s statutory common reserve is insufficient to cover any loss the company made in the previous financial year, the current financial year’s profits shall first be used to cover the loss before any statutory common reserve is drawn therefrom. Where any company has drawn a statutory common reserve from its after-tax profits, it may, subject to a resolution of the shareholders’ meeting, draw a discretionary common reserve from its after-tax profits. Where losses have been covered and the statutory and discretionary common reserves have been drawn, any remaining after-tax profits can be distributed to its shareholders.

Taxation Laws and Regulations

Consumption Tax

Pursuant to the Notice on Adjusting the Policy of Consumption Tax on Passenger Vehicles (关于调整乘用车消费税政策的通知) promulgated by the MOF and SAT, which became effective as of 1 September 2008, the consumption tax rate for passenger vehicles with engine displacement capacity of less than 1.0 liter has been reduced from 3% to 1%, whereas the tax rate for vehicles with larger engine displacements has been increased. In particular, the tax rate for vehicles with engine displacement of 3.0 to 4.0 liters increased from 15% to 25%, and the tax rate for vehicles with engine displacement of more than 4.0 liters increased from 20% to 40%.

According to the Vehicle and Vessel Tax Law the People’s Republic of China (中华人民共和国车船税法) as promulgated by the SCNPC and effective as of 1 January 2012 and amended on 23 April 2019 and its implementation regulations effective as of 1 January 2012 and amended on 2 March 2019, tax on passenger vehicles is calculated and imposed based on the engine displacement capacity. The annual benchmark tax on passenger cars with engine displacement capacity of 1.0 liter and below ranges from RMB60 to RMB360, while that on vehicles with engine displacement between 3.0 and 4.0 liters ranges from RMB2,400 to RMB3,600, and that on vehicles with engine displacement above 4.0 liters ranges from RMB3,600 to RMB5,400.

GENERAL INFORMATION ON OUR GROUP

Enterprise Income Tax

On 16 March 2007, the NPC promulgated the Law of the People's Republic of China on Enterprise Income Tax (中华人民共和国企业所得税法) which became effective on 1 January 2008 and was amended on 24 February 2017 and 29 December 2018, and the State Council enacted The Regulations for the Implementation of the Law on Enterprise Income Tax of the People's Republic of China (中华人民共和国企业所得税法实施条例) (collectively, the **"EIT Law"**) on 1 January 2008 and was amended on 23 April 2019. According to the EIT Law, taxpayers consist of resident enterprises and non-resident enterprises. Under the EIT Law and relevant implementing regulations, a uniform corporate income tax rate of 25% is applicable. However, if non-resident enterprises have not formed permanent establishments or premises in mainland China, or if they have formed permanent establishment institutions or premises in mainland China but there is no actual relationship between the relevant income derived in mainland China 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 mainland China.

Withholding Tax

The EIT Law and its implementation rules provide that an income tax rate of 10.0% will normally be applicable to dividends declared to non-PRC resident investors who do not have an establishment or place of business in the PRC, to the extent such dividends are derived from sources within the PRC. The income tax on the dividends may be reduced pursuant to a tax treaty between the PRC and the jurisdictions in which our non-PRC Shareholders reside.

The PRC and the government of Hong Kong entered into the Arrangement between the Mainland of the PRC and Hong Kong for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (内地和香港特别行政区关于对所得税避免双重征税和防止偷漏税的安排) (the **"Arrangement"**) on 21 August 2006. According to the Arrangement, the withholding tax rate 5.0% applies to dividends paid by a PRC company to a Hong Kong resident, provided that such Hong Kong resident directly holds at least 25.0% of the equity interests in the PRC company. The 10.0% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong resident if such Hong Kong resident holds less than 25.0% of the equity interests in the PRC company.

However, based on the Announcement of the State Administration of Taxation on Issues Relating to "Beneficial Owner" in Tax treaties (关于税收协议中“受益所有人”有关问题的公告) promulgated by the State Administration of Taxation on 3 February 2018 and effective from 1 April 2018, a comprehensive analysis shall be conducted to determine the "beneficial owner" under the Double Tax Avoidance Arrangement, taking into account actual conditions of the specific cases, and if:

- (a) the applicant is obligated to pay 50.0% or more of the income to a resident of a third country (region) within 12 months from receiving the income;
- (b) the business activities undertaken by the applicant do not constitute substantive business activities;
- (c) the treaty counterparty country (region) does not levy tax on the relevant income or exempts tax on the relevant income, or levies tax but the actual tax rate is very low;
- (d) in addition to the loan contract for which interests are derived and paid, there is/are other loan or deposit contract(s) between the creditor and the third party where the amount, interest rate and date of execution etc. are similar; and

GENERAL INFORMATION ON OUR GROUP

- (e) in addition to the transfer contract of rights such as copyright, patent or technology for which the royalties are derived and paid, there is/are other transfer contract(s) of rights or ownership, such as in relation to copyright, patent and technology between the applicant and a third party;

such factors will be unfavourable for applicants to be recognised as the “beneficial owner” to enjoy the abovementioned reduced income tax rate of 5.0% under the Arrangement.

Value-added Tax and Business Tax

The Provisional Regulations of the People’s Republic of China on Value-added Tax (中华人民共和国增值税暂行条例) were promulgated by the State Council on 13 December 1993 and came into effect on 1 January 1994 which were subsequently amended on 10 November 2008 and came into effect on 1 January 2009 and subsequently amended on 6 February 2016 and 19 November 2017. The detailed rules for the Implementation of the Provisional Regulations of the People’s Republic of China on Value-added Tax (Revised in 2011) (中华人民共和国增值税暂行条例实施细则(2011修订)) (collectively, the “**VAT Law**”) were promulgated by the MOF and SAT on 15 December 2008, amended on 28 October 2011 and came into effect on 1 November 2011. According to the VAT Law, all enterprises and individuals engaged in the sales of goods, the provision of processing, repair and replacement services, and the importation of goods within the territory of mainland China must pay value-added tax. For general VAT taxpayers selling or importing goods other than those specifically listed in the VAT Law, the value-added tax rate is 17%. On 4 April 2018, the MOF and SAT promulgated the Notice on Adjusting Value-added Tax Rates (关于调整增值税税率的通知), which reduced the tax rates for sale, import, and export of goods. On 23 March 2016, the MOF and SAT jointly issued the Circular on Full Implementation of Business Tax to Value-added Tax Reform (关于全面推开营业税改征增值税试点的通知) which has been partially repealed on 1 July 2017, 1 January 2018, and 1 April 2019, confirming that business tax would be completely replaced by VAT from 1 May 2016.

Announcement of the State Administration of Taxation on Promulgating the Administrative Measures for the Exemption of Value-added Tax on Cross-border Taxable Activities under the Collection of Value-added Tax in Lieu of Business Tax (for Trial Implementation) (国家税务总局关于发布<营业税改征增值税跨境应税行为增值税免税管理办法(试行)>的公告), which was promulgated on 6 May 2016 and amended on 15 June 2018 by SAT, provides that if a domestic enterprise provides cross-border taxable services such as construction services, telecommunication services etc., the above mentioned cross-border taxable services shall be exempt from the value-added tax.

Environmental Protection Tax

According to the Environmental Protection Tax Law of the PRC (中华人民共和国环境保护税法) (the “**EPT Law**”) promulgated on 25 December 2016, last revised on 26 October 2018 and which became effective on the same day, enterprises discharge taxable pollutants such as air pollutants, water pollutants, solid waste and noise shall file and pay environmental protection tax to the authorities on a quarterly basis from 1 January 2018 based on the List of Items and Amounts of Environmental Protection Tax (环境保护税税目税额表) and the List of Taxable Pollutant and Relevant Equivalent under the Environmental Protection Law (应税污染物和当量值表). The environmental protection tax will be collected and managed by tax authorities in accordance with the Law of the PRC on the Administration of Tax Collection (中华人民共和国税收征收管理法) and the EPT Law, and the environmental protection tax shall be collected instead of the pollutant discharge fees after the EPT Law takes effect.

GENERAL INFORMATION ON OUR GROUP

HONG KONG

Dividends

No tax is imposed in Hong Kong in respect of dividends our Hong Kong subsidiaries pay to their shareholders. There is no withholding tax on dividends paid by our Hong Kong subsidiaries, as Hong Kong does not impose withholding taxes on dividend payments.

Profits Tax

Hong Kong profits tax is chargeable in respect of profits arising in or derived from Hong Kong from a trade, profession or business. The prevailing profits tax rate is 16.5%.

Gains from the sale of assets acquired and held for trading purposes are taxable in Hong Kong. Gains from the sale of capital assets are not subject to Hong Kong profits tax. Whether the gain from the sale by a Singapore company of the shares it holds in the Hong Kong subsidiary is capital or revenue in nature is a question of fact.

Stamp Duty

Hong Kong stamp duty will be payable by the purchaser on every purchase, and by the seller on every sale, of shares registered on the Hong Kong register of members. The duty is charged at the ad valorem rate of 0.13% of the consideration for, or (if greater) the market value of, the shares transferred on each of the seller and purchaser. In other words, a total stamp duty of 0.26% is currently payable on a typical sale and purchase transaction of shares. In addition, any instrument of transfer (if required) will be subject to a flat rate of stamp duty of HKD5.00. Where a sale or purchase of shares registered on the Hong Kong register of members is effected by a person who is not resident in Hong Kong and any stamp duty payable on the contract note is not paid, the relevant instrument of transfer (if any) shall be chargeable with such duty, together with the duty otherwise chargeable thereon and the transferee shall be liable to pay such duty.

CAYMAN ISLANDS

Taxation

Pursuant to Section 6 of the Tax Concessions Law (Revised) of the Cayman Islands, our Company has obtained an undertaking: (a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to our Company or its operations; and (b) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of our Company. The undertaking for our Company is for a period of 20 years from 21 July 2021.

The Cayman Islands currently levy no taxes on exempted companies 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 our 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 taxation arrangement entered into with the United Kingdom but otherwise is not party to any double tax treaties.

GENERAL INFORMATION ON OUR GROUP

Stamp Duty

No stamp duty is currently payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

COMPLIANCE SUPERVISION

In view of the relevant laws and regulations which our Group is subject to as well as non-compliances by our Group mentioned in the sections entitled “Risk Factors – Risks Relating to our Business and Industry – Our Group may not have valid titles or rights to use certain properties and the required permits for construction, development and carrying out of our business operations on certain properties occupied by us”, “Risk Factors – Risks Relating to our Business and Industry – We may be subject to penalties in respect of certain corporate secretarial irregularities by our Hong Kong subsidiaries”, “Risk Factors – Risks Relating to the PRC – We are subject to labour laws and regulations in the PRC”, “General Information on our Group – Material Properties and Fixed Assets” and “General Information on our Group – Material Licences, Permits, Registrations And Approvals” of this Offer Document, going forward, our Group has implemented the following measures in order to ensure compliance with applicable laws as well as to monitor and to the extent possible prevent further recurrence of non-compliances with applicable laws:

- (a) for existing properties with issues of non-compliance, our Group will have in place comprehensive contingency plans in respect of such properties. In particular, our Group has a group-level Administration Department headed by our Group’s Head of Administration who oversees our Group’s regulatory and compliance matters and who will regularly assess the risks arising from the defects and update the list, including any corresponding measures and plans,
- (b) our Group has adopted appropriate internal control measures which had been included in the Group’s current internal audit plans (to be reviewed annually by our Group’s Head of Administration, who currently reports to our Executive Director and CFO, Mr. Michael Cheung, and our Audit and Risk Committee) to ensure that, for future leased properties, our Group will review more prudently the relevant premises, particularly its nature and designated usage, and seek advice where necessary from legal counsel and internal control experts, before procuring the lease for the new premises, particularly at the planning stage. Our Group will also evaluate property defects issues as part of its standard procedures when procuring or leasing properties. For each prospective property that has any title defects, such as land with designated usage that may not be used to operate an automobile dealership or showroom under PRC laws, our Group will aim to procure or lease that property only if: (i) our Group has obtained confirmation letters from the competent authorities confirming that they will not impose penalties on our Group or confiscate the relevant properties; (ii) our Group can ensure that it will secure all relevant business licenses in order to operate the intended business; and/or (iii) our Group can procure that agreements with the relevant landlord will provide for our Group to have effective recourse against the landlord and other relevant parties in the event that penalties are imposed on our Group for carrying out commercial operations on the land. It is noted that such measures would also be effective in minimising any impact to our Group in the event that any non-compliance is subsequently discovered despite our Group’s best efforts to prevent such occurrence;
- (c) our Group’s Head of Administration, together with our Group’s Head of Human Resources, will regularly monitor and oversee the compliance of our PRC subsidiaries with the relevant labour regulations, including compliance with social insurance and housing provident fund payments through internal control measures such as ensuring the proper application of its

GENERAL INFORMATION ON OUR GROUP

existing human resources policies, keeping up-to-date with the relevant regulations, regularly compile report on the Group's overall compliance status at the subsidiary level which are reported to the Board and our Executive Director and CFO, Mr. Michael Cheung, for any timely action and seeking advice where necessary from legal counsel. Such internal control measures have been reviewed by our internal auditors;

- (d) our Group has also adopted appropriate internal control measures (to be reviewed annually by our Group's Head of Administration, who currently reports to our Executive Director and CFO, Mr. Michael Cheung, and our Audit and Risk Committee) to ensure that applicable PRC regulations and/or registration requirements (as applicable) are complied with in connection with the following actions or before any of the following actions are carried out:
 - (i) any capital contributions or loans that our Company, as an offshore entity, makes to our PRC subsidiaries that are foreign-invested enterprises;
 - (ii) foreign exchange transactions under the current account conducted by us, including the payment of dividends; and
 - (iii) implementation of employee share ownership plans or share option plans, or when options or awards (as the case may be) are granted;
- (e) as part of our annual internal audit plan, our Group will also review our financial reporting system to ensure that it remains effective and sufficient; and
- (f) our Board will also meet on a regular basis to review and provide guidance to our Group on various matters including compliance with regulatory requirements relating to various matters, including but not limited to compliance with designated use of properties owned and leased, compliance with corporate secretarial matters, and compliance with social insurance and housing provident fund contributions. Further, our Group's Executive Director and CFO, Mr. Michael Cheung, and our Group's Head of Administration, working with the Administration Department, will have the role of reviewing compliance by our Group with applicable regulatory requirements. Our Group will also seek advice from professional parties including our internal and external auditors, legal counsels and our continuing sponsor.

INTERESTED PERSON TRANSACTIONS

For purposes of this section, the following definitions will apply:

“our Group” means:

- (a) our Company;
- (b) a subsidiary of our Company that is not listed on the SGX-ST or any approved exchange; or
- (c) an associated company of our Company that is not listed on the SGX-ST or any approved exchange and which our Group and our interested person(s) have control.

“approved exchange” means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles in Chapter 9 of the Catalist Rules.

“interested person” means:

- (a) a director, chief executive officer, or controlling shareholder of our Company; or
- (b) an associate of any such director, chief executive officer, or controlling shareholder.

Certain terms such as “associate”, “control”, “controlling shareholder”, and “interested person” used in this section have the meanings as provided in the Catalist Rules and in the SFR, unless the context specifically requires the application of the definitions in one or the other as the case may be.

In general, transactions between our Group and any of our interested persons would constitute interested person transactions for the purposes of Chapter 9 of the Catalist Rules.

Details of the present and ongoing transactions as well as past transactions between our Group and our interested persons for the Period Under Review and for the period from 1 January 2021 to the Latest Practicable Date (“**Relevant Period**”) which are material in the context of the Invitation are set out below. Save as disclosed in this section and the sections entitled “Reorganisation Exercise” and “Share Capital” of this Offer Document, there are no material interested person transactions during the Relevant Period.

Investors, upon subscription of the Invitation Shares, are deemed to have specifically approved the interested person transactions described in this Offer Document and as such these transactions are not subject to Rules 905 and 906 of the Catalist Rules to the extent that there are no subsequent changes to the terms of the agreements in relation to each of these transactions.

In line with the rules set out in Chapter 9 of the Catalist Rules, a transaction which value is less than S\$100,000 is not considered material in the context of the Invitation and is not taken into account for the purposes of aggregation in this section.

INTERESTED PERSON TRANSACTIONS

Interested Persons

The following is a list of the interested persons referred to in this section and with whom our Group has entered into past interested person transactions and present and ongoing interested person transactions with:

Focus Win Group Limited	:	A subsidiary of our Controlling Shareholder, TCA International
Focus Win Holdings (Hong Kong) Company Limited	:	A subsidiary of our Controlling Shareholder, TCA International
Mr. Francis Tjia	:	Our Executive Director, Executive Chairman and CEO
Mr. Michael Cheung	:	Our Executive Director and CFO
Ms. Jing Deng	:	Spouse of Mr. Francis Tjia
Minsheng Dongdu Automobile Trading Shenzhen Co., Ltd. (民生东都汽车贸易深圳有限公司) (“MSDD”)	:	An indirect subsidiary of our Controlling Shareholder, TCA International
TCA International Limited (“TCA International”)	:	A Controlling Shareholder of our Company

PAST INTERESTED PERSON TRANSACTIONS

Details of the past transactions between our Group and interested persons which are material in the context of the Invitation for the Relevant Period are as follows:

(a) Issuance of Shares

As was mentioned in the sections entitled “Share Capital” and “General Information – Material Background Information – Share Capital” of this Offer Document:

- (i) On 2 April 2019, Mr. Michael Cheung, our Executive Director and CFO, was issued 96,541 ordinary shares of par value US\$1.00 each in the capital of our Company for a subscription amount of US\$115,000. Our Directors are of the view that the transaction was undertaken on an arm’s length basis and on normal commercial terms as the terms of the subscription by Mr. Michael Cheung was on the same terms as those of the other investor who had subscribed for ordinary shares of the Company at that time, and accordingly it was not prejudicial to the interests of our Group or our minority shareholders.

INTERESTED PERSON TRANSACTIONS

- (ii) On 26 August 2020, Mr. Michael Cheung subscribed for 233,275 ordinary shares of par value US\$1.00 each in the capital of our Company for a subscription amount of US\$250,000. Our Directors are of the view that the transaction was undertaken on an arm's length basis and on normal commercial terms as the terms of the subscription by Mr. Michael Cheung was on the same terms as those of the other investors who had subscribed for ordinary shares of the Company at that time, and accordingly it was not prejudicial to the interests of our Group or our minority shareholders.
- (iii) On 10 September 2020, pursuant to historical share grants by the Group in connection with his employment by our Company, Mr. Michael Cheung was issued two (2) tranches of shares, being 1,269,852 ordinary shares of par value US\$1.00 each in the capital of our Company and 459,232 ordinary shares of par value US\$1.00 each in the capital of our Company which were issued for a consideration of US\$1,657,401.43 and US\$599,386.21 respectively from a capitalisation of our Company's share based compensation reserves. Mr. Michael Cheung paid a nominal amount of US\$1.00 for such shares.

Our Directors are of the view that while such share issuance was not provided on an arm's length basis and was not on normal commercial terms, it was not prejudicial to the interests of our Group or our minority shareholders given that it was part of share-based compensation measures intended to reward key employees.

(b) Issuance and redemption of Convertible Notes

During the Relevant Period, our Company had issued convertible notes which were either issued to or subsequently transferred to interested persons of our Group, the details of which are set out below:

- (i) On 30 March 2017, our Company had issued convertible notes of a principal amount of US\$100,000 with a maturity of two (2) years and bearing interest at a rate of 7.5% per annum to Mr. Michael Cheung, our Executive Director and CFO. On 30 March 2019, these convertible notes were fully redeemed by our Company for a sum of US\$115,000, and on 2 April 2019, Mr. Michael Cheung re-invested the full redemption amount of US\$115,000 into our Company by subscribing for 96,541 ordinary shares of par value US\$1.00 each in the capital of our Company at a subscription price of US\$1.1912 per share, as referred to above in paragraph (i) of the section entitled "Interested Person Transactions – Past Interested Person Transactions – (a) Issuance of Shares".
- (ii) On 30 March 2017, our Company issued convertible notes to two (2) unrelated noteholders, each of which were of a principal amount of US\$100,000 with a maturity of two (2) years and bearing interest at a rate of 7.5% per annum. The convertible notes issued to both noteholders matured on 30 March 2019 and both noteholders had elected to re-invest their investment amounts (after receiving their interest on the original convertible notes) by subscribing for new convertible notes of our Company, which were issued on 30 March 2019 and bore interest at a rate of 10% per annum. The new convertible notes issued to both noteholders were subsequently acquired by and transferred to our Controlling Shareholder, TCA International, on 24 March 2020 and 26 March 2020 respectively, and were fully redeemed by our Company for a total amount of US\$224,931.51 on 23 June 2020.

INTERESTED PERSON TRANSACTIONS

The convertible notes issued to Mr. Michael Cheung and acquired by TCA International were issued and redeemed on the same terms as those issued to other investors at that time. As at the Latest Practicable Date, the convertible notes have been fully redeemed. On the basis of the foregoing, our Directors are of the view that these convertible notes were issued and redeemed on an arm's length basis and on normal commercial terms and were therefore not prejudicial to the interests of our Group or our minority shareholders.

(c) Payments on behalf of MSDD

We have in the past made payments on behalf of MSDD, an indirect subsidiary of our Controlling Shareholder, TCA International, and therefore an interested person of our Group. MSDD was also the former parent company of several PRC subsidiaries of our Group including Foshan Shenbao Automobile and Guangzhou Changbao Automobile. Both these entities were subsequently transferred to our Group in September 2016. MSDD was the enlarged group's purchasing entity where it acts as an intermediary in assisting to place orders for and on behalf of the Group. While MSDD remained the then enlarged group's purchasing entity until 2017, its function has been slowly phased out over the last few years and has since been deregistered.

MSDD's former function as a purchasing entity has resulted in there being net receivables from MSDD to our Group, being amounts accumulated from: (i) sales of goods by our Group to MSDD; (ii) purchases of goods by our Group from MSDD; and (iii) receivables from MSDD due to our Group making payment on behalf of MSDD for purchases made by MSDD (which were for the then enlarged group).

The outstanding amounts due to our Group as at 31 December 2018, 2019 and 2020, 31 March 2021 and as at the Latest Practicable Date, and the largest amount outstanding during the past three (3) financial years and up to the Latest Practicable Date are as follows:

As at 31 December 2018 (RMB'000)	As at 31 December 2019 (RMB'000)	As at 31 December 2020 (RMB'000)	As at 31 March 2021 (RMB'000)	As at the Latest Practicable Date (RMB'000)	Largest Amount Outstanding from MSDD (RMB'000)
15,314	17,766	20,454	24,925	—	33,049

Note:

- (1) As at 31 December 2018, there was a net owing from our Company to our Controlling Shareholder, TCA International, of an amount of approximately RMB223,407,000 ("**TCAH Owing**") which arose from the Share Repurchase exercise effected by our Company in 2017 and set-off against certain owings by TCA International to our Group which were outstanding prior to FY2018. As at the Latest Practicable Date, the TCAH Owing amounts to approximately RMB96,221,000 as a result of repayment by our Group of approximately RMB115,646,000 during the Period Under Review and set off against the outstanding owing from MSDD to the Company of approximately RMB11,540,000 ("**MSDD Owing**") by way of a set-off arrangement between the parties effected on 14 July 2021 wherein our Company had waived in full the MSDD Owing of approximately RMB11,540,000 and TCA International had waived in part approximately RMB11,540,000 out of the TCAH Owing. Further details are set out in the section entitled "Interested Person Transactions – Present and On-going Interested Person Transactions – (a) Owing to Interested Person".

As the receivable amounts from MSDD were unsecured, repayable on demand and interest-free, they were therefore not provided on an arm's length basis and were not on normal commercial terms, but are not prejudicial to the interests of our Group or our minority shareholders given that, amongst others, the payments made on behalf of MSDD were pass through amounts and there were no additional charges on such payments.

INTERESTED PERSON TRANSACTIONS

(d) Payments on behalf of Focus Win Holdings (Hong Kong) Company Limited

We have in the past made payments on behalf of Focus Win Holdings (Hong Kong) Company Limited, a subsidiary of our Controlling Shareholder, TCA International, and therefore an interested person of our Group in respect of the salaries of employees within the then enlarged group, resulting in receivables owing from Focus Win Holdings (Hong Kong) Company Limited to our Group.

The outstanding amounts due from Focus Win Holdings (Hong Kong) Company Limited as at 31 December 2018, 2019 and 2020, 31 March 2021 and as at the Latest Practicable Date, and the largest amount outstanding during the past three (3) financial years and up to the Latest Practicable Date are as follows:

As at 31 December 2018 (RMB'000)	As at 31 December 2019 (RMB'000)	As at 31 December 2020 (RMB'000)	As at 31 March 2021 (RMB'000)	As at the Latest Practicable Date (RMB'000)	Largest Amount Outstanding from Focus Win (HK) Limited (RMB'000)
19,234	–	–	–	–	68,662

As the receivable amounts from Focus Win Holdings (Hong Kong) Company Limited were unsecured, repayable on demand and interest-free, they were therefore not provided on an arm's length basis and were not on normal commercial terms, but are not prejudicial to the interests of our Group or our minority shareholders given that, amongst others, the payments made on behalf of Focus Win Holdings (Hong Kong) Company Limited were pass through amounts and there was no additional charges on such payment of salaries.

INTERESTED PERSON TRANSACTIONS

(e) Provision of Personal and Corporate Guarantees by Interested Persons

Mr. Francis Tjia, our Executive Director, Executive Chairman and CEO, and our Controlling Shareholder, TCA International, who are interested persons, had previously provided personal and corporate guarantees in respect of the following credit line facilities granted to our Group:

Lender/Financial Institution	Borrower(s)	Guarantors	Amount of Facility/Amount Guaranteed	Amount outstanding as at the Latest Practicable Date (RMB'000)	Largest outstanding amount guaranteed for the Period Under Review (RMB'000)	Type of Facility	Date of Facility Drawn	Maturity Profile	Interest Rate
GF Capital (Hong Kong) Limited as arranger and agent, GF Investments (Hong Kong) Company Limited as original lender	(1) Trans-China Automotive Holdings Limited	TCA International	HKD140,001,493 (Equivalent of RMB120,000,000)	–	HKD70,003,000 (Equivalent of RMB60,000,000)	Credit Facility	3 October 2016 to 31 October 2018	24 months	9%
	(2) TCAH (BVI) Limited								
	(3) TCA Foshan (BVI) Limited								
	(4) TCA Shenzhen (BVI) Limited								
	(5) TCA Guangzhou (BVI) Limited								
	(6) TCA Chongqing (BVI) Limited								
	(7) MARINE PEARL LIMITED								
	(8) LANDWEALTH HOLDINGS LIMITED								
	(9) Focus Win (Foshan) Limited								
	(10) Focus Win (Shenzhen) Limited								
	(11) Focus Win (Guangzhou) Limited								
	(12) Focus Win (Chongqing) Limited								
	(13) Global Gallant Limited								
	(14) Power Summit Corporation Limited								

INTERESTED PERSON TRANSACTIONS

Lender/Financial Institution	Borrower(s)	Guarantors	Amount of Facility/Amount Guaranteed	Amount outstanding as at the Latest Practicable Date (RMB'000)	Largest outstanding amount guaranteed for the Period Under Review (RMB'000)	Type of Facility	Date of Facility Drawn	Maturity Profile	Interest Rate
Artesia Global Limited as lender and Madison Pacific Trust Limited as security agent	Trans-China Automotive Holdings Limited	Mr. Francis Tjia	US\$38,000,000	–	US\$38,000,000 (Equivalent of RMB259,034,600)	Credit Facility	11 July 2018 to 15 January 2022	42 months	10.0% per annum
BMW Automotive Finance (China) Co., Ltd.	Foshan Shenbao Automobile	Mr. Francis Tjia	RMB130,000,000	–	RMB114,637	General Credit Facility	23 April 2020 to 23 April 2021	12 months	8.5% per annum
	Shenzhen Chuangfengbao Automobile	Mr. Francis Tjia	RMB80,000,000	–	RMB75,482	General Credit Facility	23 April 2020 to 23 April 2021	12 months	8.5% per annum
	Guangzhou Changbao Automobile	Mr. Francis Tjia	RMB70,000,000	–	RMB60,959	General Credit Facility	23 April 2020 to 23 April 2021	12 months	8.5% per annum
	Chongqing Qingdebao Automobile	Mr. Francis Tjia	RMB53,000,000	–	RMB46,412	General Credit Facility	23 April 2020 to 23 April 2021	12 months	8.5% per annum
Bank of China Limited, Shenzhen Longgang Branch	Shenzhen Chuangfengbao Automobile	Mr. Francis Tjia and Ms. Jing Deng	RMB50,000,000	–	RMB30,000	General Credit Facility	16 June 2020 to 15 June 2021	12 months	Not specified

INTERESTED PERSON TRANSACTIONS

As at the Latest Practicable Date, the abovementioned facilities have been fully repaid and the aforementioned personal and corporate guarantees have been fully released.

Neither Mr. Francis Tjia nor TCA International received any compensation, fees or other benefits for the provision of the personal and corporate guarantees. Accordingly, our Directors are of the view that the guarantees were not provided on an arm's length basis and were not on normal commercial terms but were not prejudicial to the interests of our Group or our minority Shareholders.

PRESENT AND ON-GOING INTERESTED PERSON TRANSACTIONS

(a) Owing to Interested Person

In 2017, our Company and our Controlling Shareholder, TCA International, had entered into a share repurchase agreement to effect the repurchase by our Company of one (1) ordinary share of par value US\$1.00 in the capital of the Company from TCA International at a repurchase price of RMB475,000,000. The repurchase price was set-off against certain owings by TCA International to our Group of approximately RMB251,593,000 which were outstanding prior to FY2018 and arose mainly due to advances extended by our Group to TCA International for the repayment of loans and development of dealerships and payment on behalf of its indirect subsidiaries in respect of salaries of employees and purchases which resulted in a net owing from our Company to TCA International of an amount of approximately RMB223,407,000 as at 31 December 2018 ("**TCAH Owing**").

As mentioned in the section entitled "Interested Person Transactions – Past Interested Person Transactions – (c) Payments on behalf of Interested Person", as at the Latest Practicable Date, the TCAH Owing amounts to approximately RMB96,221,000 as a result of as a result of repayment by our Group of approximately RMB115,646,000 during the Period Under Review and by way of a set-off arrangement effected on 14 July 2021 wherein our Company had waived in full the MSDD Owing of approximately RMB11,540,000 and TCA International had waived in part approximately RMB11,540,000 out of the TCAH Owing.

The outstanding amounts under the TCAH Owing as at 31 December 2018, 2019 and 2020, 31 March 2021 and as at the Latest Practicable Date, and the largest amount outstanding under during the past three (3) financial years and up to the Latest Practicable Date are as follows:

Interested Person	As at 31 December 2018 (RMB'000)	As at 31 December 2019 (RMB'000)	As at 31 December 2020 (RMB'000)	As at 31 March 2021 (RMB'000)	As at the Latest Practicable Date (RMB'000)	Largest Amount Outstanding to Interested Person (RMB'000)
TCA International	223,407	189,836	133,937	122,944	96,221	497,315

As the advances extended by each of the interested persons were unsecured and interest-free, they were not provided on an arm's length basis and were not on normal commercial terms.

INTERESTED PERSON TRANSACTIONS

However, our Group intends to repay approximately RMB41,221,000 of the amount owing, representing 42.8% of the total amount owing as at the Latest Practicable Date, prior to 31 December 2022. The repayment of the remaining RMB55,000,000 will be deferred to after 31 December 2022. The repayment will be made out of the future operating cashflows of our Group, taking into consideration, *inter alia*, the purchasing plans and working capital requirements of our Group and the repayment requirements of existing banking and/or credit facilities of our Group. Further, such repayment to TCA International will be subordinated to other primary operating costs of our Group including the payment of any potential fines and penalties in the unlikely event that our Group is imposed with such potential fines and penalties in respect of the various non-compliance faced by our Group. On the basis of the foregoing and taking into consideration that the TCAH Owing is interest-free (as compared to external financing), our Directors are of the view that the TCAH Owing is not prejudicial to the interests of our Group or minority Shareholders. The repayment of such amounts owing to TCA International will also be subject to the review of our Audit and Risk Committee.

INTERESTED PERSON TRANSACTIONS

(b) Provision of Personal Guarantees by Interested Persons

Mr. Francis Tjia, our Executive Director, Executive Chairman and CEO and his wife Ms. Jing Deng, who are interested persons, had provided personal joint and several guarantees in respect of the following credit line facilities granted to our Group as at the Latest Practicable Date:

Lender/ Financial Institution	Borrower	Guarantors	Amount of Facility/Amount Guaranteed	Amount outstanding as at the Latest Practicable Date (RMB'000)	Largest outstanding amount guaranteed for the Period Under Review and up to the Latest Practicable Date (RMB'000)	Type of Facility	Date of Facility Drawn	Maturity Profile	Interest Rate
BMW Automotive Finance (China) Co., Ltd.	Foshan Shenbao Automobile	Mr. Francis Tjia	RMB152,600,000	RMB30,337	RMB114,340	General Credit Facility	23 February 2021 to 23 February 2022	12 months	8.5% per annum
	Shenzhen Chuangfengbao Automobile	Mr. Francis Tjia	RMB92,500,000	RMB14,600	RMB73,661	General Credit Facility	23 February 2021 to 23 February 2022	12 months	8.5% per annum
	Guangzhou Changbao Automobile	Mr. Francis Tjia	RMB81,600,000	RMB20,822	RMB71,431	General Credit Facility	23 February 2021 to 23 February 2022	12 months	8.5% per annum
	Chongqing Qingdebao Automobile	Mr. Francis Tjia	RMB70,000,000	RMB11,994	RMB46,412	General Credit Facility	23 February 2021 to 23 February 2022	12 months	8.5% per annum
China Minsheng Banking Co., Ltd.	Foshan Shenbao Automobile	Mr. Francis Tjia and Ms. Jing Deng	RMB60,000,000	RMB12,158	RMB16,442	General Credit Facility	20 December 2020 to 19 December 2021	12 months	2-3% per annum
	Shenzhen Chuangfengbao Automobile	Mr. Francis Tjia and Ms. Jing Deng	RMB60,000,000	-	RMB21,477	General Credit Facility	20 December 2020 to 19 December 2021	12 months	1.37-2.07% per annum

INTERESTED PERSON TRANSACTIONS

Lender/ Financial Institution	Borrower	Guarantors	Amount of Facility/Amount Guaranteed	Amount outstanding as at the Latest Practicable Date (RMB'000)	Largest outstanding amount guaranteed for the Period Under Review and up to the Latest Practicable Date (RMB'000)	Type of Facility	Date of Facility Drawn	Maturity Profile	Interest Rate
Industrial and Commercial Bank of China Limited	Foshan Shenbao Automobile	Mr. Francis Tjia	RMB10,000,000	RMB10,000	RMB10,000	Working capital loan	9 November 2020 to 9 November 2021	12 months	3.85% per annum
China Construction Bank Corporation	Foshan Shenbao Automobile	Mr. Francis Tjia	RMB20,000,000	RMB20,000	RMB20,000	Working capital loan	22 December 2020 to 21 December 2021	12 months	4.35% per annum

INTERESTED PERSON TRANSACTIONS

Lender/ Financial Institution	Borrower	Guarantors	Amount of Facility/Amount Guaranteed	Amount outstanding as at the Latest Practicable Date (RMB'000)	Largest outstanding amount guaranteed for the Period Under Review and up to the Latest Practicable Date (RMB'000)	Type of Facility	Date of Facility Drawn	Maturity Profile	Interest Rate
China Everbright Bank Co., Ltd.	Foshan Shenbao Automobile	Mr. Francis Tjia and Mr. Raymond Woo	RMB60,000,000	RMB45,000	RMB45,000	General Credit Facility	10 December 2020 to 9 December 2021	12 months	5.00% per annum
				RMB15,000	RMB15,000	General Credit Facility	9 September 2021 to 8 June 2022	9 months	5.8% per annum
	Shenzhen Chuangfengbao Automobile	Mr. Francis Tjia and Mr. Raymond Woo	RMB60,000,000	RMB55,000	RMB55,000	General Credit Facility	10 December 2020 to 9 December 2021	12 months	5.00% per annum
				RMB5,000	RMB5,000	General Credit Facility	9 September 2021 to 8 June 2022	9 months	5.8% per annum
	Guangzhou Changbao Automobile	Mr. Francis Tjia and Mr. Raymond Woo	RMB30,000,000	RMB23,000	RMB23,000	General Credit Facility	10 December 2020 to 9 December 2021	12 months	5.00% per annum
				RMB7,000	RMB7,000	General Credit Facility	9 September 2021 to 8 June 2022	9 months	5.8% per annum
	Chongqing Qingdebao Automobile	Mr. Francis Tjia and Mr. Raymond Woo	RMB30,000,000	RMB23,000	RMB23,000	General Credit Facility	10 December 2020 to 9 December 2021	12 months	5.00% per annum
				RMB7,000	RMB7,000	General Credit Facility	9 September 2021 to 8 June 2022	9 months	5.8% per annum

INTERESTED PERSON TRANSACTIONS

Lender/ Financial Institution	Borrower	Guarantors	Amount of Facility/Amount Guaranteed	Amount outstanding as at the Latest Practicable Date (RMB'000)	Largest outstanding amount guaranteed for the Period Under Review and up to the Latest Practicable Date (RMB'000)	Type of Facility	Date of Facility Drawn	Maturity Profile	Interest Rate
Ping An International Financial Leasing Co., Ltd.	Foshan Shenbao Automobile	Mr. Francis Tjia	RMB6,000,000	RMB2,694	RMB6,000	Sale- leaseback agreement	17 November 2020 to 17 March 2022	16 months	6.90% per annum
	Shenzhen Chuangfengbao Automobile	Mr. Francis Tjia	RMB4,500,000	RMB2,019	RMB4,500	Sale- leaseback agreement	17 November 2020 to 17 March 2022	16 months	6.90% per annum
	Guangzhou Changbao Automobile	Mr. Francis Tjia	RMB6,000,000	RMB2,692	RMB6,000	Sale- leaseback agreement	17 November 2020 to 17 March 2022	16 months	6.90% per annum
Ping An International Financial Leasing (Tianjing) Co., Ltd.	Foshan Shenbao Automobile	Mr. Francis Tjia	RMB5,500,000	RMB2,470	RMB5,500	Working capital loan	17 November 2020 to 17 March 2022	2 years	7.18% per annum
China CITIC Bank	Chongqing Qingdebao Automobile	Mr. Francis Tjia	RMB60,000,000	RMB44,599	RMB52,760	Banker's acceptance	12 October 2020 to 28 August 2021	10.5 months	2-3%
Bank of China Limited, Shenzhen Longgang Branch	Shenzhen Chuangfengbao Automobile	Mr. Francis Tjia and Ms. Jing Deng	RMB50,000,000	RMB30,000	RMB30,000	General Credit Facility	15 June 2021 to 2 June 2022	11.5 months	6.09%

INTERESTED PERSON TRANSACTIONS

As no consideration was paid by our Group to procure the present and ongoing personal guarantees provided by Mr. Francis Tjia and Ms. Jing Deng, the personal guarantees are not provided on an arm's length basis and are not on normal commercial terms. However, as these guarantees are to secure the obligations of our Group, our Directors are of the view that they are not prejudicial to the interests of our Group or our minority Shareholders.

Following the Listing, our Group will endeavour to reduce reliance on these personal guarantees and to eventually procure the discharge of the above guarantees by Mr. Francis Tjia and Ms. Jing Deng, and for such guarantees to be replaced with a corporate guarantee by our Group. Our Directors do not expect any material change in the terms and conditions of the respective banking facilities if the guarantees are discharged.

In the event that the relevant banks do not agree to the release and discharge of the above guarantees, each of the abovementioned interested persons have undertaken to continue to provide such guarantees for no consideration until such time when we are able to secure suitable alternative banking facilities at no less favourable terms from other financial institutions.

(c) Business Guarantees by Interested Person

Focus Win Group Limited is a subsidiary of our Controlling Shareholder, TCA International, and therefore an interested person of our Group. Focus Win Group Limited is a guarantor for the following McLaren dealership agreements ("**Guaranteed Dealership Agreements**") entered into by our Group with the McLaren Distributor:

- (i) the McLaren dealership agreement entered into by our subsidiary, Bright Promise Limited, in April 2018 in relation to the operations of our Guangzhou McLaren Showroom, which contributed approximately 1.3% and 0.4% of our Group's total revenue for FY2020 and 1Q2021 respectively and are not considered material contributions to our Group;
- (ii) the McLaren dealership agreement entered into by our subsidiary, Shenzhen Bright Focus Automobile, in 2017 in relation to the operations of our Shenzhen McLaren Showroom, which contributed approximately 2.6% and 0.8% of our Group's total revenue for FY2020 and 1Q2021 respectively and are not considered material contributions to our Group; and
- (iii) the McLaren dealership agreement entered into by our subsidiary, Changsha Bright Focus Automobile, in 2017 in relation to the operations of our Changsha McLaren Showroom, which contributed approximately 1.0% and 0.2% of our Group's total revenue for FY2020 and 1Q2021 respectively and are not considered material contributions to our Group.

Under each of the Guaranteed Dealership Agreements, Focus Win Group Limited has guaranteed the due and punctual discharge by our Group of its obligations and liabilities under the relevant Guaranteed Dealership Agreements, which operationally would mainly relate to the making of payments for purchase of McLaren automobile from the McLaren Distributor and any other liabilities owing to the McLaren Distributor under the terms of the Guaranteed Dealership Agreements as and when they may arise. Further details of the Guaranteed Dealership Agreements are set out in the section entitled "General Information on our Group – Our Group's Dealerships and Showrooms – Arrangements with our Distributors" of this Offer Document.

INTERESTED PERSON TRANSACTIONS

As no consideration was paid by our Group to procure the guarantees provided by Focus Win Group Limited, the guarantees were not provided on an arm's length basis and were not on normal commercial terms. However, as these guarantees were obtained so as to secure the obligations of our Group, our Directors are of the view that they were not prejudicial to the interests of our Group or our minority Shareholders.

Following the Listing, our Group will endeavour to reduce reliance on the business guarantees and to eventually procure the discontinuance of the business guarantees as part of the renewal of the Guaranteed Dealership Agreements, and (if required) for such guarantees to be replaced with guarantees by Yaohua Automobile Management or such entity under our Group instead. Our Directors do not expect any material change in the terms and conditions of the Guaranteed Dealership Agreements in the event that Focus Win Group Limited does not provide a guarantee under the renewed Guaranteed Dealership Agreements, on the basis that the Guaranteed Dealership Agreements contain relatively standard terms relating to the operations of the McLaren showrooms and do not contain any special terms by virtue of such agreements being guaranteed.

Save for the Guaranteed Dealership Agreements, none of our Group's other dealership agreements are guaranteed by any individual or entity.

Save as disclosed above and in the sections entitled "Reorganisation Exercise" and "Share Capital" of this Offer Document, there have been no transactions undertaken between our Group and any of our Directors, CEO, Controlling Shareholders or their respective associates for the Relevant Period.

Following the admission of our Company to the Catalist, while we have no immediate intention of entering into transactions similar to the aforesaid, in the event that we do enter into similar transactions with our interested persons, such transactions will be subject to the approval of our Audit and Risk Committee, and in compliance with Chapter 9 of the Listing Manual.

GUIDELINES AND REVIEW PROCEDURES FOR ONGOING AND FUTURE INTERESTED PERSON TRANSACTIONS

To ensure that future transactions with interested persons are undertaken on normal commercial terms, are not prejudicial to the interests of our Group and our minority Shareholders and are consistent with our Group's usual business practices and policies, which are generally no more favourable than those extended to unrelated third parties, the following procedures will be implemented by our Group.

In relation to any purchase of products or procurement of services from interested persons, quotes from at least two (2) unrelated third parties in respect of the same or substantially the same type of transactions will be used as comparison wherever possible. The purchase price, procurement price or fee for services shall not be higher than the most competitive price of the two (2) comparative prices from the two (2) unrelated third parties. The Audit and Risk Committee will review the comparables, taking into account, the suitability, quality and cost of the product or service, and the experience and expertise of the supplier.

In relation to any sale of products or provision of services to interested persons, the price and terms of two (2) other completed transactions of the same or substantially the same type of transactions to unrelated third parties are to be used as comparison wherever possible. The interested persons shall not be charged at rates lower than that charged to the unrelated third parties.

INTERESTED PERSON TRANSACTIONS

As at the Latest Practicable Date, there are no interested person transactions relating to our Group where products and/or services may only be purchased from an interested person or our Group rents premises to or from interested persons. Nonetheless:

- (a) in the event where products and/or services may only be purchased from an interested person and it is not practicable or appropriate to compare against the terms of other transactions or quotations with unrelated third parties or to obtain the price and terms of at least two (2) other transactions (as stipulated above), and in situations where the products may be procured only from an interested person, in determining whether the price and terms offered are fair and reasonable, the following pertinent factors (without limitation) will be taken into consideration (i) quantity and quality; (ii) delivery schedules; (iii) specification compliance; (iv) potential gross profit margins; (v) payment and credit terms; (vi) track record; (vii) historical purchase price paid by our Group for such products; and/or (viii) availability of preferential rates (whether for bulk purchases or otherwise); and
- (b) in the event where our Group rents premises to or from interested persons, our Group will only enter into leases or renew existing leases with interested persons if our Group is satisfied that the rent payable is in line with prevailing market rental rates for comparable spaces, taking into account factors such as tenure of the lease, area of leased premises, rentals of similar properties in the same vicinity (if available) and any other relevant factors that may affect rental rates or terms of the lease.

All interested person transactions above S\$100,000 are to be approved by a Director who shall not be an interested person in respect of the particular transaction. Any contracts to be made with an interested person shall not be approved unless the pricing is determined in accordance with our usual business practices and policies, consistent with the usual margin given or price received by us for the same or substantially similar type of transactions between us and unrelated parties and the terms are no more favourable than those extended to or received from unrelated parties.

For the purposes above, where applicable, contracts for the same or substantially similar type of transactions entered into between us and unrelated third parties will be used as a basis for comparison to determine whether the price and terms offered to or received from the interested person are no more favourable than those extended to unrelated parties. In the event that it is not possible to compare against the terms of other transactions with unrelated third parties, the matter will be referred to our Audit and Risk Committee and our Audit and Risk Committee will determine whether the relevant price, fees and terms are fair and reasonable, consistent with our Group's usual business practices and the usual margin given or price received for the same or substantially similar type of transactions to determine whether the transactions are entered into on normal commercial terms.

In addition, we shall monitor all interested person transactions entered into by us categorising the transactions as follows:

- (a) a "category one" interested person transaction is one where the value thereof is in excess of 3.0% of the NTA of our Group; and
- (b) a "category two" interested person transaction is one where the value thereof is below or equal to 3.0% of the NTA of our Group.

INTERESTED PERSON TRANSACTIONS

“Category one” interested person transactions must be reviewed and approved by our Audit and Risk Committee prior to entry to ensure that they are conducted on normal commercial terms and are not prejudicial to the interests of our Group and minority shareholders. “Category two” interested person transactions need not be approved by our Audit and Risk Committee prior to entry but must be approved by our CFO and shall be reviewed on a half-yearly basis by our Audit and Risk Committee to ensure that they are conducted on normal commercial terms and are not prejudicial to the interests of our Group and minority shareholders.

Before any agreement or arrangement with an interested person that is not in the ordinary course of business of our Group is transacted, prior approval must be obtained from our Audit and Risk Committee. In the event that a member of our Audit and Risk Committee is interested in any interested person transactions, he will abstain from reviewing that particular transaction. Any decision to proceed with such an agreement or arrangement would be recorded for review by our Audit and Risk Committee.

In addition to the guidelines and review procedures set out above, we will also implement the following additional guidelines and review procedures to ensure that all interested person transactions are undertaken on an arm’s length basis and on normal commercial terms:

- (a) a register will be maintained to record all interested person transactions carried out with interested persons (including the bases on which the interested person transactions are entered into, amount and nature, and any quotations obtained from unrelated third parties which support the amounts of products and/or services which are the subject of the transaction) by our Group’s finance team, which shall be reviewed by our CFO on a monthly basis; and
- (b) our Audit and Risk Committee shall review all internal audit reports at least on a quarterly basis to ensure that any interested person transactions are carried out on normal commercial terms and in accordance with the procedures outlined above. All relevant non-quantitative factors will also be taken into account. Such review includes the examination of the transaction and its supporting documents or such other data deemed necessary by our Audit and Risk Committee. Our Audit and Risk Committee shall, when it deems fit, request for any additional information pertaining to the transaction under review from independent sources, advisers or valuers, or require the appointment of internal auditors to provide additional review of the internal control procedures and review procedures and their implementation pertaining to interested person transactions under review. If, during any of such reviews, our Audit and Risk Committee is of the view that the internal control procedures and review procedures for interested person transactions have become inappropriate or insufficient in the event of changes to the nature of, or manner in which, the business activities of our Group or the interested person transactions are conducted, it will, in consultation with our Board, take such actions as it deems proper in respect of such procedures and guidelines and/or modify or implement such procedures and guidelines as may be necessary to ensure that the interested person transactions will be conducted on normal commercial terms and will not be prejudicial to the interests of our Group and our minority Shareholders, and where appropriate request for an opinion from an independent financial adviser on the matter. Such review will form part of our Group’s internal audit plan.

We will also comply with the provisions in Chapter 9 of the Catalist Rules in respect of all future interested person transactions, and if required under the Catalist Rules, the Companies Act or the SFA, we will seek independent Shareholders’ approval for such transactions and an independent financial adviser may be appointed for an opinion.

INTERESTED PERSON TRANSACTIONS

POTENTIAL CONFLICTS OF INTEREST

In general, a conflict of interest arises when any of our Directors, CEO, Controlling Shareholders or their associates is carrying on or has any interest in any other corporation carrying on the same business or dealing in similar products or services as our Group.

All our Directors have a duty to disclose their interests in respect of any transaction in which they have any personal material interest or any actual or potential conflicts of interest (including a conflict that arises from their directorship or employment or personal investment in any corporation). Upon such disclosure, such Directors will not participate in any proceedings of the Board and shall abstain from voting in respect of any such transaction where the conflict arises.

Mr. Francis Tjia is currently also a significant shareholder and Non-Executive Director of OpenRoad Auto Group Limited in Vancouver, Canada. OpenRoad Auto Group Limited and its subsidiaries (the “**OpenRoad Auto Group**” or **OpenRoad Auto Group Entities**”) are wholly-owned by Mr. Francis Tjia and his three (3) siblings. OpenRoad Auto Group is one (1) of Canada’s leading automotive retailers for new and pre-owned automobiles. It is based in Vancouver and represents approximately 20 leading automotive brands and operates approximately 30 dealership outlets in the Greater Vancouver area, the Greater Toronto area as well as in Seattle, Washington, USA.

Notwithstanding Mr. Francis Tjia’s shareholdings and relationship with OpenRoad Auto Group which may pose a potential conflict of interests, our Directors are of the view that such risk, if any, is addressed and/or mitigated by the following:

- (a) the markets in which OpenRoad Auto Group and our Group currently operate are segregated geographically. Our Group operates in the PRC, targeting consumers residing in rapidly developing cities and within the specific regions where our dealerships are located. Further, as highlighted under the section entitled “General Information on our Group – Business Strategies and Future Plans” of this Offer Document, our Group is currently contemplating expansion of its existing business to developing markets in Asia. In contrast, OpenRoad Auto Group operates in Canada and USA, targeting consumers within the North American market;
- (b) although part of the business of the OpenRoad Auto Group is similar to our dealership operations, the OpenRoad Auto Group has historically not been in competition with us as our customer base and the sectors/industries in which we serve are far less extensive than that of the OpenRoad Auto Group. BMW and McLaren are just two (2) of the brands currently represented by OpenRoad Auto Group. It should also be noted that there is no overlap between the target customer base of OpenRoad Auto Group, which operates in North America, and the target customer base of our Group, which operates in the PRC. Further, BMW is an international group with global operations, and to the best of our Group’s knowledge, the dealership establishment process for BMW operates independently in each jurisdiction through independent BMW entities, such that BMW dealerships in each jurisdictions are independently procured;
- (c) OpenRoad Auto Group and our Group are managed independently, each with its own management team and there are no overlaps between the management of both groups;

INTERESTED PERSON TRANSACTIONS

- (d) Mr Francis Tjia, our Executive Director, Executive Chairman and CEO, is under a fiduciary duty to our Company to act in our best interests. In the event that there is a conflict of interest in discharging his duties as a Director, Mr Francis Tjia is required to disclose the situations of conflict to our Board of Directors and is to abstain from voting on those matters. In addition, our Board includes three (3) independent Directors who are members of our Audit and Risk Committee and are responsible for ensuring that good corporate governance is practiced. Notwithstanding such duties owed by Mr Francis Tjia to our Company, he has in his Service Agreement undertaken during the period in which he remains as a director and employee of our Company that:
- (i) his commitment and responsibilities to our Group are not affected by his shareholdings and relationship with Open Road Auto Group;
 - (ii) he does not take up any position as a consultant, adviser, executive director (the foregoing being in executive in nature) or such other executive position in the OpenRoad Auto Group;
 - (iii) he will resign from his position as a non-executive director in respect of OpenRoad Auto Group Limited in the event that our Company in general meeting or our Board (as the case may be) has resolved to expand into the jurisdictions in which any of the relevant OpenRoad Auto Group Entities operates or OpenRoad Auto Group Limited has resolved to expand into the jurisdictions in which our Group operates; and
 - (iv) he will inform our Board in the event that his shareholding interest in OpenRoad Auto Group Limited increases above 30%;
- (e) our Audit and Risk Committee is required to examine the internal guidelines and procedures put in place by our Company to determine if such guidelines and procedures put in place are sufficient to ensure that interested person transactions and potential conflict are conducted on normal commercial terms and will not be prejudicial to our Group and our minority shareholders; and
- (f) upon our listing on the SGX-ST, we will be subject to Chapter 9 of the Catalist Rules in relation to interested person transactions. The objective of these rules is to ensure that our interested person transactions do not prejudice the interests of our shareholders as a whole. These rules require us to make prompt announcements, disclosures in our annual report and/or seek shareholders' approval for certain material interested person transactions. Our Audit and Risk Committee may also have to appoint independent financial advisers to review such interested person transactions and opine on whether such transactions are fair and reasonable to us, not prejudicial to our interests and the interests of our minority shareholders.

Save as disclosed in the sections entitled "Interested Person Transactions" of this Offer Document:

- (a) none of our Directors, Executive Officers, Controlling Shareholders or any of their associates has or has had any interest direct or indirect, in any material transactions to which our Company or our subsidiary was or is a party;

INTERESTED PERSON TRANSACTIONS

- (b) none of our Directors, Executive Officers, Controlling Shareholders or any of their associates has or has had any interest, direct or indirect, in any company carrying on the same business or a similar trade which competed or competes materially and directly with the existing businesses of our Group;
- (c) none of our Directors, Executive Officers, Controlling Shareholders or any of their associates has or has had any interest, direct or indirect, in any company that was or is our customer or supplier of goods and services; and
- (d) none of our Directors, Executive Officers, Controlling Shareholders or any of their associates has or has had any interest in any existing contract or arrangement which was or is significant in relation to the business of our Group.

Interests of Experts

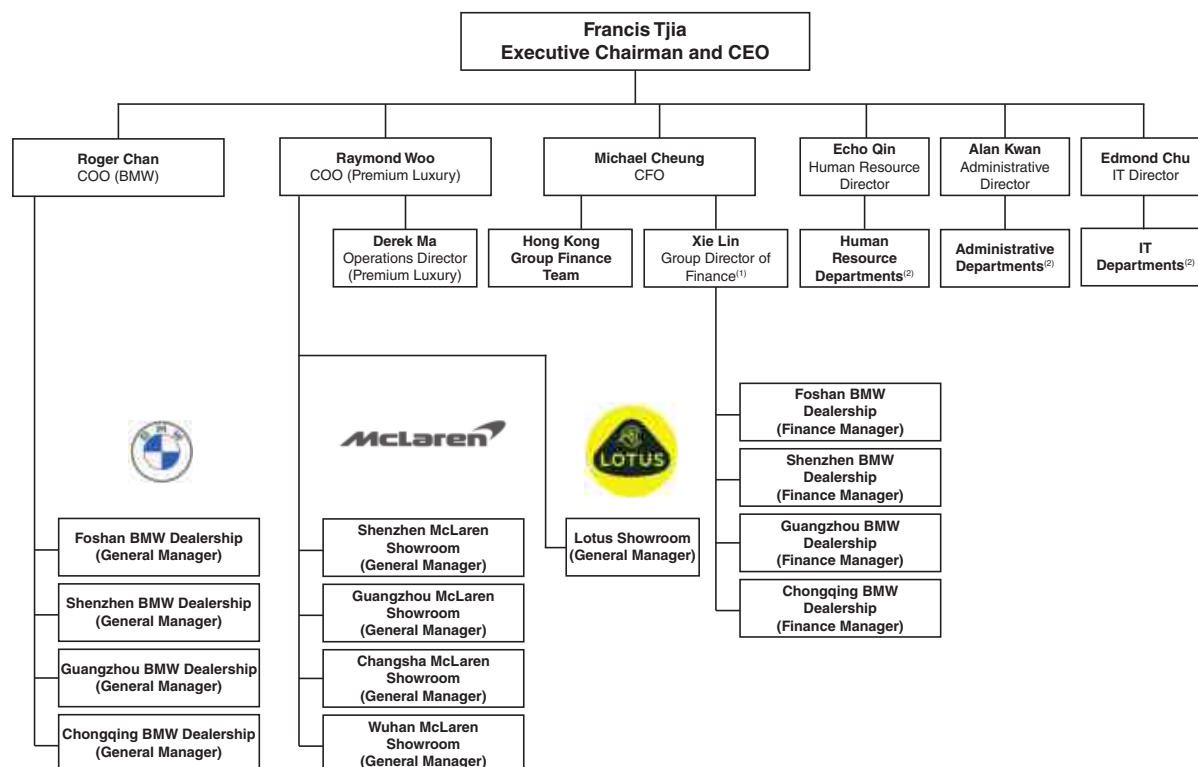
No expert is interested, directly or indirectly, in the promotion of, or in any property or assets which have, within the two (2) years preceding the date of this Offer Document, been acquired or disposed of by or leased to our Company or its subsidiaries or are proposed to be acquired or disposed of by or leased to our Company or its subsidiaries.

No expert: (i) is employed on a contingent basis by our Company or its subsidiaries; or (ii) has a material interest, whether direct or indirect, in our Shares or the shares of our subsidiaries; or (iii) has a material economic interest, whether direct or indirect, in our Company, including an interest in the success of the Invitation.

DIRECTORS, EXECUTIVE OFFICERS AND EMPLOYEES

MANAGEMENT REPORTING STRUCTURE

The following chart shows our management reporting structure as at the Latest Practicable Date:



Notes:

- (1) Each dealership has a finance manager who supervises a team of members and reports to the Group Director of Finance. Due to the much smaller scale of McLaren and Lotus showroom operations as compared with BMW, the showrooms' finance team comprises one (1) to two (2) accounting clerks who report to a Group finance manager that reports to the Group Director of Finance.
- (2) Each dealership has departments for Human Resources, Administration and IT, each of which is headed by a team leader. In the case of showrooms, Human Resources, Administration, and IT functions are handled at a group level from our main office in Hong Kong.

DIRECTORS, EXECUTIVE OFFICERS AND EMPLOYEES

DIRECTORS

Our Board of Directors is entrusted with the responsibility for the overall management of our Group. Our Directors' particulars are listed below:

Name	Age	Address	Designation
Francis Tjia	56	Unit 3002, 30th Floor, 88 Hing Fat Street, Causeway Bay, Hong Kong	Executive Director, Executive Chairman and CEO
Michael Cheung	43	Unit 3002, 30th Floor, 88 Hing Fat Street, Causeway Bay, Hong Kong	Executive Director and CFO
David Leow	51	Unit 3002, 30th Floor, 88 Hing Fat Street, Causeway Bay, Hong Kong	Lead Independent Director
Henry Tan	57	Unit 3002, 30th Floor, 88 Hing Fat Street, Causeway Bay, Hong Kong	Independent Director
Steven Petersohn	64	Unit 3002, 30th Floor, 88 Hing Fat Street, Causeway Bay, Hong Kong	Independent Director

Experience of our Board of Directors

Information on the business and working experience of our Directors are set out below:

Francis Tjia

Mr. Francis Tjia is the Executive Director, Executive Chairman and CEO of our Group and is also the founder of our Group. He was appointed to our Board upon incorporation of our Company on 18 December 2015 and is responsible for overseeing the strategic planning and growth of the Group.

Mr. Tjia moved to Hong Kong in 1990 upon completion of his academics and joined Thornton Management (Asia) Limited, a fund management firm based in Hong Kong, as a Fund Manager. From 1991 to 1993, Mr. Tjia served as an Executive Director and Senior Fund Manager of Lippo Investments Management Limited, which operated out of Jakarta and Hong Kong. In 1993, Mr. Tjia co-founded Income Partners Asset Management in Hong Kong, of which he continues to be a shareholder. He is currently a Non-Executive Director at Income Partners Asset Management.

In 1994, Mr. Tjia co-founded Summit Motors, an automotive dealership company based in Hong Kong with operations in the PRC. Summit Motors was initially appointed as a Toyota importer and dealership operator for the PRC in 1994, followed by the appointment by BMW as importer and distributor for Western PRC in 1995. Summit Motors opened its first permanent Toyota dealership in Chengdu in 1996 and the first BMW store, also in Chengdu, in 1998. Mr. Tjia subsequently disposed all his interests in Summit Motors in 2006.

DIRECTORS, EXECUTIVE OFFICERS AND EMPLOYEES

Mr. Francis Tjia is currently also a significant shareholder and Non-Executive Director of OpenRoad Auto Group in Vancouver, Canada. OpenRoad Auto Group is one (1) of Canada's leading automotive retailers for new and pre-owned automobiles. It is based in Vancouver and represents approximately 20 leading automotive brands and operates approximately 30 dealership outlets in the Greater Vancouver area, the Greater Toronto area as well as in Seattle, Washington, USA. For avoidance of doubt, OpenRoad Auto Group is independently operated and managed separately from the management team of our Group. Please refer to section entitled "Interested Person Transactions – Potential Conflicts of Interest" of this Offer Document for further details.

Mr. Tjia graduated from The University of British Columbia in 1987 with a Bachelor's degree in Economics and went on to complete his Master of Business Administration and Master of Arts in Economics from Boston University in 1990.

Michael Cheung

Mr. Michael Cheung is our Executive Director and CFO and was appointed to our Board on upon incorporation of our Company on 18 December 2015 and as our CFO on 17 September 2021. He is responsible for overseeing the overall financial functions, corporate governance and corporate communications of our Group.

Before joining our Group in 2015, Mr. Cheung served in various finance roles, beginning with assurance and audit with PricewaterhouseCoopers LLP ("**PwC**") in Vancouver, Canada and San Francisco, California in 2001. He then joined a mining company, Placer Dome Inc., Canada, as a team leader of auditors designing internal audit compliance for the company from May 2005 to April 2006. He then rejoined PwC in May 2006 as an Audit Manager and left in May 2007. From 2007 to 2008, he attended graduate school at Northwestern University. Thereafter in 2009, he joined PenderFund Capital Management Inc., a Canadian mutual fund company, as its Chief Financial Officer. From 2010 to 2013, Mr. Cheung spent three (3) years as the Chief Financial Officer and Corporate Secretary of Zongshen PEM Power System Inc, a light transportation manufacturing company listed on the Toronto Stock Exchange.

Mr. Cheung graduated from University of British Columbia in 2001 with a Bachelor of Commerce in Accounting and subsequently completed his Master of Business Administration from Kellogg School of Management at Northwestern University in 2008. He is also a Canadian Chartered Public Accountant.

David Leow

Mr. David Leow is our Lead Independent Director and was appointed to our Board on 17 September 2021.

Mr Leow began his career as an accountant with Barwick Partners in West Perth, Australia. From 1993 to 2005, Mr. Leow held various positions in Singapore, including as Vice President of the DBS Bank Ltd's Private Equity Fund, Vice President of UOB Kay Hian's Equity Capital Markets Group, Associate Director of HSBC Securities and a founding Director of Business Development for the Virgin Group in Asia, where he helped to structure, fund and launch Virgin Group-branded businesses in Asia.

DIRECTORS, EXECUTIVE OFFICERS AND EMPLOYEES

Currently, Mr. Leow is the Managing Director of Thaler Group, where he advises companies with their capital market activities and corporate strategy, which may involve taking senior management roles with clients. He is the Chief Financial Officer of Ufinity Group, a software company that has received the Profit Growth Excellence award from DP information for each of the last eight (8) years, Chief Executive Officer of Bitapple Singapore Pte Ltd, a cryptocurrency exchange company and Non-Executive Director of MEC Asia Fund and CAP Management Limited.

Mr. Leow is currently Chairman of the Audit Committee and the Corporate Strategy and Communications Committee of Mencast Group, a Mainboard-listed company. He is also a board member of Chartered Accountants of Australia and New Zealand (Singapore) and the first elected Chair of the Singapore Regional Council, ending his term in December 2020.

Mr Leow is a Chartered Financial Analyst of the Association for Investment Management and Research, Fellow of the Chartered Accountants in Australia and New Zealand and member of the Institute of Chartered Accountants in Singapore. He graduated from the University of Western Australia with a Bachelor of Commerce and a graduate of the Owner/President Management programme at Harvard Business School.

Henry Tan

Mr. Henry Tan is our Independent Director and was appointed to our Board on 17 September 2021.

Mr. Tan is the Group Chief Executive Officer & Chief Innovation Officer of Nexia TS Group. He was the past Asia Pacific Regional Chairman and a board member of Nexia International. Mr. Tan is currently an independent director of BH Global Corporation Limited, Asia Vets Holdings Ltd, Dyna-Mac Holdings Ltd. and Penguin International Limited and was previously an independent director of YHI International Limited, all of which are companies listed on the SGX-ST, and he is currently an independent director of China New Town Development Co., Ltd., a company listed on the Hong Kong Stock Exchange.

Mr. Tan graduated from the National University of Singapore with a Bachelor of Accountancy (First Class Honours) in 1988 and subsequently completed the Advanced Executive Management Development Programme of Beijing Tsinghua University. He is also an ASEAN Chartered Professional Accountant, an Associate Member of the Institute of Internal Auditors, a Fellow of Insolvency Practitioners Association of Singapore, a Fellow of the Institution of Singapore Chartered Accountants and the Institute of Chartered Accountants of Australia and New Zealand, an Accredited Tax Advisor (Income Tax) of the Singapore Institute of Accredited Tax Professionals Limited, a Fellow of the CPA Australia and a Fellow of the Singapore Institute of Directors.

Steven Petersohn

Mr. Steven Petersohn is our Independent Director and was appointed to our Board on 17 September 2021.

Mr. Petersohn began his career in Boles World Trade Corp (“**Boles**”), a diversified trading company with its headquarters in San Francisco, United States of America. As Boles’ Vice President from 1979 to 1983, he helped to build Boles’ business, which includes white label electronics, food and beverage, paper and packaging, in Europe and Asia. Subsequently, Mr. Petersohn held various positions at trade financing, investment banking and securities firms in New York, including Vice President at Prudential Bache Trade Corp, CEO and Co-founder of Trade Financial Services Corp and Director of Jefferies & Company.

DIRECTORS, EXECUTIVE OFFICERS AND EMPLOYEES

While he was at Jefferies & Company, Mr. Petersohn moved to Hong Kong to establish and run Jefferies & Company's first office in Asia. After he left Jefferies & Company, he held directorships at Morgan Stanley's Equity and Fixed Income Divisions, Lim Advisors, a fund management company based in Hong Kong, Watermill Advisors and Watermill Capital. Currently, Mr. Petersohn is an Executive Director at Arch Capital Solutions, a boutique business and management consultancy.

Mr. Petersohn graduated from Stanford University with a Degree of Bachelor of Arts in 1978.

Present and Past Directorships of our Directors

The list of present and past directorships of each of the Director over the last five (5) years up to the Latest Practicable Date, excluding that held in our Company, are set out in "Appendix K – List of Present and Past Directorships" of this Offer Document.

Expertise of our Directors

As evidenced by their respective business and working experience set out above, our Directors possess the appropriate expertise to act as directors of our Company. Save for Mr. David Leow and Mr. Henry Tan, our Directors do not have prior experience as directors of public listed companies in Singapore. In accordance with the requirements under the Catalist Rules, Mr. Francis Tjia has attended the relevant courses on the roles and responsibilities of a director of a public listed company in Singapore organised by the Singapore Institute of Directors for listed entity essentials, board dynamics, board performance, stakeholder engagement and nominating committee essentials. Mr. Michael Cheung has attended the relevant courses on listed entity essentials, board performance and stakeholder engagement, and has undertaken that he will attend the remaining relevant training by end of the first year of the Company's listing on the SGX-ST. Mr. Steven Petersohn has attended the relevant courses on listed entity essentials and board dynamics, and has undertaken that he will attend the remaining relevant training by end of the first year of the Company's listing on the SGX-ST.

None of our Independent Directors sits on the board of our subsidiaries.

EXECUTIVE OFFICERS

The particulars of our Executive Officers are set out below:

Name	Age	Address	Designation
Roger Chan	63	8 Changxing North Road, Central Town Longgang District, Shenzhen Guangdong Province PRC	COO (BMW)
Raymond Woo	44	Unit 3002, 30th Floor, 88 Hing Fat Street, Causeway Bay, Hong Kong	COO (Premium Luxury)

DIRECTORS, EXECUTIVE OFFICERS AND EMPLOYEES

Experience of our Executive Officers

Information on the business and working experience of our Executive Officers are set out below:

Roger Chan

Mr. Roger Chan was appointed as our COO (BMW) in December 2015 and is responsible for the overall management of sales and service operations of the BMW business.

Mr. Chan began his career in the automotive industry in Taiwan where he was recruited by Pan German Motors (“**PGM**”), a luxury brand automotive importer and distributor in Taiwan. From 1990 to 2000, he initially served as a Marketing Manager in Taiwan, organising advertising and promotional events for Volkswagen and Audi sedans, before being dispatched to Hong Kong to be the Managing Director of Bowdex Hong Kong, a subsidiary of PGM which imported BMWs into the PRC via Hong Kong.

From 2000 to 2010, Mr. Chan worked in the PRC for Summit Motors, initially as the General Manager and thereafter the Vice-President of the BMW/MINI Business Unit of Sichuan Summit Chengbao Motors Sales and Service Co. Ltd. (“**Sichuan Summit Motors**”), where he was responsible for running Toyota (until 2007), BMW and MINI dealerships across the PRC while based in Chengdu. During his time at Sichuan Summit Motors, Mr. Chan won many awards from BMW China including ‘2008 Best Dealership Award’ and ‘2008 Top Dealer Management Award’. From 2010 to 2013, Mr. Chan worked for Porsche Automotive Investment GmbH, a subsidiary of Porsche Holding Salzburg, as the BMW Brand President to manage its BMW dealerships in the Zhejiang and Jiangsu province. Mr. Chan has been with our Group since 2014.

Mr. Chan graduated from Taiwan’s Soochow University in 1980 where he majored in English Language and Literature. In 1989, he completed the Advanced Business Management Program conducted by Taiwan University (Extension Education Center). He also completed the BMW Group Business Academy Program in 2008 conducted by BMW.

Raymond Woo

Mr. Raymond Woo was appointed as our COO (Premium Luxury) in December 2015 and is responsible for the overall day to day operations of the McLaren and Lotus businesses.

Mr. Woo joined the Company from the beginning in 2008, being primarily responsible for coordinating projects in starting new dealerships and other dealer development initiatives. He was previously a Director of the Company from October 2017 until he stepped down from the position in April 2021. Prior to joining our Group, he was the Assistant Project Manager of Asiacity Limited, an architectural firm, and a trader with Jade Flex Limited, a proprietary equity trading firm, from 2001 to 2003. Thereafter, he served as the Business Development Manager of Artex Fashions (Asia) Limited, a premier garment manufacturing company till 2006.

Mr. Woo graduated from the University of Toronto in 1999 with a Bachelor of Architecture and subsequently completed his Master of Science in Construction Project Management at the University of Hong Kong in 2001.

DIRECTORS, EXECUTIVE OFFICERS AND EMPLOYEES

Present and Past Directorships of our Executive Officers

The list of present and past directorships of each of the Executive Officer over the last five (5) years up to the Latest Practicable Date, excluding that held in our Company, are set out in “Appendix K – List of Present and Past Directorships” of this Offer Document.

Family Relationships

As at the Latest Practicable Date, none of our Directors or Executive Officers are related to one another nor are they so related to any Substantial Shareholders of our Company.

LEGAL REPRESENTATIVES

Identity of the Legal Representatives

The legal representatives of each of our PRC subsidiaries are as follows:

Name of Company	Name of the legal representative
Foshan Shenbao Automobile	Roger Chan
Shenzhen Chuangfengbao Automobile	Roger Chan
Guangzhou Changbao Automobile	Roger Chan
Chongqing Qingdebao Automobile	Roger Chan
Yaohua Automobile Management	Roger Chan
Shenzhen Shangxiantong	Raymond Woo
Shenzhen Qifeng Automobile	Raymond Woo
Changsha Bright Focus Automobile	Raymond Woo
Guangzhou Ruisheng Automobile	Raymond Woo
Wuhan Ruisheng Automobile	Raymond Woo
Shenzhen Bright Focus Automobile	Raymond Woo
Chongqing Baize	Raymond Woo
Guangdong Yaohua Leasing	Francis Tjia

Powers and Duties

In accordance with applicable PRC laws, each of the above legal representatives has the following powers in relation to our PRC subsidiaries:

- (a) to act as representative of that PRC subsidiary; and
- (b) to execute contracts on behalf of that PRC subsidiary, with or without the company seal.

Under the PRC Company Law, the legal representative shall be appointed and removed in accordance with the articles of association of the company, and the legal representative shall be either the chairman of the board (or the executive director in case no board is formed in the company), or the general manager of the company. The change of legal representative shall be registered with the competent authorities. Further, the member of the board or the executive

DIRECTORS, EXECUTIVE OFFICERS AND EMPLOYEES

director shall be appointed by the shareholders, the chairman of the board shall be appointed by the board of directors and the general manager shall be appointed by the board or the executive director. Therefore, the legal representative can be appointed and removed by the shareholders or through the appointed board or executive director, with or without the legal representative's consent.

Based on the above and the articles of association of each of our PRC-incorporated subsidiaries, each of their respective shareholders shall be able to, either directly or indirectly, control the appointment and dismissal of their respective legal representatives.

Considering the impact in the event that a legal representative represents any of our PRC-incorporated subsidiaries without having obtained prior authorisation, our Group has implemented the following measures in the event of a change to the legal representative of any of our PRC-incorporated subsidiaries:

- (a) the implementation of internal control systems to ensure proper authorisation as to delegation of authority and to ensure that payments require proper approvals;
- (b) the implementation of measures to safeguard the corporate seal, finance seal, legal seal and cheque books in each of our PRC subsidiaries such as the safekeeping of such documents and items in a safe at our Group's headquarters at our principal place of business in the PRC;
- (c) safekeeping of the originals of the business licences of each of our PRC subsidiaries and in a safe at the headquarters of our Group located at our principal place of business in the PRC with restricted physical access;
- (d) ensuring the segregation of cash management duties, including receipt and payment procedures;
- (e) the maintenance of a register in relation to the legal representatives of each of our PRC subsidiaries reflecting all other appointments and/or business interests (e.g. directorships, sole proprietorships, partnerships, or shareholdings above 5.0%) of the legal representative outside of our Group;
- (f) the legal representatives undertake to seek the approval of our Audit and Risk Committee to assume any executive roles outside of our Group; and
- (g) implementing relevant resolutions by the respective directors and shareholders of each of our PRC subsidiaries, as well as letters of powers of attorney by each of their legal representatives, which grant to our Company's Directors, the authority to effect a change of legal representatives of each of our PRC subsidiaries, take into custody all necessary company stamps and licences, and carry out the duties as the new legal representative such that the business operations are not disrupted, will be executed and affixed with the company stamp (where necessary) and left undated and will be kept in escrow with the Hong Kong main office with the CFO prior to the Listing.

Based on the above, the Legal Adviser to the Invitation as to PRC Law, JTGC, is of the view that the procedures in place to appoint and remove the legal representatives of our PRC subsidiaries are adequate to mitigate the risks in relation to the appointment of the legal representatives and safeguard the interests of our Group.

DIRECTORS, EXECUTIVE OFFICERS AND EMPLOYEES

In view of the above, our Directors are of the opinion that there are adequate processes and procedures in place to safeguard against the risk of any of the legal representatives of our PRC subsidiaries taking any unauthorised action in the future. Our Group, together with our Audit and Risk Committee, will monitor and review on an annual basis the processes and procedures in relation to the appointment and removal of the legal representatives of each of our PRC subsidiaries to ensure their effectiveness and robustness.

REMUNERATION

The compensation, in remuneration bands of S\$250,000⁽¹⁾, paid to our Directors and our Executive Officers for services rendered to us and our subsidiaries on an individual basis and in remuneration bands during FY2019 and FY2020 and the estimated compensation expected to be paid for the current financial year is as follows:

Names	FY2019 ⁽²⁾ (Actual)	FY2020 ⁽²⁾ (Actual)	FY2021 ⁽³⁾ (Estimated)
Directors			
Francis Tjia	Band C	Band C	Band C
Michael Cheung	Band C	Band C	Band B
David Leow	–	–	Band A
Henry Tan	–	–	Band A
Steven Petersohn	–	–	Band A
Executive Officers			
Roger Chan	Band C	Band C	Band B
Raymond Woo	Band B	Band B	Band B

Notes:

- (1) Band A: Compensation of up to S\$250,000 per annum.
Band B: Compensation of between S\$250,001 to S\$500,000 per annum.
Band C: Compensation from S\$500,001 to S\$750,000 per annum.
Band D: Compensation from S\$750,001 to S\$1,000,000 per annum.
- (2) Compensation includes any benefits in kind, any deferred compensation accrued for the relevant financial year and payable at a later date, provident fund contribution and directors' fees and bonuses (as the case may be).
- (3) The estimated amount of compensation payable for FY2021 excludes any bonus or profit-sharing plan or any other profit-linked agreement or arrangement which have not been paid, as such bonuses (if any) are variable and discretionary in nature.

Save as described in the section entitled "Directors, Executive Officers and Employees – Service Agreements" of this Offer Document, as at the date of this Offer Document, we do not have in place any formal bonus or profit-sharing plan or any other profit-linked agreement or arrangement with any of our employees and bonus is expected to be paid on a discretionary basis.

Save for the TCA Employee Share Option Scheme, no remuneration was paid or is to be paid in the form of share options to any of our Directors, Executive Officers or employees.

As at the Latest Practicable Date, other than the amounts set aside or accrued as required for compliance with the applicable laws of Singapore and such other jurisdictions in which our Group

DIRECTORS, EXECUTIVE OFFICERS AND EMPLOYEES

operates, no amounts have been set aside or accrued by our Group to provide for pension, retirement or similar benefits for any of our employees.

EMPLOYEES

As at the Latest Practicable Date, our Group employed a total of 913 persons. We do not employ any temporary or part-time staff. We do not experience any significant seasonal fluctuations in our number of employees.

As at the Latest Practicable Date, none of our employees are related to our Directors and Substantial Shareholders.

The following table sets forth the breakdown of our employees by activity during the Period Under Review and as at the Latest Practicable Date:

Function	As at FY2018	As at FY2019	As at FY2020	As at 1Q2021	As at Latest Practicable Date
Headquarters Management ⁽¹⁾	40	43	43	42	40
Operations ⁽²⁾	524	535	550	541	558
Finance	47	44	44	44	41
Human Resource and Administration ⁽³⁾	57	59	59	57	60
Sales ⁽⁴⁾	185	201	207	210	214
Total	853	882	903	894	913

Notes:

- (1) Comprises, amongst others, our Executive Directors and Executive Officers, and also includes employees under Trans-China Automotive Holdings (FS) Limited and TCA Holdings (HK) Limited which are under our Group office.
- (2) Comprises employees under our General Manager Office, After-sales Department, Finance & Insurance Department, Marketing Department and Customer Relationship Management Department.
- (3) Comprises employees under our Human Resources Department, Administration Department and IT Department.
- (4) Comprises employees under our New Car Sales Department and Used Car Sales Department.

Two (2) of our PRC subsidiaries, Foshan Shenbao Automobile and Shenzhen Chuangfengbao Automobile, have established labour union committees and a majority of the employees who are employed by these entities are unionized. The relationship and cooperation between the management and staff, including between the management and the two (2) labour union committees, have been good, and are expected to continue to remain so in the future. We did not experience any significant labour disputes or any difficulty in recruiting staff during the Period Under Review and up to the Latest Practicable Date.

Our Group operates various employment schemes for our employees, including both defined benefit and defined contribution pension plans and post-employment medical plans. We operate a defined contribution plan for our employees in Hong Kong under the mandatory provident fund scheme in Hong Kong, and our PRC subsidiaries participate in government retirement benefit schemes and contribute to the scheme to fund the retirement benefits of our eligible employees

DIRECTORS, EXECUTIVE OFFICERS AND EMPLOYEES

in the PRC pursuant to relevant local regulations in the PRC. The costs for our employment schemes do not contribute to a material portion of our staff costs.

Our employees' employment terms also generally provide for the payment of termination benefits where their employment is terminated by our Group before the normal retirement date, or where an employee accepts voluntary redundancy in exchange for these benefits. The costs for our termination benefits do not contribute to a material portion of our staff costs.

SERVICE AGREEMENTS

Our Company has entered into separate service agreements with our Executive Directors, namely, Mr. Francis Tjia and Mr. Michael Cheung ("**Service Agreements**").

The Service Agreements will take effect from the Listing Date and shall continue for a period of three (3) years ("**Initial Term**") and shall thereafter continue from year to year (unless otherwise terminated by either party giving not less than six (6) months' prior written notice to the other).

We may also terminate the Service Agreements of our Executive Directors, if any of them, amongst others, is disqualified to act as Executive Director under any applicable laws or regulations, is guilty of dishonesty, gross misconduct or wilful neglect of duty, commits any continued material breach of the terms of their respective Service Agreements, is guilty of conduct likely to bring himself or any member of our Group into disrepute, becomes bankrupt or is convicted of any criminal offence. We may additionally terminate the Service Agreements if the Executive Directors fail to perform their respective obligations under the Service Agreements.

The Service Agreements also provide that our Executive Directors shall not without the prior written consent of our Company during the continuance of his employment be engaged or interested either directly or indirectly in any capacity in any trade, business, occupation or activities which may hinder or otherwise interfere with the performance of his duties or which may conflict with the interests and business of our Group.

The Service Agreements cover the terms of employment, specifically salaries and bonuses.

Pursuant to the terms of their respective Service Agreements, each of Mr. Francis Tjia and Mr. Michael Cheung is entitled to a basic monthly salary. In addition, each of Mr. Francis Tjia and Mr. Michael Cheung is entitled to an annual fixed bonus ("**Fixed Bonus**") as well as an annual incentive bonus ("**Incentive Bonus**") of a sum calculated based on the consolidated profits before tax ("**PBT**") of our Group based on the audited financial statements for the relevant financial year, before deducting such Incentive Bonus and after deducting PBT attributable to non-controlling interests and excluding extraordinary items which are not in the ordinary course of business, if any, provided always that if their employment is for less than a full financial year of our Group, the Fixed Bonus and Incentive Bonus for that financial year shall be apportioned in respect of the actual number of days of employment on the basis of a 365-day financial year. The details of the Incentive Bonus are as follows:

DIRECTORS, EXECUTIVE OFFICERS AND EMPLOYEES

PBT	Rate of Incentive Bonus payable as a percentage of PBT	
	Mr. Francis Tjia	Mr. Michael Cheung
Where PBT is equal to or greater than RMB40,000,000 but less than or equal to RMB59,999,999	1.25% of the PBT above RMB40,000,000	1.25% of the PBT above RMB40,000,000
Where PBT is equal to or greater than RMB60,000,000 but less than or equal to RMB79,999,999	RMB250,000 plus 2.00% of the PBT above RMB60,000,000	RMB250,000 plus 1.75% of the PBT above RMB60,000,000
Where PBT is equal to or greater than RMB80,000,000 but less than or equal to RMB99,999,999	RMB650,000 plus 2.75% of the PBT above RMB80,000,000	RMB600,000 plus 2.25% of the PBT above RMB80,000,000
Where PBT is equal to or greater than RMB100,000,000	RMB1,200,000 plus 4.00% of the PBT above RMB100,000,000	RMB1,050,000 plus 2.75% of the PBT above RMB100,000,000

Directors' fees do not form part of the terms of the Service Agreements as these require the approval of Shareholders in our Company's annual general meeting. To demonstrate their commitment to investing in the future growth of our Company, our Executive Directors, Mr. Francis Tjia and Mr. Michael Cheung, have chosen to waive in full their rights to any directors' fees for a period of one (1) year from their respective dates of appointment as Directors of our Company.

The Executive Directors will be reimbursed for all travelling, accommodation, entertainment and other out-of-pocket expenses reasonably incurred by them in the discharge of their duties on behalf of our Group, and are entitled to certain benefits during their employment, including medical and dental coverage, the use of a company car, and reimbursement of expenses and taxes incurred as a result of being posted outstation or seconded to another country for either a short or long term period due to his provision of services to the Company. Our Executive Chairman and CEO, Mr. Francis Tjia currently also enjoys housing benefits from our Company as he resides in residential property which has been leased by our Group.

The Service Agreements also contain non-solicitation provisions and restrictive covenants that apply for the duration of the relevant Executive Director's appointment as an employee or director of our Company and for a period of six (6) months from the later of: (i) the date on which the relevant Executive Director ceases to be employed by our Company, or (ii) the date on which the relevant Executive Director ceases to be appointed as a director of our Company ("**Restricted Period**"). Such non-solicitation provisions and restrictive covenants prohibit, among others, the participation in any competing business and the solicitation of any person who at any time during the period of 12 months before the commencement of the Restricted Period was a customer, client, agent or correspondent of our Group or in the habit of dealing with our Group. Such obligations do not apply in respect of Mr. Francis Tjia's non-executive directorship in respect of OpenRoad Auto Group and holding of shareholding interests in OpenRoad Auto Group, subject to the following conditions:

- (a) Mr. Francis Tjia's commitment and responsibilities to our Group are not affected by his shareholdings and relationships with Open Road Auto Group;

DIRECTORS, EXECUTIVE OFFICERS AND EMPLOYEES

- (b) Mr. Francis Tjia does not take up any position as a consultant, adviser, executive director (the foregoing being in executive in nature) or such other executive position in the OpenRoad Auto Group;
- (c) Mr. Francis Tjia will undertake to resign from his position as a non-executive director in respect of OpenRoad Auto Group Limited in the event that our Company in general meeting or our Board (as the case may be) has resolved to expand into the jurisdictions in which any of the relevant OpenRoad Auto Group Entities operates or OpenRoad Auto Group has resolved to expand into the jurisdictions in which our Group operates; and
- (d) Mr. Francis Tjia will inform our Board in the event that his shareholding interest in OpenRoad Auto Group Limited increases above 30%.

In consideration of their compliance with their non-solicitation provisions and restrictive covenants, each Executive Director will be paid a fixed monthly sum equivalent to their monthly salaries under their respective Service Agreements during the Restricted Period, in accordance with the terms of their respective Service Agreements.

The Service Agreements also contain restrictions on the disclosure of confidential information, including trade secrets and information relating to the business of our Group.

Save as disclosed above, there are no existing or proposed service agreements between our Company, our subsidiaries and any of our Directors, and there are no existing or proposed service agreements entered or to be entered into by our Directors with our Company or any of our subsidiaries which provide for benefits upon termination of employment.

THE TCA EMPLOYEE SHARE OPTION SCHEME

In conjunction with our listing on Catalist, we have adopted an employee share option scheme known as the “**TCA Employee Share Option Scheme**” which was approved by our Shareholders by way of written resolutions passed on 17 September 2021. The rules of our TCA Employee Share Option Scheme are set out in the section entitled “Appendix J – Rules of the TCA Employee Share Option Scheme” of this Offer Document. The TCA Employee Share Option Scheme complies with the relevant rules as set out in Chapter 8 of the Catalist Rules.

The TCA Employee Share Option Scheme will provide eligible participants with an opportunity to participate in the equity of our Company, motivate them towards better performance through increased dedication and loyalty, and to align the interests of the Directors and our Group’s employees, especially key executives, with those of Shareholders. The TCA Employee Share Option Scheme, which form an integral and important component of our Group’s compensation plan are designed primarily to reward and retain our Directors (including Independent Directors) and our Group’s employees whose services are vital to our Group’s well-being and success.

The TCA Employee Share Option Scheme are designed to complement each other in our Group’s efforts to reward, retain and motivate employees to achieve better performance. The purpose of adopting more than one (1) share incentive scheme is to increase our Group’s flexibility and effectiveness in its continuing efforts to reward, retain and motivate employees to achieve better performance by providing our Group with a more comprehensive set of remuneration tools and further strengthen our competitiveness in attracting and retaining local and foreign talent.

As at the Latest Practicable Date, no Options have been granted under the TCA Employee Share Option Scheme.

OBJECTIVES OF THE TCA EMPLOYEE SHARE OPTION SCHEME

The objectives of the TCA Employee Share Option Scheme are as follows:

- (a) foster an ownership culture within our Group which aligns the interests of our Group’s employees with the interests of Shareholders;
- (b) motivate participants to achieve key financial and operational goals of our Company and/or their respective business units;
- (c) make total employee remuneration sufficiently competitive to recruit and retain staff having skills that are commensurate with our Company’s ambition to become a world-class company; and
- (d) to attract potential employees with relevant skills to contribute to our Group and to create value for our Shareholders.

Participants of the TCA Employee Share Option Scheme

Full-time employees of our Group, Directors (including Independent Directors) and directors or employees of an associated company of our Company over which our Company has control (“**Associated Company Executives**”) or directors or employees of TCA International (being our parent company) and its subsidiaries (“**Parent Group Executives**”) who have contributed to the success and development of our Company, in each case who have attained the age of 21 years and hold such rank as may be designated by our Remuneration Committee, from time to time, shall be eligible to participate in the TCA Employee Share Option Scheme, provided that none shall be an undischarged bankrupt or have entered into a composition with his creditors.

THE TCA EMPLOYEE SHARE OPTION SCHEME

Controlling Shareholders and their Associates who meet the criteria above are also eligible to participate in the TCA Employee Share Option Scheme if their participation and Options (and the terms thereof) are approved by independent Shareholders in separate resolutions for each such person and for each such Option.

The selection of a participant and the number of Shares which are the subject of each Option to be granted in accordance with the TCA Employee Share Option Scheme shall be determined in the absolute discretion of our Remuneration Committee, which shall take into account such criteria as it considers fit, including (but not limited to) his rank, role, seniority, length of service, performance during the performance period, potential for future development, his future contribution to the success and development of our Group and, if applicable, the extent of effort and difficulty with which the performance target(s) may be achieved within the performance period.

Rationale for participation of our Executive Directors and Group's employees in the TCA Employee Share Option Scheme

The extension of the TCA Employee Share Option Scheme to our Executive Directors and Group's employees allows us to have a fair and equitable system to reward our Executive Directors and Group's employees who have made and who continue to make significant contributions to the long-term growth of our Group.

We believe that the grant of Options to our Executive Directors and Group's employees will enable us to attract, retain and provide incentives to our Directors and Group's employees to produce higher standards of performance, encourage greater dedication and loyalty by enabling our Company to give recognition to past contributions and services and motivate them generally to contribute towards the long-term growth of our Group.

Rationale for participation of Associated Company Executives and Parent Group Executives in the TCA Employee Share Option Scheme

The extension of the TCA Employee Share Option Scheme to Associated Company Executives and Parent Group Executives allows us to have a fair and equitable system to reward Associated Company Executives and Parent Group Executives who have made and who continue to make significant contributions to the long-term growth of our Group.

We recognise that it is important to the well-being and stability of our Group that we acknowledge the services and contributions made by Associated Company Executives and Parent Group Executives so that our Group will continue to receive their support and contributions. By implementing the TCA Employee Share Option Scheme, our Company will have a means of providing such Associated Company Executives and Parent Group Executives with an opportunity to share in the success and achievements of our Group as well as the performance of our Company through participation in the equity of our Company without any direct cost to our Company's profitability, even though they are not Directors or employees of our Group, as they have nevertheless contributed to the growth of our Group.

THE TCA EMPLOYEE SHARE OPTION SCHEME

In deciding whether to grant Options to our Associated Company Executives and Parent Group Executives, our Remuneration Committee will take into consideration, among others, the contributions made to the growth, development and success of our Group and the years of service of a particular person in this category. Our Remuneration Committee may also, where it considers relevant, take into account other factors such as economic conditions and our Company's performance.

Rationale for participation by our Non-Executive Directors (including Independent Directors) in the TCA Employee Share Option Scheme

The extension of the TCA Employee Share Option Scheme to our Non-Executive Directors allows our Group to have a fair and equitable system to reward our Non-Executive Directors who are not employed within our Group but work closely with our Group and who have made, and will continue to make, significant contributions to the long-term growth of our Group.

We recognise that it is important to the well-being and stability of our Group that we acknowledge the services and contributions made by our Non-Executive Directors, and that we continue to receive their support and contributions. In particular, our Non-Executive Directors are persons who are able to provide us with valuable support, input and business contracts and also provide us with strategic or significant business alliances or opportunities.

Although our Non-Executive Directors are not involved in the day-to-day running of our Group's operations, they, nonetheless, play an invaluable role in furthering the business interests of our Group by contributing their experience and expertise. The participation by our Non-Executive Directors in the TCA Employee Share Option Scheme will provide our Company with a further avenue to acknowledge and recognise their services and contributions to our Group as it may not always be possible to compensate them fully or appropriately by increasing the Directors' fees or other forms of cash payment. For instance, our Non-Executive Directors may bring strategic or other value to our Company which may be difficult to quantify in monetary terms. The grant of Options to our Non-Executive Directors will allow our Company to attract and retain experienced and qualified persons from different professional backgrounds to join our Company as Non-Executive Directors, and to motivate existing Non-Executive Directors to take extra efforts to promote the interests of our Company and/or our Group.

In deciding whether to grant Options to our Non-Executive Directors, our Remuneration Committee will take into consideration, among others, the contributions made to the growth, development and success of our Group and the years of service of a particular Non-Executive Director. Our Remuneration Committee may also, where it considers relevant, take into account other factors such as economic conditions and our Company's performance.

In order to minimise any potential conflict of interests and so as to not compromise the independence of our Non-Executive Directors, our Company intends to grant only a nominal number of Options under the TCA Employee Share Option Scheme to our Non-Executive Directors.

THE TCA EMPLOYEE SHARE OPTION SCHEME

Rationale for Participation of Controlling Shareholders and their Associates

An employee who is a Controlling Shareholder and/or an Associate of a Controlling Shareholder shall be eligible to participate in the TCA Employee Share Option Scheme if: (a) his participation in the TCA Employee Share Option Scheme; and (b) the actual number and terms of the Options to be granted to him have been approved by independent Shareholders of our Company in separate resolutions for each such person. The relevant employee is required to abstain from voting on, and (in the case of employees who are Directors) refrain from making any recommendation on, the resolutions in relation to the TCA Employee Share Option Scheme.

One of the main objectives of the TCA Employee Share Option Scheme is to motivate participants to optimise their performance standards and efficiency and to maintain a high level of contribution to our Group. The objectives of the TCA Employee Share Option Scheme apply equally to our employees who are Controlling Shareholders and/or Associates of Controlling Shareholders. Our view is that all deserving and eligible participants should be motivated, regardless of whether they are Controlling Shareholders or Associates of our Controlling Shareholders. It is in our interest to incentivise outstanding employees who have contributed to the growth of our Group and continue to remain with us.

Accordingly, the extension of the TCA Employee Share Option Scheme to allow Controlling Shareholders and/or Associates of our Controlling Shareholders the opportunity to participate in the TCA Employee Share Option Scheme will ensure that they are equally entitled, with our Group's other employees, to participate in and benefit from this system of remuneration. The TCA Employee Share Option Scheme are intended to be part of our Company's system of employee remuneration and our Company is of the view that employees who are Controlling Shareholders and/or Associates of our Controlling Shareholders should not be unduly discriminated against by virtue of their position as a Controlling Shareholder and/or an Associate of our Controlling Shareholder.

Our Executive Director, Executive Chairman and CEO Mr. Francis Tjia is also a Controlling Shareholder of our Company. As at the Latest Practicable Date, none of the Associates of our Controlling Shareholders have any shareholding interests in our Company nor are any Associates of our Controlling Shareholders employees of our Group.

SUMMARY OF THE EMPLOYEE SHARE OPTION SCHEME

The following is a summary of the rules of the TCA Employee Share Option Scheme. Capitalised terms as used throughout this section, unless otherwise defined, shall bear the meanings as defined in Appendix J of this Offer Document.

Administration of the TCA Employee Share Option Scheme

The TCA Employee Share Option Scheme shall be administered by our Remuneration Committee with such powers and duties conferred to it by our Board. A member of our Remuneration Committee who is also a participant of the TCA Employee Share Option Scheme must not be involved in its deliberation in respect of the Option granted or to be granted to him.

Size of the TCA Employee Share Option Scheme

The aggregate number of Shares over which our Remuneration Committee may grant Options under the TCA Employee Share Option Scheme, when aggregated with the number of Shares over which options or awards are granted under any other share option schemes or share plans of our Company, shall not exceed 15.0% of the total number of all issued Shares (excluding Shares held by our Company as treasury Shares and subsidiary holdings, from time to time).

THE TCA EMPLOYEE SHARE OPTION SCHEME

Maximum Entitlements

The aggregate number of Shares which may be issued or transferred pursuant to the exercise of the Options granted under the TCA Employee Share Option Scheme on any date, when aggregated with:

- (a) the total number of new Shares allotted and issued and/or to be allotted and issued Shares (including treasury Shares) delivered and/or to be delivered pursuant to Options already granted under the TCA Employee Share Option Scheme; and
- (b) the total number of Shares subject to any other share option or share schemes of our Company,

shall not exceed 15.0% of the total number of all issued Shares (excluding Shares held by our Company as treasury Shares and subsidiary holdings from time to time) on the day preceding that date.

The aggregate number of Shares which may be issued or transferred pursuant to the exercise of the Options granted under the TCA Employee Share Option Scheme to participants who are Associates of Controlling Shareholders shall not exceed 25.0% of the total number of Shares available under the TCA Employee Share Option Scheme.

The aggregate number of Shares which may be issued or transferred pursuant to the exercise of Options granted under the TCA Employee Share Option Scheme to each participant who is an Associate of a Controlling Shareholder shall not exceed 10.0% of the total number of Shares available under the TCA Employee Share Option Scheme.

However, it does not necessarily mean that our Remuneration Committee will definitely issue the Option Shares up to the prescribed limit. Our Remuneration Committee shall exercise its discretion in deciding the number of Option Shares to be granted to each participant which will depend on the performance and value of the participant to our Group.

The number of Shares comprised in Options to be offered to a participant shall be determined at the absolute discretion of our Remuneration Committee, which shall take into account such criteria as it considers fit, including (but not limited to) his rank, job performance, years of service, potential for future development and his contribution to the success and development of our Group.

Grant of Options

There are no fixed periods for the grant of Options. As such, offers of Options may be made at any time and, from time to time, at the discretion of our Remuneration Committee.

However, in the event that an announcement on any matter of an exceptional nature involving unpublished price sensitive information is made, offers of Options may only be made on or after the second Market Day from the date on which such announcement is released.

Acceptance of Options

The grant of Options shall be accepted within 30 days from the Date of Grant of that Option. Offers of Options made to grantees, if not accepted in the manner as provided in the TCA Employee Share Option Scheme, shall, upon the expiry of the 30-day period, automatically lapse and become null, void and of no effect. Upon acceptance of the offer, the grantee must pay our Company a consideration of S\$1.00.

THE TCA EMPLOYEE SHARE OPTION SCHEME

Options Exercise Period and Exercise Price

The Exercise Price for each Share in respect of which an Option is exercisable shall be determined by our Remuneration Committee, in its absolute discretion, on the date of grant, at:

- (a) a price equal to the market price; or
- (b) a price which is set at a discount to the market price, provided that:
 - (i) the maximum discount shall not exceed 20.0% of the market price (or such other percentage or amount as may be determined by our Remuneration Committee and permitted by the SGX-ST); and
 - (ii) our Shareholders in general meeting shall have authorised, in a separate resolution, the making of offers and grants of Options under the TCA Employee Share Option Scheme at a discount not exceeding the maximum discount as aforesaid.

Subject as provided in the TCA Employee Share Option Scheme and any other conditions as may be introduced by our Remuneration Committee from time to time, a Market Price Option or an Incentive Option (as defined in the Rules of the TCA Employee Share Option Scheme), as the case may be, shall be exercisable, in whole or in part, as follows:

- (a) in the case of Market Price Option, during the period commencing after the first anniversary of the Date of Grant and expiring on the tenth anniversary of such date of grant (or such shorter period if so determined by our Remuneration Committee); and
- (b) in the case of an Incentive Option, during the period commencing after the second anniversary of the Date of Grant and expiring on the tenth anniversary of such Date of Grant (or such shorter period if so determined by our Remuneration Committee).

Exercise of Options

Subject to applicable law and the rules of the Catalist Rules, our Company shall have the flexibility to deliver Shares to participants upon exercise of their Options by way of either an allotment and issue of new Shares and/or a transfer of existing Shares, including any Shares held by our Company in treasury.

In determining whether to issue new Shares to participants upon the exercise of their Options, our Company will take into account factors such as (but not limited to) the number of Shares to be delivered, the prevailing market price of our Shares and the cost to our Company of issuing new Shares or delivering existing Shares.

Termination of Options

Special provisions in the rules of the TCA Employee Share Option Scheme dealing with the lapse or earlier exercise of Options apply in circumstances which include the termination of the Participant's employment, the bankruptcy of the Participant and the winding-up of our Company.

THE TCA EMPLOYEE SHARE OPTION SCHEME

Rights of Shares arising

Shares arising from the exercise of an Option shall be subject to the provisions of the Cayman Islands Companies Act and the Memorandum and Articles of Association of our Company and rank in full for all entitlements, including dividends, rights, allotments or other distributions declared or recommended in respect of the then existing Shares, the Record Date (as defined in the TCA Employee Share Option Scheme) for which is on or after the later of: (a) the relevant date upon which such exercise occurred; and (b) the date of issue of our Shares, and shall in all respects rank *pari passu* with other existing Shares then in issue.

Duration of the TCA Employee Share Option Scheme

The TCA Employee Share Option Scheme shall continue to be in force at the discretion of our Remuneration Committee, subject to a maximum period of 10 years commencing on the date which the TCA Employee Share Option Scheme is adopted by our Company in a general meeting, provided always that the TCA Employee Share Option Scheme may continue beyond the above-stipulated period with the approval of our Shareholders in a general meeting and of any relevant authorities which may then be required.

The TCA Employee Share Option Scheme may be terminated at any time by our Remuneration Committee and by resolution of our Company in general meeting, subject to all relevant approvals which may be required being obtained. The termination of the TCA Employee Share Option Scheme shall not affect Options which have been granted in accordance with the TCA Employee Share Option Scheme.

Abstention from voting

Shareholders who are eligible to participate in the TCA Employee Share Option Scheme are to abstain from voting on any Shareholders' resolution relating to the TCA Employee Share Option Scheme, including any Shareholders' resolution relating to the implementation of the TCA Employee Share Option Scheme, or the making of offers and grants of Options under the TCA Employee Share Option Scheme at a discount not exceeding the maximum discount, the participation by, and options granted to, Associates of Controlling Shareholders, or the grant of options to Parent Group Executives, and should not accept nominations as proxy or otherwise for voting unless specific instructions have been given in the proxy forms on how the vote is to be cast.

Adjustments and alterations to the TCA Employee Share Option Scheme

The following describes the adjustment events under, and provisions relating to alterations of, the TCA Employee Share Option Scheme. Adjustment Events If a variation in the issued ordinary share capital of our Company (whether by way of bonus issue, rights issue, reduction, subdivision, consolidation, distribution or otherwise) shall take place or if our Company shall make a capital distribution or a declaration of a special dividend (whether in cash or in specie) then our Remuneration Committee may, in its sole discretion, determine whether, then:

- (a) the exercise price of the Options, the class and/or number of Shares comprised in an Option to the extent unexercised; and/or
- (b) the class and/or number of Shares in respect of which Options may be granted under the TCA Employee Share Option Scheme,

THE TCA EMPLOYEE SHARE OPTION SCHEME

shall be adjusted to give such Participant the same proportion of the equity capital of our Company as that to which he was previously entitled, in such manner as our Remuneration Committee may, in its discretion, determine to be appropriate, provided that no adjustment shall be made if as a result, a participant receives a benefit that a Shareholder does not receive.

Unless our Remuneration Committee considers an adjustment to be appropriate: (a) the issue of securities as consideration for an acquisition or a private placement of securities; (b) the cancellation of issued Shares purchased or acquired by our Company by way of a market purchase of such Shares undertaken by our Company on the SGX-ST during the period when a share purchase mandate granted by our Shareholders (including any renewal of such mandate) is in force; (c) the issue of Shares or other securities convertible into or with rights to acquire or subscribe for Shares to its employees pursuant to any share option scheme or share plan approved by Shareholders in general meeting, including the TCA Employee Share Option Scheme; or (d) any issue of Shares arising from the exercise of any warrants or the conversion of any loan stock or any securities convertible into Shares by our Company, shall not normally be regarded as a circumstance requiring adjustment.

Any adjustment (except in relation to a bonus issue) must be confirmed in writing by our Company's auditors (acting only as experts and not as arbitrators) to be, in their opinion, fair and reasonable.

Modifications to the TCA Employee Share Option Scheme

The TCA Employee Share Option Scheme may be modified and/or altered from time to time by a resolution of our Remuneration Committee, subject to the prior approval of the SGX-ST and such other regulatory authorities as may be necessary.

However, no modification or alteration shall adversely affect the rights attached to Options granted prior to such modification or alteration except with the written consent of such number of participants under the TCA Employee Share Option Scheme who, if their Options were exercised in full, would thereby become entitled to not less than three-quarters of the number of all Shares which would fall to be allotted or transferred upon exercise in full of all outstanding Options under the TCA Employee Share Option Scheme.

Any modification or alteration which would be to the advantage of participants under the TCA Employee Share Option Scheme shall be subject to the prior approval of our Shareholders in general meeting.

Grant of Incentive Options with a Discounted Price

The ability to offer Incentive Options to Participants of the TCA Employee Share Option Scheme with exercise prices set at a discount to the prevailing market prices of our Shares will operate as a means to recognise the performance of participants as well as to motivate them to continue to excel, while encouraging them to focus more on improving the profitability and return of our Group above a certain level which will benefit all Shareholders when these are eventually reflected through share price appreciation. The TCA Employee Share Option Scheme will also serve to recruit new employees whose contributions are important to the long-term growth and profitability of our Group. Discounted options would be perceived in a more positive light by the participants, inspiring them to work hard and produce results in order to be offered Incentive Options, as only Group Employees who have made outstanding contributions to the success and development of our Group would be granted Incentive Options.

THE TCA EMPLOYEE SHARE OPTION SCHEME

The flexibility to grant Incentive Options is also intended to cater to situations where stock market performance has overrun the general market conditions. In such events, our Remuneration Committee will have absolute discretion to:

- (a) grant Incentive Options set at a discount to the market price of a Share (subject to a maximum limit of 20.0%); and
- (b) determine the participants to whom, and the Incentive Options to which, such reduction in exercise prices will apply.

In determining whether to give a discount and the quantum of such discount, our Remuneration Committee shall be at liberty to take into consideration factors including the performance of our Company, our Group, the performance of the participant concerned, the contribution of the participant to the success and development of our Group and the prevailing market conditions. Our Remuneration Committee (in its absolute discretion) will determine on a case-by-case basis whether a discount will be given, and if so, the quantum of the discount, taking into account the objective that is desired to be achieved by our Company and the prevailing market conditions. As the actual discount given will depend on the relevant circumstances, the extent of the discount may vary from one case to another, and from time to time, subject to a maximum discount of 20.0% of the market price of a Share. The discretion to grant Incentive Options will, however, be used judiciously.

It is envisaged that our Company may consider granting the Incentive Options under circumstances including (but not limited to) the following:

- (a) firstly, where it is considered more effective to reward and retain talented individuals by way of an Incentive Option rather than a Market Price Option. This is to reward the outstanding employees who have contributed significantly to our Group's performance and the discounted price option serves as additional incentive to such participants. Options granted by our Company on the basis of market price may not be attractive and realistic in the event of an overly buoyant market and inflated share prices. Hence, during such period, the ability to offer such Options at a discount would allow our Company to grant Options on a more realistic and economically feasible basis. Furthermore, Options granted at a discount will give an opportunity to participants to realise some tangible benefits even if external events cause our Share price to remain largely static;
- (b) secondly, where it is more meaningful and attractive to acknowledge a participant's achievements through a discounted price option rather than paying him a cash bonus. For example, Options granted at a discount may be used to compensate participants and to motivate them during economic downturns when wages (including cash bonuses and annual wage supplements) are frozen or cut, or they could be used to supplement cash rewards in lieu of larger cash bonuses or annual wage supplements. Accordingly, it is possible that merit-based cash bonuses or rewards may be combined with grants of Market Price Options or Incentive Options, as part of eligible employees' compensation packages. The TCA Employee Share Option Scheme will provide participants with an incentive to focus more on improving the profitability of our Group thereby enhancing shareholder value when these are eventually reflected through the price appreciation of our Shares after the vesting period; and
- (c) thirdly, where due to speculative forces and having regard to the historical performance of our Share price, the market price of our Shares at the time of the grant of the Options may not be reflective of financial performance indicators such as return on equity and/or earnings growth.

THE TCA EMPLOYEE SHARE OPTION SCHEME

Such flexibility in determining the quantum of discount would enable our Remuneration Committee to tailor the incentives in the grant of Incentive Options to be commensurate with the performance and contribution of each individual participant. By individually recognising the degree of performance and contribution of each participant, the granting of Incentive Options at a commensurate discount would enable our Remuneration Committee to provide incentives for better performance, greater dedication and loyalty of the participants.

Our Company may also grant Market Price Options without any discount to the market price of our Shares. Additionally, our Company may, if it deems fit, impose conditions on the exercise of the Options (whether such Options are granted at the Market Price or at a discount to the Market Price), such as restricting the number of Shares for which the Option may be exercised during the initial years following its vesting.

Disclosure in Annual Reports

Details of, among others, the Options granted during the financial year under review, the aggregate Options granted since commencement of the TCA Employee Share Option Scheme, the aggregate Options exercised since commencement of the TCA Employee Share Option Scheme and the aggregate Options outstanding as at the end of the financial year under review, will be disclosed in our annual reports.

Financial effects of the TCA Employee Share Option Scheme

Any Options granted under the TCA Employee Share Option Scheme would have a fair value. In the event, that such Options are granted at prices below the fair value of the Options, there will be a cost to our Company. The amounts of such costs may be more significant in the case of Incentive Options, where such Options are granted with Exercise Prices set at a discount to the prevailing market price of our Shares. The cost to our Company of granting Options under the TCA Employee Share Option Scheme would be as follows:

- (a) the exercise of an Incentive Option at the discounted exercise price would translate into a reduction of the proceeds from the exercise of such Option, as compared to the proceeds that our Company would have received from such exercise had the exercise been made at the prevailing market price of our Shares. Such reduction of the proceeds from the exercise of such Option would represent the monetary cost to our Company of granting Options with a discounted exercise price;
- (b) as the monetary cost of granting Incentive Options with a discounted exercise price is borne by our Company, the earnings of our Company would effectively be reduced by an amount corresponding to the reduced interest earnings that our Company would have received from the difference in proceeds from the exercise price with no discount versus the discounted exercise price. Such reduction would, accordingly, result in the dilution of our EPS; and
- (c) the effect of the issue of new Shares upon the exercise of Options is that our Company's NTA per Share will increase if the exercise price is above the NTA per Share, and decrease if the exercise price is below the NTA per Share.

THE TCA EMPLOYEE SHARE OPTION SCHEME

The costs as discussed above would only materialise upon the exercise of the relevant Options. Share options have value because the option to buy a company's share for a fixed price during an extended future time period is a valuable right, even if there are restrictions attached to such an option. As our Company is required to account for share-based awards granted to our Group's employees, the cost of granting Options will affect our financial results as this cost to our Company would be required to be charged to our Company's income statement commencing from the time Options are granted. Subject as aforesaid, as and when Options are exercised, the cash inflow will add to the NTA of our Company and our share capital base will grow. Where Options are granted with exercise prices that are set at a discount to the market prices for our Shares prevailing at the time of the grant of such Options, the amount of the cash inflow to our Company on the exercise of such Options would be diminished by the quantum of the discount given, as compared with the cash inflow that would have been received by our Company had the Options been granted at the market price of our Shares prevailing at the time of the grant.

The grant of Options will have an impact on our Company's reported profit under the accounting rules in the International Financial Reporting Standards. It requires the recognition of an expense in respect of Options granted. The expenses will be based on the fair value of the Options at the Date of Grant (as determined by an option-pricing model) and will be recognised over the vesting period.

CORPORATE GOVERNANCE

Our Directors recognise the importance of corporate governance and the maintenance of high standards of accountability to Shareholders of our Company. Accordingly, our Board has established three (3) committees: (a) the Audit and Risk Committee; (b) the Nominating Committee; and (c) the Remuneration Committee.

CORPORATE SOCIAL RESPONSIBILITY

We view our corporate social responsibility initiatives as both a responsibility and a competitive advantage. We recognise our obligations to our employees, shareholders, business partners and the communities in which we operate, and are committed to achieving long-term mutually sustainable relationships with our shareholders.

We actively engage in local community programs and activities involving the local community so as to improve the welfare of the communities that we serve. Such community projects include:

- (a) **Hiring employees with disabilities and special needs:** We actively participate in local programs to hire persons with disabilities and other special needs. As at the Latest Practicable Date, we have employees with disabilities and special needs who are employed at our Foshan BMW Dealership, Shenzhen BMW Dealership and Guangzhou BMW Dealership.
- (b) **Participation in internship support programs with local technical schools:** All our BMW dealerships actively work with local technical schools to provide internships to fresh new graduates. Our Internships comprise work offers for a period of six (6) to twelve months, which include starting salaries, accommodation arrangements and expenses, and further technical education, including in some cases paying for BMW certification programs. In the last few years, we typically hire approximately sixty to seventy fresh graduates a year. A selection of interns will be offered permanent positions each year within our Group.
- (c) **Participation in charity support programs:** We have launched charity support programs, and sometime participated in charity support programs at the invitation of our customers, for educational charities. Most recently in 2021, we promoted a “One Student, One Desk Program” for underprivileged students in rural areas of the PRC, which involved collecting donations for school furniture and study and educational materials for such underprivileged students. Guangzhou Changbao Automobile, through our Guangzhou BMW Dealership, collected more than RMB60,000 from corporate donation and from customers and we were able to send 306 desks and study materials worth about RMB200 a set to Lushi High School in the Yunnan province of the PRC.

We will be required to disclose our corporate social responsibility policies with reference to the SGX-ST's Sustainability Reporting Guide. Our Board of Directors will establish a corporate social responsibility policy which will include the review of the following areas of our Group's activities:

- (a) to review and recommend our Group's policy in respect of corporate social responsibility issues;
- (b) to review our Group's health, safety and environment policies and standards;
- (c) to review the social impact of our Group's business practices in the communities that we operate in;

CORPORATE GOVERNANCE

- (d) to review and recommend policies and practices with regards to key stakeholders (suppliers, customers and employees); and
- (e) to review and recommend policies and practices with regards to regulators.

AUDIT AND RISK COMMITTEE

Our Audit and Risk Committee comprises our Independent Directors, Mr. Henry Tan, Mr. David Leow and Mr. Steven Petersohn. The Chairman of our Audit and Risk Committee is Mr. Henry Tan. Our Audit and Risk Committee is responsible for:

- (a) assisting our Board of Directors in discharging its statutory responsibilities on financing and accounting matters;
- (b) reviewing the assurance from our CEO and CFO on the financial records and financial statements of our Company;
- (c) reviewing significant financial reporting issues and judgements to ensure the integrity of our financial statements, which includes reviewing and discussing with our internal and external auditors any issues and concerns arising from the audits, any suspected fraud, irregularity or infringement of any relevant laws, rules and regulations, which has or is likely to have a material impact on our Group's financial performance or financial position and our management's response to such issues;
- (d) reviewing any formal announcements relating to our financial performance and ensuring that the outcome of the review our Group's key financial risk areas are disclosed in our annual reports, and if the findings are material, to be announced via SGXNET in accordance with the Catalist Rules;
- (e) reviewing the adequacy, effectiveness, independence, scope and results of the external audit and its cost effectiveness, and the independence and objectivity of the external auditors;
- (f) reviewing the external auditor's audit plan and audit report, and the external auditor's evaluation of the system of internal accounting controls, including financial, operational, compliance and information technology controls, as well as reviewing our Company's implementation of any recommendations to address any control weaknesses highlighted by the external auditor;
- (g) reviewing our policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on, and in particular, ensuring our Company publicly discloses and clearly communicates to our employees the existence of a whistle-blowing policy and procedures for raising such concerns;
- (h) reviewing the key financial risk areas, the risk management structure and any oversight of the risk management process and activities to mitigate and manage risk at acceptable levels determined by our Board of Directors;

CORPORATE GOVERNANCE

- (i) reviewing at least annually the adequacy and effectiveness of our risk management and internal controls systems, including financial, operational, compliance and information technology controls, and, where necessary and appropriate, provide a statement on the Board's comment on the adequacy and effectiveness of the Company's internal controls;
- (j) reviewing any interested person transactions and monitoring the procedures established to regulate interested person transactions, including ensuring compliance with our Company's internal control system and the relevant provisions of the Catalist Rules, as well as all conflicts of interests to ensure that proper measures to mitigate such conflicts of interests have been put in place (please refer to the sections entitled "Interested Person Transactions – Guidelines and Review Procedures for Ongoing and Future Interested Person Transactions" and "Interested Person Transactions – Potential Conflicts of Interest" of this Offer Document for further details);
- (k) reviewing transactions undertaken by our Group which fall within the scope of Chapter 10 of the Catalist Rules;
- (l) to be the primary reporting line of the internal audit function and ensuring that the internal audit function has direct and unrestricted access to the Chairman of our Board of Directors and our Audit and Risk Committee;
- (m) ensuring that the internal audit function is adequately resourced and has appropriate standing within our Company;
- (n) reviewing the scope and results of the internal audit procedures, and at least annually, the adequacy, effectiveness, independence, scope and results of our internal audit function;
- (o) ensuring the internal audit function is independent, effective and adequately resourced, is staffed with persons with the relevant qualifications and experience, and deciding on the appointment, termination and remuneration of the head of the internal audit function;
- (p) meeting with our external auditors and internal auditors, in each case without the presence of our management, at least annually;
- (q) reviewing the assistance, coordination and co-operation given to our Group's management to the internal and external auditors;
- (r) reviewing the nature, extent and costs of non-audit services performed by the external auditor, to ensure their independence and objectivity;
- (s) appraising and reporting to our Board of Directors on the audits undertaken by the external auditors and internal auditors and the adequacy of disclosure of information;
- (t) where necessary, commissioning an independent audit on internal controls and risk management systems for the assurance of our Audit and Risk Committee, or where it is not satisfied with our systems of internal controls and risk management;
- (u) making recommendations to our Board of Directors on: (i) the proposals to Shareholders on the appointment, reappointment and removal of the external auditor; and (ii) the remuneration and terms of engagement of the external auditor;

CORPORATE GOVERNANCE

- (v) undertaking such other reviews and projects as may be requested by our Board of Directors, and reporting to our Board its findings from time to time on matters arising and requiring the attention of our Audit and Risk Committee;
- (w) monitoring the measures undertaken by our Group to mitigate and to the extent possible remediate non-compliance by our Group, including non-compliances in respect of land use issues, and having oversight of and reviewing such measures to monitor and to the extent possible prevent further recurrence of non-compliances;
- (x) reviewing changes in accounting policies and practices, major risk areas and significant adjustments arising from audits, compliance statutory and regulatory requirements including the accounting standards and the Catalist Rules, and concerns and issues arising from audits including any matters which our external and internal auditors may wish to discuss in the absence of our management;
- (y) reviewing and approving all hedging policies implemented by our Group (if any) and conducting periodic review of foreign exchange transactions and hedging policies and procedures;
- (z) reviewing and establishing procedures for receipt, retention and treatment of complaints received by our Group, including among others, criminal offences involving our Group or our employees, and/or questionable accounting, auditing, business, safety or other matters that impact negatively on our Group, and ensuring that arrangements are in place for the independent investigations of such matter and for appropriate follow-up; and
- (aa) undertaking generally such other functions and duties as may be required by law or the Catalist Rules, and by amendments made thereto from time to time.

Apart from the duties listed above, our Audit and Risk Committee will ensure that arrangements are in place for employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. Our Audit and Risk Committee will commission and review the findings of internal investigations into such matters or matters where there is any suspected fraud or irregularity, or failure of internal controls, or infringement of any law, rule or regulation which has or is likely to have a material impact on our Group's operating results and financial position. Our Audit and Risk Committee will also ensure that the appropriate follow-up actions are taken. In the event that a member of our Audit and Risk Committee is interested in any matter being considered by our Audit and Risk Committee, he will abstain from reviewing and deliberating on that particular transaction or voting on that particular resolution.

Adequacy of Internal Controls

In preparation for our Listing, our Audit and Risk Committee has held discussions with the Internal Auditors, RSM Risk Advisory Pte. Ltd., in relation to our internal controls. During the course of discussions, our Audit and Risk Committee was given a broad overview of our Group's current internal control procedures. Our Board also noted that the Internal Auditors has confirmed that they are satisfied that the management of our Group has adequately addressed all material points raised in relation to our Group's internal control weaknesses. Further, the Internal Auditors have also reviewed, where applicable, the effectiveness of measures put in place and/or enhanced by the Group to mitigate and to the extent possible prevent the recurrence of past non-compliances. Where any outstanding internal control weaknesses remain, a follow up review will be conducted post-listing as part of the internal audit plan on such outstanding internal control weaknesses.

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Our Board of Directors has also noted that no material internal accounting control weaknesses have been raised by the Independent Auditor and Reporting Accountant in the ordinary course of their audit of the consolidated financial statements of our Group for FY2018, FY2019 and FY2020.

Following our Group's listing on Catalist, our Audit and Risk Committee will continually review the effectiveness of our internal control procedures and, if necessary, outsource our internal audit function to ensure the adequacy and sufficiency of internal control procedures within our Group.

Based on the foregoing, our Board, after making all reasonable enquiries and to the best of its knowledge and belief, with the concurrence of our Audit and Risk Committee, based on the internal controls established and maintained by our Group, work performed by the external and internal auditors, and reviews by our Board and our Audit and Risk Committee, is of the opinion that our internal controls and risk management systems are adequate and effective to address the financial, operational, compliance and information technology controls risks of our Group.

Our Audit and Risk Committee will be commissioning an annual internal control audit until such time as our Audit and Risk Committee is satisfied that our internal controls are both adequate and effective to address the financial, operational and compliance risks of our Group (if any). Prior to the decommissioning of such internal audit, our Group will report to the Issue Manager and Full Sponsor on how any key internal control weaknesses have been rectified, and the basis for the decision to decommission the annual internal control audit, as well as the measures taken to rectify our key weaknesses in and/or strengthen the internal controls of our Group. Thereafter, such audits may be re-initiated by our Audit and Risk Committee as and when it deems fit to satisfy itself that our Group's internal controls remain adequate and effective. Upon the completion of an internal control audit, our Board shall make the appropriate disclosures via SGXNET of any weaknesses in our Group's internal controls which may be material or of a price-sensitive nature, as well as any follow-up actions to be taken by our Board.

Audit and Risk Committee's Opinion on the Suitability and Independence of our CFO

Our Audit and Risk Committee having conducted an interview with Mr. Michael Cheung and having considered:

- (a) the qualifications and past working experience of Mr. Michael Cheung (as described in the section entitled "Directors, Executive Officers and Employees – Directors" of this Offer Document) which are compatible with his position as our CFO;
- (b) observed his abilities, familiarity and diligence in relation to the financial matters and information of our Group;
- (c) Mr. Michael Cheung's demonstration of the requisite competency in finance-related matters of our Group in connection with the preparation for listing of our Company;
- (d) Mr. Michael Cheung's remuneration package which has taken into consideration, among others, the benchmarking against salary surveys and the historical compensation paid by our Group to him as well as his role and contributions to our Group;
- (e) Mr. Michael Cheung's past interested person transactions with the Group as disclosed in the sections entitled "Interested Person Transactions – Past Interested Person Transactions – (a) Issuance of Shares" and "Interested Person Transactions – Past Interested Person Transactions – (b) Issuance and Redemption of Convertible Notes" of this Offer Document, and the fact that such issuance of Shares and issuance and redemption of convertible notes

CORPORATE GOVERNANCE

had been undertaken on an arm's length basis and on normal commercial terms (save for the issuance of Shares pursuant to the historical share grants in connection with his employment by our Company) and on the same terms as those of the other investors who had subscribed for the same securities of our Company at that time. Further, such issuance of Shares and convertible notes were intended to further align his interest with our Group;

- (f) the fact that our Group has a structured finance team wherein Mr. Michael Cheung is supported by a group finance team based in Hong Kong and a Group Director of Finance who is based in the PRC (and who is in turn supported by a Finance Manager, together with his/her respective finance team, in each of the dealerships) which provides further checks and balances to the overall finance reporting; and
- (g) the absence of negative feedback from the Independent Auditor and Reporting Accountant, PricewaterhouseCoopers LLP and the Internal Auditors, RSM Risk Advisory Pte. Ltd., that Mr. Michael Cheung is not suitable for the position of our CFO,

is of the opinion that Mr. Michael Cheung has the necessary expertise and experience and is independent in the discharge of his duties as our CFO.

After making all reasonable enquiries, and to the best of the knowledge and belief of our Audit and Risk Committee, nothing has come to the attention of the members of our Audit and Risk Committee to cause them to believe that Mr. Michael Cheung does not have the competence, character and integrity expected of a chief financial officer (or its equivalent rank) of a listed issuer.

NOMINATING COMMITTEE

Our Nominating Committee comprises Mr. David Leow, Mr. Henry Tan, Mr. Steven Petersohn and Mr. Francis Tjia. The Chairman of our Nominating Committee is Mr. David Leow. The Nominating Committee is responsible for:

- (a) making recommendations to our Board of Directors on relevant matters relating to: (i) the review of board succession plans for directors, in particular, the appointment and/or replacement of our Executive Chairman, our CEO and key management personnel; (ii) the process and criteria for evaluation of the performance of our Board, our Board committees and our Directors; (iii) the review of training and professional development programs for our Board and our Directors; and (iv) the appointment and re-appointment of our Directors (including alternate Directors, if applicable), including the criteria used to identify and evaluate potential new directors and channels used in searching for appropriate candidates;
- (b) reviewing and determining annually, and as and when circumstances require, if a Director is independent, in accordance with the Code of Corporate Governance 2018 and any other salient factors;
- (c) reviewing the composition of our Board of Directors annually to ensure that our Board of Directors and our Board committees are of an appropriate size, comprise Directors who as a group provide an appropriate balance and mix of skills, knowledge, experience, and other aspects of diversity such as gender and age, so as to avoid groupthink and foster constructive debate, and are of an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of our Company and provide core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer-based experience and knowledge;

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- (d) setting the objectives for achieving board diversity and reviewing the Company's progress towards achieving these objectives;
- (e) ensuring that Directors disclose their relationships with our Company, related corporations, substantial shareholders or officers, if any, which may affect their independence and review such disclosures from the Directors and highlight these to the Board as required;
- (f) ensuring that new Directors are aware of their duties and obligations, as well as deciding whether a Director is able to and has been adequately carrying out his or her duties as a Director. Where a Director holds a significant number of listed company directorships and principal commitments which involve significant time commitment, to provide a reasoned assessment of the ability of the Director to diligently discharge his/her duties, taking into consideration the Director's number of listed company board representation and other principal commitments; and
- (g) reviewing and approving the new employment of employees of our Group who are relatives of any of our Directors, Chief Executive Officer or Substantial Shareholders and their proposed terms of their employment.

In addition, our Nominating Committee will make recommendations to our Board of Directors on the objective performance criteria and process for the evaluation of the effectiveness of our Board as a whole, and of each Board committee separately, as well as the contribution by our Executive Chairman and each individual Director to the Board. In this regard, our Nominating Committee will decide how our Board of Directors' performance is to be evaluated and propose objective performance criteria which address how our Board of Directors has enhanced long-term shareholder value. Our Nominating Committee will also implement a process for assessing the effectiveness of our Board of Directors as a whole and our Board committees and for assessing the contribution of our Chairman and each individual Director to the effectiveness of our Board of Directors. Our Chairman will act on the results of the performance evaluation of our Board of Directors, and in consultation with our Nominating Committee, propose, where appropriate, new members to be appointed to our Board of Directors or seek the resignation of Directors.

Each member of our Nominating Committee is required to abstain from voting, approving or making a recommendation on any resolutions of the Nominating Committee in which he has a conflict of interest in the subject matter under consideration.

Nominating Committee's view of our Independent Directors

Our Nominating Committee, having taken into consideration the following:

- (a) the number of listed company directorships by each of our Independent Directors;
- (b) the principal commitments of our Independent Directors;
- (c) the confirmations by our Independent Directors stating that they are each able to devote sufficient time and attention to the matters of our Company;
- (d) the confirmations by our Independent Directors that each of them is not accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of any Controlling Shareholder of our Company, has no relationship with our Company, its related corporations or with any directors of these corporations, its

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Substantial Shareholders or its officers that could interfere or be reasonably perceived to interfere, with the exercise of his or her independent business judgement with a view to the best interests of our Company;

- (e) our Independent Directors' working experience and expertise in different areas of specialisation;
- (f) disclosures in the section entitled "General Information – Material Background Information" of this Offer Document, where applicable; and
- (g) the composition of our Board,

is of the view that: (i) each of our Independent Directors is individually and collectively able to devote sufficient time to the discharge of their duties and are suitable and possess relevant experience as Independent Directors of our Company; and (ii) our Independent Directors, as a whole, represent a strong and independent element on our Board which is able to exercise objective judgement on corporate affairs independently from our Controlling Shareholders. Each member of our Nominating Committee has abstained from participating in the assessment of his own suitability as an Independent Director.

Board's view and Nominating Committee's view of Mr. Henry Tan

Our Board and our Nominating Committee (with Mr. Henry Tan recusing himself) has noted that Mr. Henry Tan has multiple directorships with other listed companies.

In assessing the suitability of Mr. Henry Tan as an Independent Director of the Company, our Board and our Nominating Committee have taken into consideration the following: (i) that he has more than 21 years of experience as a listed company director and is familiar with the listing rules of SGX-ST, the relevant rules and regulations that govern a listed company and the roles and responsibilities as a director; (ii) that he has more than 32 years of accounting and audit experience to fulfil his role, presently being the Group Chief Executive Officer and Chief Innovation Officer of Nexia TS Group, an established accounting firm in Singapore; (iii) that he has demonstrated that he is able to devote sufficient time and attention to each of his directorships by his full attendance at all board and committee meetings for his five (5) directorships in the last three (3) years; (iv) that he has confirmed that he is able to devote sufficient time and attention to the affairs of the Group; and (v) that he has confirmed that there have been no objections imposed by the other listed companies of which he is presently an independent director or Nexia TS Group on his appointment as an Independent Director of the Company.

On the basis of the above, our Board and our Nominating Committee are of the view that Mr. Henry Tan is able to devote sufficient time and attention to the affairs of our Company and discharge his responsibilities as our Company's independent director, and is suitable to be appointed as an Independent Director of our Company.

CORPORATE GOVERNANCE

REMUNERATION COMMITTEE

Our Remuneration Committee comprises Mr. Steven Petersohn, Mr. David Leow and Mr. Henry Tan. The Chairman of our Remuneration Committee is Mr. Steven Petersohn. Our Remuneration Committee is responsible for:

- (a) reviewing and recommending to our Board of Directors, in consultation with the Chairman of our Board of Directors, for endorsement, a comprehensive remuneration policy framework and guidelines for remuneration of our Directors and other persons having authority and responsibility for planning, directing and controlling the activities of our Company (**“Key Management Personnel”**);
- (b) reviewing and recommending to our Board of Directors, for endorsement, the specific remuneration packages for each of our Directors and Key Management Personnel;
- (c) considering all aspects of remuneration (including but not limited to directors’ fees, salaries, allowances, bonuses, options, share-based incentives and awards, benefits-in-kind and termination payments), including termination terms, to ensure they are fair;
- (d) ensuring that the level and structure of remuneration of our Board of Directors and Key Management Personnel are appropriate and proportionate to the sustained performance and value creation of our Company, taking into account our strategic objectives;
- (e) ensuring that a significant and appropriate proportion of our Executive Directors’ and Key Management Personnel’s remuneration is structured so as to link rewards to corporate and individual performance, and that performance-related remuneration is aligned with the interests of shareholders and other stakeholders and promotes the long-term success of our Company;
- (f) ensuring that the remuneration of our Non-Executive Directors is appropriate to their level of contribution, taking into account factors such as effort, time spent and responsibilities;
- (g) reviewing our remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation and the statements in our annual report with a view to achieving clear disclosure of the same;
- (h) reviewing and approving the design of all share option plans, employee share option schemes and/or other equity-based plans and benefits-in-kind;
- (i) in the case of service contracts and employment contracts, reviewing our Company’s obligations arising in the event of termination of our Executive Directors’ or Key Management Personnel’s contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous, with a view to being fair and avoiding the reward of poor performance;
- (j) approving performance targets for assessing the performance of each of our Key Management Personnel and recommend such targets as well as employee specific remuneration packages for each of such Key Management Personnel, for endorsement by our Board; and

CORPORATE GOVERNANCE

- (k) conducting an annual review of and approving the remuneration of employees of our Group who are relatives of any of our Directors, Chief Executive Officer or Substantial Shareholders (including bonuses, increments and/or promotions) and to ensure that their remuneration packages are in line with our staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities.

Our Remuneration Committee also periodically considers and reviews remuneration packages in order to maintain their attractiveness, to retain and motivate our Directors to provide good stewardship of our Company and key executives to successfully manage our Company, and to align the level and structure of remuneration with the long-term interests and risk policies of our Company.

If a member of our Remuneration Committee has an interest in a matter being reviewed or considered by our Remuneration Committee, he will abstain from voting on the matter.

ARRANGEMENTS OR UNDERSTANDING

To the best of our knowledge and belief, there are no arrangements or understandings with any Substantial Shareholders, customers, suppliers or others, pursuant to which any of our Directors and Executive Officers was appointed.

BOARD PRACTICES

Our Directors may be appointed by our Shareholders by ordinary resolution at a general meeting. Our Articles of Association provides that each Director shall retire from office at least once every three (3) years. However, a retiring Director is eligible for re-election at the meeting at which he retires. Further information on the appointment and retirement of Directors can be found in “Appendix G – Summary of Certain Provisions of the Cayman Islands Companies Act and the Memorandum and Articles of Association of our Company” of this Offer Document.

EXCHANGE RATES AND EXCHANGE CONTROLS

EXCHANGE RATES

The following table sets out, for each of the financial years or period indicated, the average and closing exchange rates for S\$/RMB. Where applicable, the exchange rates in the table below used for the translation of our Group's financial statements are disclosed elsewhere in this Offer Document.

	S\$/RMB ⁽¹⁾	
	Average ⁽²⁾	Closing
FY2018	4.914	5.046
FY2019	5.062	5.178
FY2020	5.004	4.940
1Q2021	4.862	4.873

Source: Bloomberg L.P.

The table below sets forth the highest and lowest exchange rates between S\$/RMB for each of the past six (6) months prior to the Latest Practicable Date, and how much RMB can be bought with one S\$.

	S\$/RMB ⁽¹⁾	
	Highest	Lowest
March 2021	4.877	4.828
April 2021	4.894	4.867
May 2021	4.869	4.814
June 2021	4.836	4.796
July 2021	4.808	4.740
August 2021	4.810	4.762

Source: Bloomberg L.P.

As at the Latest Practicable Date, the exchange rate between S\$/RMB was S\$1.00 to RMB4.797.

Notes:

- (1) The above exchange rates have been calculated with reference to exchange rates quoted from Bloomberg L.P. and should not be construed as representations that the RMB amounts actually represent such amounts or could be converted into the S\$ at the rate indicated, or at any other rate, or at all. Bloomberg L.P. has not provided its consent, for purposes of Section 249 of the SFA, to the inclusion of the information extracted from the relevant report published by it and therefore is not liable for such information under Sections 253 and 254 of the SFA. While our Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent have taken reasonable actions to ensure that the information from Bloomberg L.P.'s database has been reproduced in its proper form and context, and that the information has been extracted accurately and fairly from such database, none of our Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent or any other party has conducted an independent review of the information contained in that database or verified the accuracy of the contents of the relevant information.
- (2) The yearly or periodic average rate is calculated based on the average of the exchange rate on the last business day of each month during that year or period.

EXCHANGE RATES AND EXCHANGE CONTROLS

EXCHANGE CONTROLS

Singapore

There are currently no exchange control restrictions in Singapore.

Cayman Islands

There are currently no exchange control regulations or currency restrictions in the Cayman Islands.

British Virgin Islands

There are currently no exchange control regulations or currency restrictions in the British Virgin Islands.

Hong Kong

There are currently no exchange control restrictions in Hong Kong.

PRC

The lawful currency of the PRC is the Renminbi, which is currently subject to foreign exchange control and is not freely convertible into foreign currencies. SAFE is responsible for administration of all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

According to the Regulation on Foreign Exchange Administration of the PRC (中华人民共和国外汇管理条例) promulgated on January 29, 1996, last revised on August 5, 2008 and became effective on the same day, the foreign exchange income and expenditure and foreign exchange business operations of Chinese institutions and individuals, as well as the foreign exchange income and expenditure and foreign exchange business operations conducted within the territory of the PRC by overseas institutions and individuals, shall be subject to foreign exchange administration. The Renminbi is freely convertible for payments of current account items such as trade and service-related foreign exchange transactions and dividend payments, but is not freely convertible for capital expenditure items such as direct investment, loans or investments in securities outside of the PRC unless approval from SAFE or its local counterpart is obtained in advance.

Whilst the payment of dividends by our Company to Shareholders is not restricted by the Regulations on the Control of Foreign Exchange of the PRC and does not require prior approval from SAFE under the PRC foreign exchange control system, the relevant documents in respect of such payment of dividends must be presented at designated foreign exchange banks within the PRC licensed to carry out foreign exchange business.

For risks associated with PRC foreign exchange controls, please refer to the section entitled “Risk Factors – Risks Relating to the PRC – Government control of currency conversion and future movements in foreign exchange rates may adversely affect our financial condition and results of operations, and our ability to remit dividends” of this Offer Document.

TAXATION

SINGAPORE TAXATION

The following is a discussion of certain tax matters arising under the current tax laws in Singapore and is not intended to be and does not constitute legal or tax advice. The discussion is based on laws, regulations and interpretations now in effect and available as at the Latest Practicable Date. These laws and regulations are subject to changes, which may be retrospective to the date of issuance of our Shares. These laws and regulations are also subject to various interpretations and the relevant tax authorities or the courts of Singapore could later disagree with the explanations or conclusions set out below.

The discussion is limited to a general description of certain Singapore income tax, stamp duty, estate duty and GST consequences with respect to the subscription for, ownership and disposal of our Shares, and does not purport to be a comprehensive nor exhaustive description of all tax considerations that may be relevant to a decision to subscribe for, hold or dispose of our Shares.

Prospective investors should consult their own professional tax advisers concerning the Singapore and foreign income tax, stamp duty, estate duty and other tax consequences of subscribing for and/or purchasing, owning and disposing our Shares. Neither our Company, our Directors nor any other persons involved in the Invitation accepts responsibility for any tax effects or liabilities resulting from the subscription for, holding or disposal of our Shares.

Income Tax

Corporate income tax

A company is regarded as tax resident in Singapore if the control and management of the company's business is exercised in Singapore.

A Singapore tax resident corporate taxpayer is subject to Singapore income tax on:

- (a) income accruing in or derived from Singapore; and
- (b) income derived from outside Singapore (i.e. foreign-sourced income) which is received or deemed received in Singapore, unless otherwise exempted.

A non-Singapore tax resident corporate taxpayer is liable to Singapore income tax on income accruing in or derived from Singapore. A non-Singapore tax resident corporate taxpayer is also liable to Singapore income tax on income derived from outside Singapore which is received or deemed to have been received in Singapore but generally only where such taxpayer is considered to be operating in or from Singapore.

Presently, tax exemption will be granted to a Singapore tax resident corporate taxpayer on its foreign-sourced dividends, foreign branch profits and foreign-sourced service income ("**specified foreign income**") received or deemed to be received in Singapore on or after 1 June 2003, subject to meeting the following qualifying conditions:

- (a) the specified foreign income has been subject to tax in the foreign jurisdiction from which the income is received;
- (b) at the time the specified foreign income is received in Singapore, the headline tax rate (i.e. highest corporate income tax rate) of the foreign jurisdiction from which the income is received is at least 15.0%; and
- (c) the Comptroller of Income Tax (the "**Comptroller**") is satisfied that the tax exemption would be beneficial to the Singapore tax resident corporate taxpayer.

TAXATION

Pursuant to a tax concession granted with effect from 30 July 2004, the above foreign income exemption has been extended to include specified foreign income which is exempted from tax (i.e. underlying and withholding tax) in the foreign jurisdiction as a result of a tax incentive granted by that foreign jurisdiction for carrying out substantive business activities in that foreign jurisdiction.

If the foreign income is not tax exempt in Singapore, a Singapore tax resident corporate taxpayer is entitled to claim foreign tax credit (“**FTC**”) for the overseas tax paid on such foreign income, subject to meeting the relevant conditions. The amount of foreign tax credit available to a Singapore tax resident corporate taxpayer is based on the lower of:

- (a) the Singapore tax payable on the particular source of income which qualifies for foreign tax credit; or
- (b) the actual foreign tax suffered on the same income.

Under the FTC pooling system, Singapore resident companies may elect to claim FTC on a pooled basis on any items of its foreign-sourced income, rather than the usual source-by-source and country-by-country basis, subject to meeting the relevant conditions as follows:

- (a) income tax must have been paid on the income in the foreign jurisdiction from which the income is derived;
- (b) at the time the foreign-sourced income is received in Singapore, the highest corporate tax rate (headline tax rate) of the foreign jurisdiction from which the income is derived is at least 15.0%;
- (c) there must be Singapore income tax payable on the foreign-sourced income; and
- (d) the taxpayer is entitled to claim foreign tax credits under sections 50, 50A or 50B of the Singapore Income Tax Act (“**SITA**”) on its foreign-sourced income.

The amount of foreign tax credit to be granted under the FTC pooling system is based on the lower of the total Singapore tax payable on the pooled foreign-sourced income and the pooled foreign taxes paid on that income.

With effect from the Year of Assessment (“**YA**”) 2020, the first S\$200,000 of a company’s normal chargeable income is exempt from tax as follows:

- (a) 75.0% of up to the first S\$10,000 of chargeable income; and
- (b) 50.0% of up to the next S\$190,000 of chargeable income.

For certain private companies, 75.0% of the first S\$100,000 of normal chargeable income and 50.0% of the next S\$100,000 of normal chargeable income is exempted from tax, subject to meeting the relevant conditions.

The remaining chargeable income (after deducting the applicable tax exemption of the first S\$200,000 of chargeable income) will be taxed at the prevailing corporate tax rate, currently at 17.0%.

TAXATION

Individual income tax

An individual is regarded as a tax resident in Singapore in a YA if, in the preceding calendar year, he was physically present in Singapore or exercised an employment in Singapore (other than as a director of a company) for 183 days or more, or if he ordinarily resides in Singapore, except for temporary absences.

An individual taxpayer (both tax resident and non-tax resident of Singapore) is subject to Singapore income tax on income accruing in or derived from Singapore, subject to certain exceptions. Foreign-sourced income received or deemed received in Singapore by an individual taxpayer, regardless of whether he/she is a tax resident or non-tax resident of Singapore, is generally exempt from income tax in Singapore, except for such income received through a partnership in Singapore by the resident individuals.

Currently, a Singapore tax resident individual is subject to tax at the progressive rates, ranging from 0% to 22.0%, after deductions of qualifying personal reliefs where applicable.

A non-Singapore tax resident individual is generally taxed at the rate of 22.0% except for Singapore employment income which may be taxable at a flat rate of 15.0% or the progressive rates as a tax resident, whichever is higher.

Dividend Distributions

Singapore currently adopts the One-Tier Corporate Taxation System ("**One-Tier System**"). Under the One-Tier System, the tax paid by a Singapore tax resident company is a final tax. All dividends paid by a Singapore tax resident company are tax exempt in Singapore in the hands of the shareholders regardless of their tax residency and whether the shareholder is a company or an individual. Singapore does not currently impose withholding tax on dividends paid to resident or non-resident shareholders.

It is our management's intention for our Company to be considered as a tax resident in Singapore for income tax purposes and they will take the necessary actions for our Company to be regarded as a tax resident in Singapore for income tax purposes.

Foreign Shareholders/investors are advised to consult their own tax advisers in respect of the tax laws of their respective countries of residence which are applicable on such dividends received by them and the applicability of any double taxation agreement that their country of residence may have with Singapore.

Gains on disposal of Shares

Singapore currently does not impose tax on capital gains. Any gains considered to be in the nature of capital made from the disposal of our Shares will not be taxable in Singapore. However, gains from the disposal of investments may be construed to be of an income nature and subject to Singapore income tax if they arise from or are otherwise connected with the activities of a trade or business carried on in Singapore and may be taxable in Singapore.

There are no specific laws or regulations which deal with the characterisation of whether a gain is income or capital in nature. The characterisation of gains arising from the disposal of our Shares will depend primarily on the facts and circumstances of each Shareholder. As the precise facts and circumstances of one Shareholder will vary from another, Shareholders are advised to consult their own professional tax advisers on the Singapore tax consequences that may be applicable to their individual circumstances.

TAXATION

Section 13Z of the SITA provides for certainty on non-taxability of gains derived by a corporate taxpayer from the disposal of ordinary shares during the period from 1 June 2012 to 31 December 2027 (both dates inclusive) where:

- the divesting company had legally and beneficially held a minimum shareholding of 20.0% of the ordinary shares of the company whose shares are being disposed; and
- the divesting company had maintained the minimum 20.0% shareholding for a continuous period of at least 24 months immediately prior to the disposal.

The abovementioned “safe harbour rule” prescribed under Section 13Z of SITA is not applicable under the following scenarios:

- During the period from 1 June 2012 to 31 May 2022, on the disposal(s) of shares in an unlisted investee company which is in the business of trading or holding Singapore immovable properties (other than the business of property development).
- During the period from 1 June 2022 to 31 December 2027, on the disposals of unlisted shares in investee companies that are in the business of trading, holding or developing immovable properties in Singapore or abroad.

In addition, corporate Shareholders who have adopted, or who are required to adopt, the Singapore Financial Reporting Standard International (“**SFRS (I)**”) 9 (Financial Instruments) which replaces the existing SFRS (I) 1-39 (Financial Instruments – Recognition and Measurement) for accounting purposes may be required to recognise gains or losses in accordance with the provisions of SFRS (I) 9 regardless of any disposal of our Shares being made. If so, the gain or loss on the Shares may be taxed or allowed as a deduction for Singapore income tax purposes notwithstanding being unrealised. Shareholders who may be subject to such tax treatment should consult their own accounting and tax advisers regarding the Singapore income tax consequences that may arise from the adoption of SFRS (I) 9 in respect of their acquisition, holding and disposal of our Shares.

Bonus Shares

Any bonus shares received by our Shareholders are not taxable in Singapore.

Stamp Duty

There is no stamp duty payable on the subscription for, allotment or holding of our Shares.

Where our Shares evidenced in certificated form are acquired in Singapore and where our Company maintains a share registry in Singapore, stamp duty is payable on the instrument of transfer of our Shares at the rate of 0.2%, computed on the consideration paid or market value of our Shares, whichever is higher.

The purchaser is liable for stamp duty, unless there is an agreement to the contrary. No stamp duty is payable upon transfer of our Shares if no instrument of transfer is executed (such as in the case of scripless shares, the transfer of which does not require a contract or agreement to be executed) or the instrument of transfer is executed outside Singapore. However, stamp duty may be payable if the instrument of transfer which is executed outside Singapore is subsequently received in Singapore.

TAXATION

Stamp duty is not applicable to electronic transfers of our Shares through the scripless trading system operated by CDP, if such transfers are not pursuant to an instrument of transfer entered into.

Estate Duty

Singapore estate duty had been abolished with effect from 15 February 2008.

Goods and Services Tax (“GST”)

The sale of our Shares by a GST-registered investor belonging in Singapore through an SGX-ST member to another person belonging in Singapore is an exempt supply and so would not be subject to GST. Any input GST (e.g. GST on brokerage) incurred by the GST-registered investor in making such an exempt supply is generally not recoverable from the Comptroller of GST and becomes an additional cost to the investor unless the investor satisfies certain conditions prescribed under the GST legislation or certain GST concessions.

Where our Shares are sold by a GST-registered investor to a person belonging outside Singapore and that person is outside Singapore at the time the sale is executed, the sale is generally regarded as a taxable supply subject to GST at zero-rate. Any input GST incurred by a GST-registered investor in the making of this taxable supply in the course of or furtherance of a business carried on by him, subject to the provisions of the Goods and Services Tax Act, Chapter 117A of Singapore, may be recovered from the Comptroller of GST.

Investors should seek their own tax advice on the recoverability of GST incurred on expenses in connection with the purchase and disposition of our Shares.

Services consisting of arranging, broking, underwriting or advising on the issue, allotment or transfer of ownership of our Shares rendered by a GST-registered person to an investor belonging in Singapore for GST purposes in connection with the investor’s purchase, sale or holding of our Shares will be subject to GST at the standard rate, currently at 7.0%. Similar services rendered to an investor belonging outside Singapore are subject to GST at zero-rate, provided that the investor is physically present outside Singapore when the services are performed and the services provided do not directly benefit any Singapore non-GST registered persons.

CAYMAN ISLANDS

Our Company is incorporated as an exempted company in the Cayman Islands. Dividends remitted to Shareholders resident outside the Cayman Islands will not be subject to Cayman Islands withholding tax. There are no reciprocal tax treaties between the Cayman Islands and Singapore. See “Appendix G – Summary of Certain Provisions of the Cayman Islands Companies Act and the Memorandum and Articles of Association of our Company – Taxation” of this Offer Document for further details.

PRC

Please refer to “Risk Factors – Risks Relating to the PRC – You may be subject to PRC income tax on dividends from us or on any gain realised on the transfer of our Shares” and “Government Regulations – PRC – Taxation Laws and Regulations” of this Offer Document for further details.

CLEARANCE AND SETTLEMENT

Upon listing and quotation on Catalist, our Shares will be traded under the book-entry settlement system of CDP, and all dealings in and transactions of the Shares through Catalist will be effected in accordance with the terms and conditions for the operation of Securities Accounts with CDP, as amended, modified or supplemented from time to time.

CDP, a wholly-owned subsidiary of the SGX-ST, was incorporated under the laws of Singapore and acts as a depository and clearing organisation. CDP holds securities for its account holders and facilitates the clearance and settlement of securities transactions between account holders through electronic book-entry changes in the Securities Accounts maintained by such account holders with CDP.

Our Shares will be registered in the name of CDP or its nominees and held by CDP for and on behalf of persons who maintain, either directly or through Depository Agents, Securities Accounts with CDP. Persons named as direct securities account holders and depository agents in the depository register maintained by CDP will not be treated, under the Cayman Islands Companies Act and our Articles of Association, as members of our Company in respect of the number of our Shares credited to their respective securities accounts. The depositors and depository agents on whose behalf CDP holds Shares for may not be accorded the full rights of membership such as voting rights, the right to appoint proxies, or the right to receive shareholders circulars, proxy forms, annual reports, prospectuses and takeover documents. In such an event, depositors and depository agents will be accorded only such rights as CDP may make available to them pursuant to CDP's terms and conditions to act as depository for issuers.

Persons holding our Shares in Securities Accounts with CDP may withdraw the number of Shares they own from the book-entry settlement system in the form of physical share certificates. Such share certificates will, however, not be valid for delivery pursuant to trades transacted on the SGX-ST, although they will be prima facie evidence of title and may be transferred in accordance with our Memorandum and Articles of Association. A fee of S\$10.00 for each withdrawal of 1,000 Shares or less and a fee of S\$25.00 for each withdrawal of more than 1,000 Shares each subject to GST at the prevailing rate (currently 7.0%) is payable upon withdrawing the Shares from the book entry settlement system and obtaining physical share certificates. In addition, a fee of S\$2.00 or such other amount as our Directors may decide, is payable to the Share Registrar and Share Transfer Agent for each share certificate issued and stamp duty of 0.2% of the last-transacted price where it is withdrawn in the name of a third party. Persons holding physical share certificates who wish to trade on Catalist must deposit with CDP their share certificates together with the duly executed and (where necessary) stamped instruments of transfer in favour of CDP, and have their respective Securities Accounts credited with the number of Shares deposited before they can effect the desired trades. A fee of S\$10.00, subject to GST at the prevailing rate (currently 7.0%) is payable upon the deposit of each instrument of transfer with CDP. The above fee may be subject to such changes as may be in accordance with CDP's prevailing policies or the current tax policies that may be in force in Singapore from time to time. Transfers and settlements pursuant to on-exchange trades will be charged a fee of S\$30.00 and transfers and settlements pursuant to off-exchange trades will be charged a fee of 0.015% of the value of the transaction, subject to a minimum of S\$75.00.

Transactions in our Shares under the book-entry settlement system will be reflected by the seller's Securities Account being debited with the number of Shares sold and the buyer's Securities Account being credited with the number of Shares acquired. No transfer stamp duty is currently payable for our Shares that are settled on a book-entry basis.

CLEARANCE AND SETTLEMENT

A Singapore clearing fee for trades in our Shares on Catalist is payable at the rate of 0.0325% of the transaction value subject to a maximum of S\$600.00 per transaction. The clearing fee, instrument of transfer deposit fee and share withdrawal fee may be subject to GST at the prevailing rate of 7.0% (or such other rate prevailing from time to time).

Dealing in our Shares will be carried out in Singapore dollars and will be effected for settlement on CDP on a scripless basis. Settlement of trades on a normal “ready” basis on Catalist generally takes place on the third Market Day following the transaction date, and payment for the securities is generally settled on the following business day. CDP holds securities on behalf of investors in Securities Accounts. An investor may open a direct account with CDP or a sub-account with a Depository Agent. The CDP Depository Agent may be a member company of the SGX-ST, bank, merchant bank or trust company.

GENERAL INFORMATION

MATERIAL BACKGROUND INFORMATION

1. Save as disclosed below, none of our Directors, Executive Officers or Controlling Shareholders has:
 - (a) at any time during the last 10 years, had an application or a petition under any bankruptcy laws of any jurisdiction filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within two (2) years from the date he ceased to be a partner;
 - (b) at any time during the last 10 years, had an application or a petition under any law of any jurisdiction filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within two (2) years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding-up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency;
 - (c) any unsatisfied judgements against him;
 - (d) ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose;
 - (e) ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach;
 - (f) at any time during the last 10 years, judgement entered against him in any civil proceeding in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part;
 - (g) ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust;
 - (h) ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust;
 - (i) ever been the subject of any order, judgement or ruling of any court, tribunal or governmental body permanently or temporarily enjoining him from engaging in any type of business practice or activity;

GENERAL INFORMATION

- (j) ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of affairs of:
 - (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere;
 - (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere;
 - (iii) any business trust which has been investigated for breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or
 - (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,in connection with any matter occurring or arising during the period when he was so concerned with the entity or business trust; and
- (k) ever been the subject of any current or past investigation or disciplinary proceedings, or been reprimanded or issued any warning, by the Authority or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere.

MSDD

MSDD is a company incorporated in the PRC and was an indirect subsidiary of our Company's controlling shareholder, TCA International⁽¹⁾. MSDD was also the former parent company of several PRC subsidiaries of our Group including Foshan Shenbao Automobile and Guangzhou Changbao Automobile. Both these entities were subsequently transferred to our Group in September 2016. While MSDD remained the then enlarged group's purchasing entity until 2017, its function has been slowly phased out over the last few years and has since been deregistered.

Mr. Roger Chan was the director and Mr. Raymond Woo was the legal representative of MSDD from May 2014 to December 2020 and June 2009 to December 2020, respectively.

As part of their investigation against foreign exchange agents in 2019, SAFE questioned MSDD's receipt and remittance of US dollars and Chinese yuan, the bulk of which were transactions occurring around 2016 and 2018, which were largely used to fund non-Company debt and MSDD's overdue supplier payments.

During the investigations, MSDD was informed that the licensed foreign exchange agent which it appointed did not meet the SAFE recognised definition of a financial institution that can process foreign exchange. MSDD cooperated fully with SAFE's information requests and was subsequently handed an administrative financial penalty. MSDD was fined RMB3,265,200 for receiving and remitting US dollars and Chinese yuan without SAFE approval in accordance to a decision issued by SAFE on 26 October 2020 ("**SAFE Penalty**"). MSDD did not appeal the ruling and made the penalty payment in November 2020.

GENERAL INFORMATION

Our Company has not been fined and did not take part in any investigation. Our Company has only used its own SAFE-approved remittance channels for foreign exchange transfers.

None of our Directors or Executive Officers (including Mr. Roger Chan and Mr. Raymond Woo) were personally the subject of any investigations by SAFE, nor were they the subject of any penalties or disciplinary actions in connection with the abovementioned breach by MSDD of the relevant regulations relating to process of foreign exchange. Our Group's Group Director of Finance, Mr. Xie Lin, also assisted in the investigations by SAFE in relation to MSDD in his capacity as the financial controller of our Group. For avoidance of doubt, our Group was then part of the enlarged Group.

Further to the aforementioned investigations, SAFE has not conducted further inspections and/or investigations and/or raised further comments to our Group in relation to the matter.

For avoidance of doubt, our Company was not the subject of the investigation. The case is fully settled and our Company, our Company's Directors and Executive Officers are not subject to any penalties or disciplinary actions in connection with the SAFE Penalty and MSDD has fully performed all its obligations as required under the SAFE Penalty.

Notwithstanding that the matter did not involve our Group, our Group had nevertheless taken steps to enhance our internal controls to implement processes and safeguards to prevent an occurrence of the aforementioned matter within our Group, which included establishing an additional policy to further regulate the cross-border cash repatriation from our onshore accounts in the PRC to our offshore accounts in foreign countries and regions such as Hong Kong. Under this policy, all cross-border payments must be pre-cleared and authorised by our CFO. In addition, both the onshore and offshore accounts must be accounts owned and operated by our Group, which prevents reliance on the use of third-party remittance agents.

Putian Baotian Automobile Sales and Service Co., Ltd. (莆田宝田汽车销售服务有限公司)
("Putian Baotian Automobile")

Putian Baotian Automobile was formerly a subsidiary of our Controlling Shareholder, TCA International⁽¹⁾ and used to operate a BMW service centre in Putian, Fujian Province. Mr. Roger Chan was the director and Mr. Raymond Woo was the general manager of Putian Baotian Automobile since 17 November 2014 and 14 April 2010, respectively. Putian Baotian Automobile was later disposed to a third party in December 2015 and as part of the negotiation, both Mr. Roger Chan and Mr. Raymond Woo were asked, and they had both agreed, to remain as director and general manager respectively, primarily because Putian Baotian Automobile was involved in a construction project for a BMW 4S dealership which was ongoing at that time and the construction permit was registered under Mr. Roger Chan and Mr. Raymond Woo.

In September 2012, law enforcement officers of Chengxiang District Administration for Industry and Commerce ("**CDAIC**") conducted an on-site inspection on Putian Baotian Automobile. The inspection found that the back of the customer sheet of the maintenance work order used by Putian Baotian Automobile was marked with the statement 'The company has the final right of interpretation of these clauses'. According to the relevant PRC laws, such practice constitutes an act of excluding the consumer's right to interpret sales transaction clauses. The inspection resulted in a fine amounting to RMB2,000 ("**2012 CDAIC Penalty**").

In April 2015, another similar inspection was conducted at Putian Baotian Automobile. It was found that Putian Baotian Automobile dealt with imported goods, some of which might not have instructions in Chinese, which contravenes the relevant PRC laws. The inspection resulted in a fine amounting to RMB4,000 ("**2015 CDAIC Penalty**").

GENERAL INFORMATION

None of our Directors or Executive Officers (including Mr. Roger Chan and Mr. Raymond Woo) were personally the subject of any investigations by CDAIC, nor were any of them subject to any penalties or disciplinary actions in connection with the abovementioned breaches by Putian Baotian Automobile.

For avoidance of doubt, our Company was not the subject of the inspections. The case is fully settled and our Company, our Company's Directors or Executive Officers are not subject to any penalties or disciplinary actions in connection with the 2012 CDAIC Penalty and 2015 CDAIC Penalty. Both Mr. Roger Chan and Mr. Raymond Woo have since stepped down from their respective positions in Putian Baotian Automobile on 20 August 2021.

Notwithstanding the involvement of Mr. Roger Chan and Mr. Raymond Woo in respect of MSDD and Putian Baotian Automobile as disclosed in the foregoing, our Nominating Committee is of the view that both Mr. Roger Chan and Mr. Raymond Woo remain suitable to be appointed as Executive Officers of our Group, having considered, among others, the following factors:

- (i) both Mr. Roger Chan and Mr. Raymond Woo were not personally the subject of any investigations by SAFE and CDAIC, nor were they the subject to any penalties or disciplinary actions in connection with the abovementioned breaches by MSDD and Putian Baotian Automobile;
- (ii) both Mr. Roger Chan and Mr. Raymond Woo in their respective capacities ensured that MSDD cooperated fully in the investigations and subsequently paid off the fine in full before stepping down from their respective positions in MSDD; and
- (iii) the abovementioned matters have been fully resolved and MSDD has since been deregistered while Putian Baotian Automobile is in the midst of being wound down. Further, both Mr. Roger Chan and Mr. Raymond Woo have, on 20 August 2021, stepped down from their respective roles in Putian Baotian Automobile which is currently a dormant company. Accordingly, both Mr. Roger Chan and Mr. Raymond Woo remain fully committed to their respective roles in our Group.

Note:

- (1) For completeness, it is to be noted that TCA International is wholly owned by TCA, L.P. which is managed by its general partner, TCA Management. TCA Management has been granted the authority to operate, manage and control the affairs of TCA, L.P., including making investment decisions and voting on the securities and interest held by TCA, L.P. and accordingly TCA Management is deemed interested in the shares held by TCA International by virtue of Section 4 of the SFA. Octo Holdings Limited holds more than 20.0% of the voting shares in TCA Management, and is accordingly deemed to have an interest in the shares held by TCA Management (through TCA, L.P. and TCA International) by virtue of Section 4 of the SFA. Mr. Francis Tjia holds the entire shareholding interest in Octo Holdings Limited and is deemed a Controlling Shareholder of our Company. Each of these persons and entities were also Controlling Shareholders of our Company during the time that MSDD and Putian Baotian Automobile were subsidiaries of TCA International. Mr. Michael Cheung was also part of the key management of TCA International during the time that MSDD and Putian Baotian Automobile were subsidiaries of TCA International.
- 2. There is no shareholding qualification for Directors under our Memorandum and Articles of Association.
- 3. Save as disclosed in the sections entitled "Interested Person Transactions", "Reorganisation Exercise" and "Share Capital" of this Offer Document, no Director is interested, directly or indirectly, in the promotion of, or in any property or assets which have, within the two (2) years preceding the date of this Offer Document, been acquired or disposed of by or leased to us or any of our subsidiaries, or are proposed to be acquired or disposed of by or leased to us or any of our subsidiaries.

GENERAL INFORMATION

4. No sum or benefit has been paid or is agreed to be paid to any Director or expert, or to any firm in which such Director or expert is a partner or any corporation in which such Director or expert holds shares or debentures, in cash or shares or otherwise, by any person to induce him to become, or to qualify him as, a Director, or otherwise for services rendered by him or by such firm or corporation in connection with the promotion or formation of our Company.

SHARE CAPITAL

5. As at the Latest Practicable Date, there is only one (1) class of shares in the capital of our Company, being ordinary shares in the capital of our Company. There are no founder, management or deferred shares. Our existing Shares do not carry voting rights which are different from the Invitation Shares. The rights and privileges attached to our Shares are stated in our Memorandum and Articles of Association.
6. Save as disclosed below and in the section entitled “Share Capital” of this Offer Document, there were no changes in issued and paid-up share capital or the number and classes of shares of our Company or our subsidiaries within the three (3) years preceding the date of this Offer Document.

Date of issue/ change	Number of shares	Relevant Change	Consideration	Resultant issued and paid-up share capital
Our Company				
2 April 2019	1,145,902	Issuance of shares pursuant to subscription ⁽¹⁾	US\$1,365,000	US\$44,379,508.00
26 August 2020	2,099,473	Issue of shares pursuant to subscription ⁽²⁾	US\$2,250,000	US\$46,478,981.00
26 August 2020	859,789	Issuance of shares pursuant to subscription ⁽³⁾	US\$921,434	US\$47,338,770.00
10 September 2020	2,593,626	Issuance of shares to Executive Director and Executive Officers ⁽⁴⁾	US\$3,385,181	US\$49,932,396.00
31 December 2020	(1)	Share repurchase ⁽⁵⁾	RMB475,000,000	US\$49,932,395.00
24 June 2021	N/A	Capital reduction ⁽⁶⁾	N.A.	US\$4,993,239.50

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Date of issue/ change	Number of shares	Relevant Change	Consideration	Resultant issued and paid-up share capital
Our Subsidiaries				
<i>Guangzhou Changbao Automobile</i>				
21 August 2018	N.A.	Issue of new shares pursuant to subscription by Global Gallant Limited	RMB20,000,000	RMB100,000,000
<i>Shenzhen Bright Focus Automobile</i>				
19 July 2018	N.A.	Issue of new shares pursuant to subscription by Bright Promise Limited	RMB10,000,000	RMB20,000,000
23 August 2018	N.A.	Issue of new shares pursuant to subscription by Bright Promise Limited	RMB20,000,000	RMB55,000,000
<i>Shenzhen Qifeng Automobile</i>				
7 May 2019	N.A.	Issue of new shares pursuant to subscription by N-Tech Services Limited	RMB500,000	RMB10,000,000
<i>Wuhan Ruisheng Automobile</i>				
13 July 2018	N.A.	Issue of new shares at incorporation	—	RMB1,000,000

Notes:

- (1) On 2 April 2019, Octo Magistra Limited and Mr. Michael Cheung were respectively issued 1,049,361 ordinary shares of par value US\$1.00 each in the capital of our Company and 96,541 ordinary shares of par value US\$1.00 each in the capital of our Company for a subscription amount of US\$1,250,000 and US\$115,000 respectively.
- (2) On 26 August 2020, Octo Magistra Limited and Mr. Michael Cheung respectively subscribed for 1,866,198 ordinary shares of par value US\$1.00 each in the capital of our Company and 233,275 ordinary shares of par value US\$1.00 each in the capital of our Company for a subscription amount of US\$2,000,000 and US\$250,000 respectively.
- (3) On 26 August 2020:
 - (a) Mr. Kwan Mang Edward Ng and Ms. Wing Chi Wincey Lam were issued 466,549 ordinary shares of par value US\$1.00 each in the capital of our Company for a subscription amount of US\$500,000.
 - (b) Mandarin Holdings Ltd. was issued 373,240 ordinary shares of par value US\$1.00 each in the capital of our Company for a subscription amount of US\$400,000.
 - (c) Raife Investments Inc. was issued 20,000 ordinary shares of par value US\$1.00 each in the capital of our Company for a subscription amount of US\$21,434.
- (4) On 10 September 2020, the following persons were issued ordinary shares of par value US\$1.00 each in the capital of our Company pursuant to historical share grants in connection with their employment by our Company:

GENERAL INFORMATION

- (a) Mr. Michael Cheung was issued two (2) tranches of shares, being 1,269,852 ordinary shares of par value US\$1.00 each in the capital of our Company and 459,232 ordinary shares of par value US\$1.00 each in the capital of our Company which were issued for a consideration of US\$1,657,401.43 and US\$599,386.21 respectively from a capitalisation of our Company's share based compensation reserves. Mr. Michael Cheung paid a nominal amount of US\$1.00 for such shares;
 - (b) Mr. Roger Chan was issued 432,271 ordinary shares of par value US\$1.00 each in the capital of our Company which were issued for a consideration of US\$564,196.91 from a capitalisation of our Company's share based compensation reserves. Mr. Roger Chan paid a nominal amount of US\$1.00 for such shares; and
 - (c) Mr. Raymond Woo was issued 432,271 ordinary shares of par value US\$1.00 each in the capital of our Company which were issued for a consideration of US\$564,196.91 from a capitalisation of our Company's share based compensation reserves. Mr. Raymond Woo paid a nominal amount of US\$1.00 for such shares.
- (5) On 15 April 2017, our Company entered into a share repurchase agreement with our Controlling Shareholder, TCA International, in relation to the repurchase by our Company of one (1) ordinary share of par value US\$1.00 in the capital of our Company from TCA International at the purchase price of RMB475,000,000. The share repurchase was completed on 31 December 2020.
- (6) On 7 April 2021, our Shareholders approved:
- (a) a reduction of the par value of each of the issued shares with a par value of US\$1.00 each in the capital of our Company from US\$1.00 to US\$0.10 by the cancellation of the paid-up share capital of our Company to the extent of US\$0.90 on each of the shares with a par value of US\$1.00 in the capital of our Company in issue on the effective date of the capital reduction, and the issued and paid-up share capital of our Company was reduced from US\$49,932,395 divided into 49,932,395 shares with a par value of US\$1.00 each in the capital of our Company to US\$4,993,239.50 divided into 49,932,395 shares with a par value of US\$0.10 each in the capital of our Company;
 - (b) the cancellation of all the authorised but unissued shares with a par value of US\$1.00 each in the capital of our Company and the diminution of the authorised share capital of our Company of US\$100,000,000 by US\$95,006,760.50 representing the amount of shares so cancelled and, forthwith upon such cancellation, the increase of the authorised share capital of our Company to US\$100,000,000 by the creation of 950,067,605 shares with a par value of US\$0.10 each in the capital of our Company;
 - (c) a reduction of the share premium account of our Company from US\$1,222,826.55 to zero; and
 - (d) the credit arising from the capital reduction in the sum of US\$44,939,155.50 and the credit arising from the share premium reduction in the sum of US\$1,222,826.55 be credited to a distributable reserve account of our Company and the sum of US\$46,161,982.05 in the distributable reserve account of our Company be utilised to set-off against the accumulated losses of our Company as at 31 December 2020 in full, amounting to US\$16,255,101.34 and the Board of Directors of our Company were authorised to utilise any credit balance in the distributable reserve account of our Company in such manner as may be determined by the Board in accordance with the Memorandum and Articles of Association of our Company and applicable law.

The capital reduction was confirmed by an Order of the Grand Court of the Cayman Islands dated 23 June 2021 (as amended on 30 June 2021), and the minute and court order in respect of the capital reduction was registered by the Registrar of Companies in the Cayman Islands on 24 June 2021.

7. Save as disclosed in the sections entitled "Share Capital" of this Offer Document, no shares in, or debentures of, our Company or any of our subsidiaries have been issued, or are proposed to be issued, as fully or partly paid-up for cash, or for a consideration other than cash, during the last three (3) years preceding the date of this Offer Document.
8. Save for the Option Shares which may be granted under the TCA Employee Share Option Scheme, as at the Latest Practicable Date, no person has been, or is entitled to be, given an option to subscribe for any shares in or debentures of our Company or any of our subsidiaries.

GENERAL INFORMATION

MEMORANDUM AND ARTICLES OF ASSOCIATION

9. A summary of certain provisions of our Memorandum and Articles of Association relating to, amongst others, Directors' powers to vote on contracts in which they are interested, Directors' remuneration, Directors' borrowing powers, Directors' retirement, Directors' share qualification, rights pertaining to shares, convening of general meetings and alteration of capital are set out in the section entitled "Appendix G – Summary of Certain Provisions of the Cayman Islands Companies Act and the Memorandum and Articles of Association of our Company" of this Offer Document. Our Memorandum and Articles of Association is available for inspection at the registered office of our Share Registrar and Share Transfer Agent in accordance with paragraph 28(i) in the section entitled "General Information – Documents Available for Inspection" of this Offer Document.

MATERIAL CONTRACTS

10. The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by our Company and our subsidiaries within the two (2) years preceding the date of lodgement of this Offer Document and are or may be material:
- (a) each of the Management and Sponsorship Agreement and the Underwriting and Placement Agreement;
 - (b) Loan facility letter dated 17 February 2020 entered into between our Company and Kingsway SW Finance Limited in relation to a HK\$10,000,000 loan granted by Kingsway SW Finance Limited to our Company;
 - (c) Convertible Notes transfer agreement dated 24 March 2020 entered into between our Company as issuer, Vinod Narain as seller and TCA International Limited as buyer in relation to the sale and transfer of the 1,000 convertible notes held by Vinod Narain;
 - (d) Convertible Notes transfer agreement dated 26 March 2020 entered into between our Company as issuer, Andrew John Pearson as seller and TCA International Limited as buyer in relation to the sale and transfer of the 1,000 convertible notes held by Andrew John Pearson;
 - (e) the following agreements entered into in connection with a facility agreement dated 11 July 2018 entered into between, amongst others, our Company, various of our subsidiaries, Mr. Francis Tjia as individual guarantor, Artesia Global Limited as lender and Madison Pacific Trust Limited as security agent in relation to a US\$38,000,000 credit facility granted to our Company ("**2018 Facility Agreement**"), and for which various Group entities had provided security over their respective shares and assets;
 - (i) Equity pledge agreement dated 21 December 2020 entered into by TCA Holdings (HK) Limited to charge the shares of TCA Holdings (HK) Limited in favour of Artesia Global Limited as lender under the 2018 Facility Agreement;
 - (ii) Deed of release dated 27 April 2021 entered into between our Company, TCAH (BVI) Limited, TCA Foshan (BVI) Limited, MARINE PEARL LIMITED, AUTO WINNING LIMITED, LANDWEALTH HOLDINGS LIMITED, TCA Chongqing (BVI) Limited, TCA Shenzhen (BVI) Limited, TCA Guangzhou (BVI) Limited, Focus Win (Guangzhou) Limited, Trans-China Automotive Holdings (FS) Limited and Mr. Francis Tjia (as released parties) and Madison Pacific Trust Limited as security

GENERAL INFORMATION

agent and trustee for the secured parties in relation to the Released Documents (as defined therein) and the 2018 Facility Agreement;

- (iii) Release Agreement dated 29 December 2020 between the release obligors, including Bright Promise Limited, Focus Win (Guangzhou) Limited, Focus Win (Chongqing) Limited and Global Gallant Limited (as pledgors), and Artesia Global Limited (as pledgee);
- (iv) Payment Confirmation Letter dated 8 April 2021 between the release obligors, including Power Summit Corporation Limited, Bright Promise Limited, Focus Win (Chongqing) Limited, TCA (Holdings (HK) Limited and Global Gallant Limited (as pledgors), the Company as borrower and Artesia Global Limited as lender;
- (v) Deed of Release dated 27 April 2021 between the released parties, including Focus Win (Guangzhou) Limited and Trans-China Automotive Holdings (FS) Limited, and Madison Pacific Trust Limited as the security agent;
- (vi) Release Agreement dated 27 April 2021 between the release obligors, including Power Summit Corporation Limited, TCA (Holdings (HK) Limited and Trans-China Automotive Holdings (FS) Limited (as pledgors), and Artesia Global Limited (as pledgee);
- (f) deed of termination dated 18 June 2021 entered into between our Company and TCA International Limited in relation to the termination of a deed of trust dated 31 December 2017;
- (g) Instrument of transfer in respect of 1,000,000 ordinary shares in the issued share capital of N-Tech Services Limited from RED STAR HOLDINGS (HK) LIMITED to AUTO WINNING LIMITED;
- (h) Share transfer agreement dated 20 August 2020 entered into between Yaohua Automobile Management and N-Tech Services Limited in relation to the acquisition of 100% equity interest in Shenzhen Qifeng Automobile by Yaohua Automobile Management from N-Tech Services Limited for a consideration of RMB500,000;
- (i) Share transfer agreement dated 31 December 2020 entered into between Yaohua Automobile Management and Global Gallant Limited, in relation to the acquisition of 100% equity interest in Guangzhou Changbao Automobile by Yaohua Automobile Management from Global Gallant Limited for a consideration of RMB67,000,000;
- (j) Share transfer agreement dated 20 January 2021 entered into between Yaohua Automobile Management and Focus Win (Chongqing) Limited, in relation to the acquisition of 100% equity interest in Chongqing Qingdebao Automobile by Yaohua Automobile Management from Focus Win (Chongqing) Limited for a consideration of RMB90,000,000; and
- (k) Share transfer agreement dated 31 December 2020 entered into between Yaohua Automobile Management and Bright Promise Limited, in relation to the acquisition of 100% equity interest in Shenzhen Bright Focus Automobile by Yaohua Automobile Management from Bright Promise Limited for a consideration of RMB55,000,000.

GENERAL INFORMATION

LITIGATION

11. Our Group is not, and has not been, involved in any legal or arbitration proceedings and no proceedings are currently pending or contemplated against our Company or any member of our Group which may have or have had in the 12 months immediately preceding the date of lodgement of this Offer Document, a material effect on the financial position or profitability of our Group.

MISCELLANEOUS

12. There has not been any public take-over offer by a third party in respect of our Shares, or by our Company in respect of shares of another corporation or units of a business trust, which has occurred between 1 January 2020 and the Latest Practicable Date.
13. Save as disclosed in the section entitled “Plan of Distribution – Management, Underwriting and Placement Arrangements and “Shareholders – Significant Changes in Percentage of Ownership” of this Offer Document, no commission, discount or brokerage has been paid or other special terms granted within the two (2) years preceding the Latest Practicable Date or is payable to any Director, promoter, expert, proposed director or any other person for subscribing for and/or purchasing or agreeing to subscribe for and/or purchase or procuring or agreeing to procure subscription for any shares in or debentures of our Company or any of our subsidiaries.
14. No expert is employed on a contingent basis by our Company or any of our subsidiaries, has a material interest, whether direct or indirect, in our Shares or the shares or equity interests of our subsidiaries, or has a material economic interest, whether direct or indirect, in our Company, including an interest in the success of the Invitation.
15. Application monies received by our Company in respect of successful applications (including successful applications which are subsequently rejected) will be placed in a separate non-interest bearing account with the Receiving Bank. Any refund of all or part of the application monies to unsuccessful or partially successful applicants will be made without any interest or any share of revenue or any other benefit arising therefrom.
16. Save as disclosed in this Offer Document, the financial condition and operations of our Group are not likely to be affected by any of the following:
 - (a) known trends or demands, commitments, events or uncertainties that will result in or are reasonably likely to result in our Group’s liquidity increasing or decreasing in any material way;
 - (b) material commitments for capital expenditure;
 - (c) unusual or infrequent events or transactions or any significant economic changes that may materially affect the amount of reported income from operations; and
 - (d) known trends or uncertainties that have had or that we reasonably expect to have a material favourable or unfavourable impact on revenues or operating income.
17. Save as disclosed in this Offer Document, including the sections entitled “Risk Factors”, “Management’s Discussion and Analysis of Financial Position and Results of Operations” and “Trend Information” of this Offer Document, our Directors are not aware of any event which has occurred between 31 March 2021 and the Latest Practicable Date, which may have a material effect on the financial position and results of operations of our Group.

GENERAL INFORMATION

18. We currently have no intention of changing the auditors of the companies in our Group after the listing of our Company on Catalist.

Details including the name, address and professional qualifications (including membership in a professional body) of the auditors of our Company for the Period Under Review and up to the date of lodgement of this Offer Document are as follows:

Partner-in-Charge	Address	Professional Body	Professional Qualification
Rebekah Khan	7 Straits View, Marina One, East Tower, Level 12, Singapore 018936	Institute of Singapore Chartered Accountants	A member of the Institute of Singapore Chartered Accountants

CONSENTS

19. The Independent Auditor and Reporting Auditor has given and has not withdrawn its written consent to the issue of this Offer Document with the inclusion herein of, and all references to, the “Independent Auditor’s Report on the Audited Consolidated Financial Statements for the Financial Years Ended 31 December 2018, 2019 and 2020”, the “Independent Auditor’s Report on the review of the Unaudited Interim Condensed Consolidated Financial Statements for the Three-Months Ended 31 March 2021” and the “Independent Auditor’s Assurance Report on the Compilation of Unaudited Pro Forma Consolidated Financial Information for the Financial Year Ended 31 December 2020 and the Three-Months Ended 31 March 2021” as set out in Appendices A, B and C of this Offer Document which were prepared as at the date of this Offer Document for the purpose of incorporation in this Offer Document in the form and context in which it is included and references to its name in the form and context in which it appears in this Offer Document and to act in such capacity in relation of this Offer Document.
20. The Independent Market Research Consultant has given and has not withdrawn its written consent to the issue of this Offer Document with the inclusion herein of, and all references to (i) its name; (ii) the statements attributed to it in the sections “Offer Document Summary – Business Strategies and Future Plans”, “Offer Document Summary – Prospects”, “Management’s Discussion and Analysis of Financial Position and Results of Operations – Liquidity and Capital Resources”, “General Information on our Group – Our Group’s Dealerships and Showrooms”, “General Information on our Group – Competition”, “General Information on our Group – Business Strategies and Future Plans” and “General Information on our Group – Prospects” of this Offer Document, which were prepared for the purpose of incorporation in this Offer Document; (iii) the section entitled “Industry Overview” of this Offer Document, which was prepared for the purpose of incorporation in this Offer Document; and (iv) the “Independent Market Research Report of the Independent Market Research Consultant” as set out in Appendix D of this Offer Document which was prepared for the purpose of incorporation in this Offer Document in the form and context in which they are included and appear in this Offer Document and to act in such capacity in relation of this Offer Document.
21. The Issue Manager and Full Sponsor, the Underwriter and Placement Agent, the Share Registrar and Share Transfer Agent and the Receiving Bank have each given and have not withdrawn their written consents to the issue of this Offer Document with the inclusion herein

GENERAL INFORMATION

of their names and references thereto in the form and context in which they respectively appear in this Offer Document and to act in such respective capacities in relation of this Offer Document.

22. The Solicitors to the Invitation and Legal Adviser to our Company on Singapore Law and the Legal Adviser to our Company as to Cayman Islands Law and British Virgin Islands Law have each given and have not withdrawn their written consents to the issue of this Offer Document with the inclusion herein of their names and references thereto in the form and context in which they respectively appear in this Offer Document and to act in such respective capacities in relation of this Offer Document.
23. The Legal Adviser to the Invitation as to PRC Law has given and has not withdrawn its written consent to the issue of this Offer Document with the inclusion herein of, and all references to (i) its name and (ii) the statements attributed to it in the sections “Risk Factors – Risks Relating to our Business and Industry – Our Group may not have valid titles or rights to use certain properties and the required permits for construction, development and carrying out of our business operations on certain properties occupied by us”, “Risk Factors – Risks Relating to our Business and Industry – Our Group may be involved in disputes and legal and other proceedings arising out of our operations from time to time and may face significant liabilities as a result”, “Risk Factors – Risks Relating to the PRC – We are subject to labour laws and regulations in the PRC”, “Dividend Policy”, “Management’s Discussion and Analysis of Financial Position and Results of Operations – Liquidity and Capital Resources”, “General Information on our Group – Material Properties and Fixed Assets” and “Directors, Executive Officers and Employees – Legal Representatives” of this Offer Document which were prepared for the purpose of incorporation in this Offer Document, in the form and context in which they appear in this Offer Document and to act in such capacity in relation of this Offer Document.
24. The Legal Adviser to our Company as to Hong Kong Law has given and has not withdrawn its written consent to the issue of this Offer Document with the inclusion herein of, and all references to (i) its name and (ii) the statements attributed to it in the sections “Risk Factors – Risks Relating to our Business and Industry – We may be subject to penalties in respect of certain corporate secretarial irregularities by our Hong Kong subsidiaries” and “Management’s Discussion and Analysis of Financial Position and Results of Operations – Liquidity and Capital Resources” of this Offer Document which were prepared for the purpose of incorporation in this Offer Document, in the form and context in which they appear in this Offer Document and to act in such capacity in relation of this Offer Document.
25. Each of the Share Registrar and Share Transfer Agent and the Receiving Banker do not make, or purport to make, any statement in this Offer Document or any statement upon which a statement in this Offer Document is based and, to the maximum extent permitted by law, expressly disclaim and take no responsibility for any liability to any person which is based on, or arises out of, the statements, information or opinions in this Offer Document.
26. Each of the Solicitors to the Invitation and Legal Adviser to our Company as to Singapore Law and the Legal Adviser to our Company as to Cayman Islands Law and British Virgin Islands Law each do not make, or purport to make, any statement in this Offer Document or any statement upon which a statement in this Offer Document is based and, to the maximum extent permitted by law, expressly disclaim and take no responsibility for any liability to any person which is based on, or arises out of, the statements, information or opinions in this Offer Document.

GENERAL INFORMATION

RESPONSIBILITY STATEMENT BY OUR DIRECTORS

27. This Offer Document has been seen and approved by our Directors and they collectively and individually accept full responsibility for the accuracy of the information given in this Offer Document and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Offer Document constitutes full and true disclosure of all material facts about the Invitation and our Group, and our Directors are not aware of any facts the omission of which would make any statement in this Offer Document misleading. Where information in this Offer Document has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of our Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Offer Document in its proper form and context.

DOCUMENTS AVAILABLE FOR INSPECTION

28. The following documents or copies thereof may be inspected at the registered office of our Share Registrar and Share Transfer Agent during normal business hours for a period of six (6) months from the date of registration of this Offer Document by the SGX-ST acting as agent on behalf of the Authority:
- (i) our Memorandum and Articles of Association;
 - (ii) the “Independent Auditor’s Report on the Audited Consolidated Financial Statements for the Financial Years Ended 31 December 2018, 2019 and 2020” as set out in Appendix A of this Offer Document;
 - (iii) the “Independent Auditor’s Report on the review of the Unaudited Interim Condensed Consolidated Financial Statements for the three-months ended 31 March 2021” as set out in Appendix B of this Offer Document;
 - (iv) the “Independent Auditor’s Assurance Report on the Compilation of Unaudited Pro Forma Consolidated Financial Information of Trans-China Automotive Holdings Limited and its subsidiaries for the financial year ended 31 December 2020 and the three-months ended 31 March 2021” as set out in Appendix C of this Offer Document;
 - (v) the respective audited financial statements of our Company and/or each of our subsidiaries, where applicable, for the financial years ended 31 December 2018, 2019 and 2020;
 - (vi) the “Independent Market Research Report of the Independent Market Research Consultant” as set out in Appendix D of this Offer Document;
 - (vii) the material contracts referred to in the section entitled “General Information – Material Contracts” of this Offer Document;
 - (viii) the letters of consent referred to in the section entitled “General Information – Consents” of this Offer Document; and
 - (ix) the Service Agreements referred to in the section entitled “Directors, Executive Officers and Employees – Service Agreements” of this Offer Document.

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**APPENDIX A – INDEPENDENT AUDITOR’S REPORT ON
THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
FINANCIAL YEARS ENDED 31 DECEMBER 2018, 2019 AND 2020**

**CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS
ENDED 31 DECEMBER 2018, 2019 AND 2020**

TRANS-CHINA AUTOMOTIVE HOLDINGS LIMITED

(Incorporated and domiciled in Cayman Islands with limited liability No.306871)

AND ITS SUBSIDIARIES

APPENDIX A – INDEPENDENT AUDITOR’S REPORT ON THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2018, 2019 AND 2020

INDEPENDENT AUDITOR’S REPORT ON THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2018, 2019 AND 2020

1 November 2021

The Board of Directors

Trans-China Automotive Holdings Limited
Cricket Square, Hutchins Drive
P.O Box 2681, Grand Cayman
KY1-1111, Cayman Islands

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Trans-China Automotive Holdings Limited (the “Company”) and its subsidiaries (the “Group”) set out on pages A-5 to A-89, which comprises the consolidated statements of financial position as at 31 December 2018, 2019 and 2020, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the financial years ended 31 December 2018, 2019 and 2020, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, 2019 and 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for each of the financial years ended 31 December 2018, 2019 and 2020 in accordance with International Financial Reporting Standards (“IFRSs”).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (“ISAs”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (“IESBA Code”) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Directors for the Consolidated Financial Statements

Management is responsible for the preparation of consolidated financial statements in accordance with IFRSs and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors’ responsibilities include overseeing the Group’s financial reporting process.

APPENDIX A – INDEPENDENT AUDITOR’S REPORT ON THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2018, 2019 AND 2020

INDEPENDENT AUDITOR’S REPORT ON THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2018, 2019 AND 2020 (CONTINUED)

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the company audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**APPENDIX A – INDEPENDENT AUDITOR’S REPORT ON
THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
FINANCIAL YEARS ENDED 31 DECEMBER 2018, 2019 AND 2020**

**INDEPENDENT AUDITOR’S REPORT ON THE AUDITED CONSOLIDATED FINANCIAL
STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2018, 2019 AND 2020
(CONTINUED)**

Restriction on distribution and use

This report is made solely to you as a body for the inclusion in the Preliminary Offer Document of the Company to be issued in relation to the proposed offering of the shares of the Company in connection with the Company’s listing on the Catalist Board of the Singapore Exchange Securities Trading Limited.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore

Partner-in-charge: Rebekah Khan

**APPENDIX A – INDEPENDENT AUDITOR’S REPORT ON
THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
FINANCIAL YEARS ENDED 31 DECEMBER 2018, 2019 AND 2020**

TRANS-CHINA AUTOMOTIVE HOLDINGS LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the financial years ended 31 December 2018, 2019 and 2020

	Note	Year ended 31 December		
		2018 RMB'000	2019 RMB'000	2020 RMB'000
Revenue	21	3,533,914	3,769,503	4,213,990
Cost of sales	24	(3,318,199)	(3,484,231)	(3,897,841)
Gross profit		215,715	285,272	316,149
Other income	22	79,339	57,319	86,597
Other (losses)/gains, net	23	(3,131)	(4,042)	5,346
Selling expenses	24	(90,355)	(88,416)	(98,918)
Administrative expenses	24	(123,628)	(136,743)	(143,646)
Reversal of provision for impairment of property, plant and equipment	5	–	–	29,701
Operating profit		77,940	113,390	195,229
Finance income		2,737	1,852	917
Finance costs		(60,886)	(66,368)	(59,426)
Finance costs, net	26	(58,149)	(64,516)	(58,509)
Profit before income tax		19,791	48,874	136,720
Income tax expense	27	(16,979)	(25,317)	(26,811)
Profit for the year		2,812	23,557	109,909
Other comprehensive (loss)/income:				
<i>Items that may be reclassified to profit or loss:</i>				
– Currency translation differences		(17,723)	(3,773)	22,281
Total comprehensive (loss)/income for the year		(14,911)	19,784	132,190
Earnings per share attributable to owners of the Company				
Basic	29	0.01	0.05	0.24
Diluted	29	0.01	0.05	0.23

The accompanying notes form an integral part of these consolidated financial statements.

**APPENDIX A – INDEPENDENT AUDITOR’S REPORT ON
THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
FINANCIAL YEARS ENDED 31 DECEMBER 2018, 2019 AND 2020**

TRANS-CHINA AUTOMOTIVE HOLDINGS LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 31 December 2018, 2019 and 2020

		As at 31 December		
	Note	2018 RMB'000	2019 RMB'000	2020 RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	5	136,744	129,098	171,849
Right-of-use assets	6	256,647	249,333	328,733
Intangible assets	7	82,137	81,330	80,523
Deferred income tax assets	28	5,628	4,603	5,467
Prepayment	10	—	—	3,738
		481,156	464,364	590,310
Current assets				
Inventories	11	288,508	414,171	248,801
Trade and other receivables	9	228,699	187,153	183,153
Prepayments and deposits	10	107,021	132,609	408,486
Amounts due from fellow subsidiaries	31(b)	34,556	17,774	20,454
Financial assets at fair value through profit or loss	13	—	—	2,502
Pledged bank deposits	12	313,881	163,871	149,537
Cash and cash equivalents	12	117,640	88,563	105,815
		1,090,305	1,004,141	1,118,748
Total assets		1,571,461	1,468,505	1,709,058
Equity attributable to the owner of the Company				
Share capital	14	284,435	292,422	330,175
Share premium	14	—	1,526	8,316
Reserves		(138,683)	(142,456)	(137,584)
Accumulated losses		(249,497)	(225,940)	(121,446)
Total (deficits)/equity		(103,745)	(74,448)	79,461

The accompanying notes form an integral part of these consolidated financial statements.

**APPENDIX A – INDEPENDENT AUDITOR’S REPORT ON
THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
FINANCIAL YEARS ENDED 31 DECEMBER 2018, 2019 AND 2020**

TRANS-CHINA AUTOMOTIVE HOLDINGS LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 31 December 2018, 2019 and 2020

		As at 31 December		
	Note	2018 RMB'000	2019 RMB'000	2020 RMB'000
LIABILITIES				
Non-current liabilities				
Bank and other borrowings	18	228,446	209,459	186,133
Lease liabilities	6	131,892	131,972	219,414
Deferred income tax liabilities	28	40,521	41,798	41,264
Amount due to the immediate holding company	31(b)	160,000	189,836	133,937
		560,859	573,065	580,748
Current liabilities				
Trade and bills payable	16	495,976	341,264	389,064
Accruals and other payables	16	47,774	44,967	59,964
Contract liabilities	17	149,135	187,173	165,308
Amount due to the immediate holding company	31(b)	63,407	—	—
Bank and other borrowings	18	314,873	343,865	405,634
Lease liabilities	6	6,609	10,440	12,631
Convertible notes	19	23,724	24,701	—
Current income tax liabilities		12,849	17,478	16,248
		1,114,347	969,888	1,048,849
Total liabilities		1,675,206	1,542,953	1,629,597
Total equity and liabilities		1,571,461	1,468,505	1,709,058

The accompanying notes form an integral part of these consolidated financial statements.

**APPENDIX A – INDEPENDENT AUDITOR'S REPORT ON
THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2018,
2019 AND 2020**

TRANS-CHINA AUTOMOTIVE HOLDINGS LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the financial years ended 31 December 2018, 2019 and 2020

	Share capital RMB'000	Share premium RMB'000	Statutory reserve (Note (i)) RMB'000	Exchange reserve RMB'000	Capital reserve (Note (ii)) RMB'000	Share- based payment reserve (Note (iii)) RMB'000	Accumulated losses RMB'000	Total RMB'000
As at 1 January 2018 (Unaudited)	284,435	–	14,299	5,631	(171,630)	26,377	(247,946)	(88,834)
Comprehensive income								
Profit for the year	–	–	–	–	–	–	2,812	2,812
Other comprehensive loss								
Currency translation differences	–	–	–	(17,723)	–	–	–	(17,723)
Total comprehensive loss for the year	–	–	–	(17,723)	–	–	2,812	(14,911)
Transaction with owners								
Transfer to statutory reserve	–	–	4,363	–	–	–	(4,363)	–
Total transaction with owners	–	–	4,363	–	–	–	(4,363)	–
As at 31 December 2018	284,435	–	18,662	(12,092)	(171,630)	26,377	(249,497)	(103,745)

The accompanying notes form an integral part of these consolidated financial statements.

**APPENDIX A – INDEPENDENT AUDITOR'S REPORT ON
THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2018,
2019 AND 2020**

TRANS-CHINA AUTOMOTIVE HOLDINGS LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the financial years ended 31 December 2018, 2019 and 2020

	Share capital RMB'000	Share premium RMB'000	Statutory reserve (Note (i)) RMB'000	Exchange reserve RMB'000	Capital reserve (Note (ii)) RMB'000	Share- based payment reserve (Note (iii)) RMB'000	Accumulated losses RMB'000	Total RMB'000
As at 1 January 2019	284,435	–	18,662	(12,092)	(171,630)	26,377	(249,497)	(103,745)
Comprehensive income								
Profit for the year	–	–	–	–	–	–	23,557	23,557
Other comprehensive loss								
Currency translation differences	–	–	–	(3,773)	–	–	–	(3,773)
Total comprehensive loss for the year	–	–	–	(3,773)	–	–	23,557	19,784
Transaction with owners								
Issuance of shares (Note 14)	7,315	1,397	–	–	–	–	–	8,712
Issuance of shares upon conversion of convertible notes (Note 14)	672	129	–	–	–	–	–	801
Total transaction with owners	7,987	1,526	–	–	–	–	–	9,513
As at 31 December 2019	292,422	1,526	18,662	(15,865)	(171,630)	26,377	(225,940)	(74,448)

The accompanying notes form an integral part of these consolidated financial statements.

**APPENDIX A – INDEPENDENT AUDITOR'S REPORT ON
THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2018,
2019 AND 2020**

TRANS-CHINA AUTOMOTIVE HOLDINGS LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the financial years ended 31 December 2018, 2019 and 2020

	Share capital RMB'000	Share premium RMB'000	Statutory reserve (Note (i)) RMB'000	Exchange reserve RMB'000	Capital reserve (Note (ii)) RMB'000	Share- based payment reserve (Note (iii)) RMB'000	Accumulated losses RMB'000	Total RMB'000
As at 1 January 2020	292,422	1,526	18,662	(15,865)	(171,630)	26,377	(225,940)	(74,448)
Comprehensive income								
Profit for the year	–	–	–	–	–	–	109,909	109,909
Other comprehensive income								
Currency translation differences	–	–	–	22,281	–	–	–	22,281
Total comprehensive income for the year	–	–	–	22,281	–	–	109,909	132,190
Transaction with owners								
Issuance of shares (Note 14)	20,266	1,453	–	–	–	–	–	21,719
Issuance of shares under share-based compensation scheme (Note 15)	17,487	5,337	–	–	–	(22,824)	–	–
Transfer to statutory reserve	–	–	5,415	–	–	–	(5,415)	–
Total transaction with owners	37,753	6,790	5,415	–	–	(22,824)	(5,415)	21,719
As at 31 December 2020	330,175	8,316	24,077	6,416	(171,630)	3,553	(121,446)	79,461

The accompanying notes form an integral part of these consolidated financial statements.

**APPENDIX A – INDEPENDENT AUDITOR’S REPORT ON
THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2018,
2019 AND 2020**

TRANS-CHINA AUTOMOTIVE HOLDINGS LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the financial years ended 31 December 2018, 2019 and 2020

Notes:

- (i) As stipulated by the relevant laws and regulations in the People’s Republic of China (the “PRC”), the subsidiaries in the PRC are required to transfer at least 10% of their after-tax profit determined under the relevant accounting regulations in the PRC (after offsetting prior year losses) to their statutory reserves until the reserve balance reaches 50% of the registered capital.
- (ii) Capital reserve represents the capital contributions from the shareholders of the Company. The balances as at 31 December 2018, 2019 and 2020 remain unchanged.
- (iii) The share-based payment reserve represents the balance of new shares issued and reserved for the share option scheme of the Group. Further details are set out in Note 14 and 15 to the consolidated financial statements.

**APPENDIX A – INDEPENDENT AUDITOR’S REPORT ON
THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
FINANCIAL YEARS ENDED 31 DECEMBER 2018, 2019 AND 2020**

TRANS-CHINA AUTOMOTIVE HOLDINGS LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the financial years ended 31 December 2018, 2019 and 2020

		Year ended 31 December		
	Note	2018 RMB'000	2019 RMB'000	2020 RMB'000
Cash flows from operating activities				
Cash generated from/(used in) operations	30(a)	193,466	(42,568)	136,351
Income tax paid		(19,355)	(18,396)	(29,437)
Net cash generated from/(used in) operating activities		174,111	(60,964)	106,914
Cash flows from investing activities				
Interest received		2,737	1,852	917
Purchases of property, plant and equipment and prepayment for property, plant and equipment		(36,345)	(45,660)	(73,949)
Proceeds from disposal of property, plant and equipment	30(b)	35,588	32,447	38,580
Payment for financial assets at fair value through profit or loss		—	—	(2,500)
Net cash generated from/(used in) investing activities		1,980	(11,361)	(36,952)
Cash flows from financing activities				
Interest paid		(35,506)	(58,864)	(50,481)
Proceeds from issuance of shares		—	—	21,719
Proceeds from bank and other borrowings	30(c)	468,246	1,776,606	2,671,821
Repayment to bank and other borrowings	30(c)	(516,847)	(1,767,569)	(2,626,077)
Principal elements of lease payments		(15,253)	(17,293)	(22,073)
Proceeds from pledged bank deposit		(1,667,251)	(1,870,077)	(2,208,282)
Repayment to pledged bank deposit		1,600,700	2,020,087	2,222,616
Repayment to the immediate holding company		(17,934)	(35,988)	(46,706)
Repayment of convertible notes		—	—	(13,909)

The accompanying notes form an integral part of these consolidated financial statements.

**APPENDIX A – INDEPENDENT AUDITOR’S REPORT ON
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TRANS-CHINA AUTOMOTIVE HOLDINGS LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the financial years ended 31 December 2018, 2019 and 2020

	Note	Year ended 31 December		
		2018 RMB'000	2019 RMB'000	2020 RMB'000
Repayment of interest of convertible notes		–	(3,355)	–
Settlement of warrant liabilities		(7,073)	–	–
Listing expenses paid (equity portion)		(26)	(182)	(344)
Net cash (used in)/generated from financing activities		(190,944)	43,365	(51,716)
Net (decrease)/increase in cash and cash equivalents		(14,853)	(28,960)	18,246
Cash and cash equivalents				
Beginning of financial year		130,359	117,640	88,563
Effect of translation differences of cash and cash equivalents		2,134	(117)	(994)
End of financial year	12	117,640	88,563	105,815

Non-cash transactions:

During the financial year ended 31 December 2019, the redemption of convertible notes amounted to approximately RMB1,741,000 and issuance of shares amounted to approximately RMB9,513,000. The net amount of amounts receivable and payable were recognised in amounts due to shareholders.

The accompanying notes form an integral part of these consolidated financial statements.

APPENDIX A – INDEPENDENT AUDITOR’S REPORT ON THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2018, 2019 AND 2020

TRANS-CHINA AUTOMOTIVE HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial years ended 31 December 2018, 2019 and 2020

1. General information and the reorganisation exercise

1.1 General information

Trans-China Automotive Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 18 December 2015 as an exempted company with limited liability under the Company Law, Cap 22 (Law 3 of 1961, as consolidated and revised, of the Cayman Islands). The address of the Company’s registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together, the “Group”) are principally engaged in the business of automobile dealerships in the premium and ultra-premium market segment in the People’s Republic of China (“PRC”) (the “Listing Business”), which includes (i) the sales of new automobiles, and (ii) the provision of after-sales services, including maintenance and repair services, sale of automobile parts and accessories. In conjunction with the two principal activities, the Group also provide certain agency services of referring automobile registration, financing and insurance services to other service providers.

The consolidated financial statements are presented in Renminbi (“RMB”) and rounded to the nearest thousand (“RMB’000”), unless otherwise stated.

1.2 Reorganisation exercise

In preparation for the listing of the Company’s shares on the Catalist Board of the Singapore Exchange Securities Trading Limited, the Group underwent a series of acquisitions and the rationalisation of the corporate structure as described below.

On 18 December 2015, the Company was incorporated in the Cayman Islands by TCA International Limited (“TCAI”) under the Cayman Islands Companies Act as a limited liability exempted company. As a result, the Company became wholly-owned by TCAI.

Following the incorporation of the Company, Marine Pearl Limited allotted and issued one share, representing 100% of its issued and paid-up share capital, to the Company on 18 December 2015. As a result, Marine Pearl Limited became wholly-owned by the Company.

On 17 August 2016, TCAH (BVI) Limited was incorporated in the British Virgin Islands (“BVI”) under the BVI Companies Act as a company limited by shares. On 29 August 2016, TCAH (BVI) Limited allotted and issued 1 share, representing 100% of its issued and paid-up share capital to the Company. As a result, TCAH (BVI) Limited became wholly-owned by the Company.

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1. General information and the reorganisation exercise (continued)

1.2 Reorganisation exercise (continued)

On 5 September 2016, TCAH (BVI) Limited acquired all issued and paid-up capital of TCA Foshan (BVI) Limited, TCA Shenzhen (BVI) Limited, TCA Guangzhou (BVI) Limited and TCA Chongqing (BVI) Limited from TCAI, following which TCAH (BVI) Limited became the intermediate holding company and sole shareholder of each of TCA Foshan (BVI) Limited, TCA Shenzhen (BVI) Limited, TCA Guangzhou (BVI) Limited and the TCA Chongqing (BVI) Limited.

On 12 September 2016, pursuant to a shareholder’s agreement, Marine Pearl Limited acquired 100% of the issued and paid-up share capital of Landwealth Holdings Limited. Marine Pearl Limited held 100% of the issued and paid up capital of Landwealth Holdings Limited.

On 14 September 2016, Trans-China Automotive Holdings (FS) Limited, TCA Holdings HK Limited, Focus Win (Guangzhou) Limited and Focus Win (Chongqing) Limited, entities conducting the automobile dealerships business in the PRC, were acquired from TCAI by TCA Foshan (BVI) Limited, TCA Shenzhen (BVI) Limited, TCA Guangzhou (BVI) Limited and TCA Chongqing (BVI) Limited, respectively.

On 31 December 2017, pursuant to a shareholder’s agreement, the Company acquired 100% of the issued and paid-up share capital of Auto Winning Limited. Auto Winning Limited held 100% of the issued and paid up capital of Bright Promise Limited.

On 30 September 2018, pursuant to a shareholder’s agreement, Landwealth Holdings Limited, an indirect wholly-owned subsidiary of the Company, acquired the entire issued share capital of Red Star (Shenzhen) Limited and its subsidiary namely “創豐盛汽車管理服務(深圳)有限公司” (together, the “Red Star Group”) from Star Investments Holdings Limited, an indirect wholly-owned subsidiary of TCAI, at total cash consideration of Hong Kong dollars (“HK\$”) 100.

On 30 September 2019, pursuant to a shareholder’s agreement, Auto Winning Limited, a direct wholly-owned subsidiary of the Company, acquired the entire issued share capital of N-Tech Services Limited and its subsidiary namely “深圳市祺烽汽车销售服务有限公司” (together, the “N-Tech Group”) from Red Star Holdings (HK) Limited, an indirect wholly-owned subsidiary of TCAI, at total cash consideration of HK\$1.

On 31 December 2020, pursuant to a shareholder’s agreement, 耀驊汽車管理服務(深圳)有限公司 (formerly known as 創豐盛汽車管理服務(深圳)有限公司), an indirect wholly-owned subsidiary of the Company, acquired the entire issued share capital of 廣東創豐盛融資租賃有限公司 (“GDFW”) from Red Star Holdings (HK) Limited, an indirect wholly-owned subsidiary of TCAI, at total cash consideration of HK\$1.

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For the financial years ended 31 December 2018, 2019 and 2020

1. General information and the reorganisation exercise (continued)

1.2 Reorganisation exercise (continued)

Since the Company, the Red Star Group, the N-Tech Group and GDFW are ultimately controlled by the same controlling party, TCA Fund L.P., both before and after the abovementioned transactions, these transactions are regarded as business combinations under common control. Accordingly, these consolidated financial statements have been prepared using the principles of predecessor accounting. These consolidated financial statements include the financial positions, results and cash flows of the Red Star Group, the N-Tech Group and GDFW as if the current group structure had been in existence since the date when the Red Star Group, the N-Tech Group and GDFW first came under common control by TCA Fund L.P.

1.3 Basis of presentation

Immediately prior to and after the reorganisation exercise as set out in Note 1.2, the Listing Business is ultimately controlled by the Controlling Shareholders. The Listing Business is conducted through the subsidiaries of the Group. Pursuant to the reorganisation exercise, the subsidiaries now comprising the Group are transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganisation and do not meet the definition of a business. The reorganisation exercise is merely a recapitalisation of the Listing Business with no change in management of such business and the ultimate owners of the Listing Business remain the same. Accordingly, the Group resulting from the reorganisation exercise is regarded as a continuation of the Listing Business under the subsidiaries now comprising the Group and, for the purpose of this report, the Historical Financial Information has been prepared and presented as a continuation of the consolidated financial statements of the subsidiaries now comprising the Group, with the assets and liabilities of the Group recognised and measured at the carrying amounts of the Listing Business for all periods presented.

Inter-company transactions, balances and unrealised (losses)/gains on transactions between group companies are eliminated upon combination.

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2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities measured at fair value.

The Group has consistently applied IFRS 9 “Financial Instruments”, IFRS 15 “Revenue from Contracts with Customers” and IFRS 16 “Leases” throughout the years ended 31 December 2018, 2019 and 2020.

Standards issued but not yet effective

The following new standards and amendments to existing standards have been issued but are not effective and have not been early adopted by the Group:

		Effective for annual period beginning on or after
IFRS 9, IAS 39, IFRS 7, IFRS 4, IFRS 16 (Amendments)	Interest Rate Benchmark (IBOR) Reform-Phase 2	1 January 2021
Annual Improvement Project (amendments)	Annual Improvements to IFRSs 2018-2020	1 January 2022
IFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
IAS 16 (Amendments)	Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
IAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
IAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
IAS 1 (Amendments)	IFRS Practice Statement 2 – Disclosure of Accounting Policies	1 January 2023
IAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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For the financial years ended 31 December 2018, 2019 and 2020

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

Standards issued but not yet effective (continued)

The Group is in the process of assessing the impact of these new standards and amendment to standards, and will adopt them as they become effective. The Group does not anticipate the adoption of the above new standards and amendment to standards to have a significant impact on the Group’s results of operations and financial position.

2.2 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

Except for the reorganisation exercise set out in Note 1.2, the Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest’s proportionate share of the recognised amounts of acquiree’s identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer’s previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of comprehensive income.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial years ended 31 December 2018, 2019 and 2020

2. Summary of significant accounting policies (continued)

2.2 Subsidiaries (continued)

(a) Business combinations (continued)

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group’s accounting policies.

(b) Accounting for common control combination

The consolidated financial statements incorporate the financial statements items of the entities under common control as if they had been combined from the date when the Red Star and N-Tech Group first came under the control of the controlling party.

The Red Star Group and the N-Tech Group are consolidated using the carrying values from the controlling parties’ perspective. No amount is recognised in respect of goodwill or excess of acquirers’ interest in the net fair value of acquirees’ identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the interest of TCA Fund L.P.

The consolidated statement of comprehensive income includes the results of the Red Star and N-Tech Group from the earliest date presented or since the date when the Red Star and N-Tech Group first came under common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated statement of financial position are presented as if the entities had been consolidated at the beginning unless they first came under common control at a later date.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The board of the Group has appointed a strategic steering committee which assesses the financial performance and position of the group, and makes strategic decisions. The steering committee, which has been identified as being the chief operating decision maker, consists of the chief executive officer, the chief financial officer and the manager for corporate planning.

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For the financial years ended 31 December 2018, 2019 and 2020

2. Summary of significant accounting policies (continued)

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”).

The consolidated financial statements are presented in RMB. The functional currency of the Company is United States dollars (“US\$”).

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in the consolidated statement of comprehensive income. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

(b) Transactions and balances

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income on a net basis within other losses, net.

(c) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the date of that the consolidated statement of financial position;
- (ii) income and expenses for statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- (iii) all resulting exchange differences are recognised in other comprehensive income.

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2. Summary of significant accounting policies (continued)

2.4 Foreign currency translation (continued)

(c) Group companies (continued)

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

Leasehold improvements	Shorter of 10 years or the term of the leases
Plant and machinery	10% to 20%
Furniture, fixtures and office equipment	10% to 33 1/3%
Automobiles	20% to 33 1/3%

Construction-in-progress represents automobile sales centres under construction. It is stated at cost less any identified impairment loss. Construction-in-progress is not depreciated until the construction is completed and the relevant assets are ready to be put into operation.

The asset’s residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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2. Summary of significant accounting policies (continued)

2.5 Property, plant and equipment (continued)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

2.6 Intangible assets

(a) Goodwill

Goodwill arising from the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Dealership rights

Dealership rights that are acquired by the Group are stated in the consolidated statement of financial position at cost less accumulated amortisation and impairment losses (Note 2.7). Amortisation of dealership rights is charged to profit or loss on a straight-line basis over the assets' estimated useful life of 15 years. The useful life and method of amortisation of the dealership rights are reviewed annually.

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2. Summary of significant accounting policies (continued)

2.7 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (CGU). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.8 Investments and other financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured at amortised cost, and
- those to be measured subsequently at fair value (either through OCI or through profit or loss)

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

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2. Summary of significant accounting policies (continued)

2.8 Investments and other financial assets (continued)

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (“FVPL”), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the group’s business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in “Other (losses)/gain, net” together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets’ cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in “Other (losses)/gain, net”. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in “Other (losses)/gain, net” and impairment expenses are presented as separate line item in the statement of profit or loss.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within “Other (losses)/gain, net” in the period in which it arises.

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2. Summary of significant accounting policies (continued)

2.8 Investments and other financial assets (continued)

(d) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

2.9 Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The derivatives of the Group are warrant.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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2. Summary of significant accounting policies (continued)

2.12 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 9 for further information about the Group’s accounting for trade receivables and Note 3.1(b) for a description of the Group’s impairment policies.

2.13 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand and deposits held at call with financial institutions.

2.14 Share capital

Ordinary or preference shares are classified as equity when there is no contractual obligation to deliver cash or other financial assets to another person or entity or to exchange financial assets or liabilities with another person or entity that are potentially unfavourable to the issuer.

Incremental costs directly attributable to the issue of new ordinary shares or preference shares are shown in equity as a deduction, net of tax, from the proceeds.

2.15 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

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2. Summary of significant accounting policies (continued)

2.16 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.17 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

2.18 Current and deferred income tax

The income tax expense or credit for the year is the tax payable on the current year’ taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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2. Summary of significant accounting policies (continued)

2.18 Current and deferred income tax (continued)

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.19 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statement of financial position.

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2. Summary of significant accounting policies (continued)

2.19 Employee benefits (continued)

(b) Post-employment obligations

The Group operates various post-employment schemes, including both defined benefit and defined contribution pension plans and post-employment medical plans.

Hong Kong

The Group operates a defined contribution plan, the mandatory provident fund scheme (“MPF”) in Hong Kong, the assets of which are generally held in separate trustee-administered funds.

The Group’s contributions to the defined contribution plan are charged to the consolidated statement of comprehensive income in the year incurred. The Group has no further payment obligations once the contributions have been paid.

PRC

Pursuant to the relevant local regulations in the PRC, the PRC subsidiaries of the Group participate in government retirement benefit schemes and are required to contribute to the scheme to fund the retirement benefits of the eligible employees. Contributions made to the schemes are calculated based on certain percentages of the applicable payroll costs or fixed sums for each employee with reference to a salary scale, as stipulated under the requirements in the PRC. The Group has no further obligation beyond the required contributions. The contributions under the schemes are expensed in the consolidated statement of comprehensive income as incurred.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

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2. Summary of significant accounting policies (continued)

2.20 Share-based payments

Share-based compensation benefits are provided to employees via the share option scheme. Information relating to these schemes is set out in Note 15.

Employee options

The fair value of options granted under the share option plan is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions
- excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period), and
- including the impact of any non-vesting conditions (e.g. the requirement for employees to save or hold shares for a specific period of time).

At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Employee share scheme

Under the employee share scheme, shares issued to employees for no cash consideration vest immediately on grant date. On this date, the market value of the shares issued is recognised as an employee benefits expense with a corresponding increase in equity.

2.21 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management’s best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

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2. Summary of significant accounting policies (continued)

2.22 Revenue and income recognition

(a) Sales of automobiles

Revenue is recognised when the control of the automobiles are transferred to the customers at a point in time, being when the automobiles are delivered to the customers, the customers have full discretion over the channel and price to sell the automobiles, and there is no unfulfilled obligation that could affect the customers’ acceptance of the products. Delivery occurs when the automobiles have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customers.

A receivable is recognised when the automobiles are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Deposit from customers and unused cash coupon issued for car maintenance service are recognised as contract liabilities.

Aftersales services are recognised when the relevant service is rendered without further performance obligations, and cash coupons are issued to customers with a contractual 24 months expiry policy for such coupons. Customers may not utilise all of such contractual rights within the service period and these unutilised services are referred to as “breakage”. An expected amount of breakage is estimated by management based on the historical data of customers’ utilisation and expected future utilisation pattern of the Group’s cash coupons and is recognised as revenue in proportion to the pattern of cash coupons used by customers. After the recognition of revenue from provision of aftersales services upon redemption of cash coupons and breakage, any residual deferred revenue at the end of the relevant service period are fully recognised as revenue in the consolidated statement of comprehensive income.

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2. Summary of significant accounting policies (continued)

2.22 Revenue and income recognition (continued)

(b) Handling and commission fee and insurance commission

Handling and commission fee and insurance commission are recognised at the time when the services concerned are rendered to customers.

(c) Marketing support fee from manufacturers

Marketing support fee from manufacturers is recognised at the point in time when the conditions of such marketing support fee have been fulfilled.

2.23 Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.

2.24 Dividends distribution

Dividend distribution to the Company’s shareholders is recognised as a liability in the Group’s financial statements in the period in which the dividends are approved by the company’s shareholders or directors, where appropriate.

2.25 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date

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2. Summary of significant accounting policies (continued)

2.25 Leases (continued)

- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee’s incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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2. Summary of significant accounting policies (continued)

2.25 Leases (continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs.

Right-of-use assets are generally depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset’s useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

2.26 Government grants

Grants from the government are recognised at their fair value where the grant is received by the Group, and the Group will comply with all attached conditions.

Government grants relating to costs are recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

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3. Financial risk management

3.1 Financial risk factors

The Group’s principal activities is investing in “4S” (sales, spare part, service and survey) dealerships in the PRC. Risk management is carried out by management under the direction of the directors. Management reviews and approves principles for overall risk management, as well as policies and procedures covering specific areas, such as cash flow and fair value interest-rate risk, credit risk and liquidity risk. These policies and procedures enable management to make strategic and informed decision with regard to the operations of the Group. The Group is not exposed to significant currency risk as there are no significant assets, liabilities or transactions denominated in currencies other than the Group entities’ functional currencies.

(a) Cash flow and fair value interest-rate risk

The Group’s income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets except for cash at banks. The Group’s exposures to changes in interest rates are mainly attributable to its borrowings.

Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates.

As at 31 December 2018, 2019 and 2020, if interest rates on borrowings had been 10 basis points higher/lower with all other variables held constant, the Group’s profit for the year would have been RMB975,000, RMB806,000 and RMB837,000 lower/higher, respectively, mainly as a result of higher/lower interest expenses on floating rate borrowings.

(b) Credit risk

The Group is exposed to credit risk in relation to its trade and other receivables, amount due from fellow subsidiaries, pledged deposits and cash at bank and on hand. The carrying trade and other receivables, amount due from fellow subsidiaries, pledged deposits and cash at bank and on hand represent the Group’s maximum exposure to credit risk in relation to financial assets.

The Group applied the simplified approach in IFRS 9 to measure the credit loss allowance at lifetime expected credit loss (“ECL”). Except for handling and commission fee and insurance commission receivable, mortgage commission fee receivable, and indemnity and rebate receivables from manufacturers with known insolvencies or significant outstanding balances which are assessed individually based on the credit risk of the counterparty, the Group determines the expected credit loss on the trade receivables by using a provision matrix grouped by common risk characteristic.

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3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

The Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverability of these receivables at the end of each reporting period to ensure that adequate expected impairment losses are made.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating;
- external credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer’s ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtor/customer;
- significant increases in credit risk on other financial instruments of the same customer; and
- significant changes in the expected performance and behaviour of the customer, including changes in the payment status of customer in the group and changes in the operating results of the customer.

Cash is deposited in financial institutions with high credit quality and the Group does not expect any significant counterparty risk. Moreover, credit limits are set for individual counterparties and periodic reviews are conducted to ensure that the limits are strictly followed.

For the amounts due from fellow subsidiaries, the Group has policies in place to monitor the credit exposure of the fellow subsidiaries. The Group will assess the financial capabilities of the fellow subsidiaries including their repayment histories and financial conditions. Management also regularly reviews the recoverability of these receivables and follow up the disputes or amounts overdue, if any. Management is of the opinion that the risk of default by the fellow subsidiaries company is low.

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3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

For deposits and other receivables, the Group applies the general approach in IFRS 9 to measure the credit loss allowance and provide for ECL. The maximum period considered when measuring ECL is the maximum contractual period over which the Group is exposed to credit risk. IFRS 9 outlines the “three-stage” model for impairment based on the changes in credit quality since initial recognition are summarised as follows:

- Stage 1: Financial instruments that are not credit-impaired on initial recognition and has their credit risk continuously monitored by the Group. Provision for impairment is measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months (“12-month ECL”);
- Stage 2: Financial instruments with significant increase in credit risk since initial recognition, but are not yet deemed to be credit-impaired. Provision for impairment is measured based on expected credit losses on a lifetime basis (“lifetime ECL”); and
- Stage 3: Financial instruments that are credit impaired where provision for impairment is measured based on lifetime ECL.

The Group measures provision for impairment of financial assets under IFRS 9 ECL model. The ECL is measured on either a 12-month or lifetime basis, depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. The measurement of ECL is a function of PD, EAD and LGD that are defined below:

- Probability of Default (“PD”): The PD represents the likelihood of a customer defaulting on the corresponding loan and interest receivable (as per “Definition of default and credit-impaired” above);
- Exposure at Default (“EAD”): The EAD represents the expected balance at default, taking into account the repayment of principal and interest from the balance sheet date to the default event. EAD is based on the amounts the Group expects to be owed at the time of default; and
- Loss given Default (“LGD”): The LGD represents expected losses on the EAD given the event of default, taking into account, among other attributes, the mitigating effect of collateral value at the time it is expected to be realised and the time value of money. LGD representing the percentage of loss expected to be made if the default occurs in the next 12 months or over the remaining expected lifetime of the loan respectively.

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3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

The lifetime PD is calculated by applying a maturity profile to the 12-month PD. The maturity profile set out how defaults develop on a loan portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical data and is assumed to be the same across all loans in a portfolio supported by historical analysis.

Forward-looking information incorporated in the ECL model

The assessment of ECL incorporates forward-looking information and is performed on a quarterly basis on each loan portfolio. The criteria used in the assessment are monitored and reviewed periodically for appropriateness by the management. The Group considers forward-looking information with reference to the macro-economic indicators in the PRC including:

- Annual industrial growth rate; and
- China delinquency ratio of corporate loans and deposits.

During the years ended 31 December 2018, 2019 and 2020, the expected losses is minimal and the expected credit loss rate is close to zero, given there is no history of significant defaults and no adverse change is anticipated in the future business environment.

(c) Liquidity risk

Prudent liquidity management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities.

The Group’s primary cash requirements have been the payment for operating expenses. The Group mainly finances its working capital requirements through proceeds from bank and other borrowings.

The Group’s policy is to regularly monitor current and expected liquidity requirements to ensure it maintains sufficient cash and cash equivalents and adequate amount of committed credit facilities to meet its liquidity requirements in the short and long term.

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3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

As at 31 December 2018, 2019 and 2020, the contractual undiscounted cash flows of the Group’s current financial liabilities approximate their respective carrying amounts due to their short maturities.

	On demand/ maturity less than 1 year RMB’000	Maturity between 1 to 2 years RMB’000	Maturity between 2 to 5 years RMB’000	Maturity over 5 years RMB’000	Total RMB’000
At 31 December 2018					
Trade and bills payable, accruals and other payables (excluding salaries payables and other taxes payables)	519,164	–	–	–	519,164
Borrowings including accrued interests	327,742	18,085	257,347	–	603,174
Lease liabilities	15,753	13,824	51,296	135,688	216,561
Convertible notes	23,724	–	–	–	23,724
Amount due to the immediate holding company	63,407	160,000	–	–	223,407
	949,790	191,909	308,643	135,688	1,586,030

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3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

	On demand/ maturity less than 1 year RMB'000	Maturity between 1 to 2 year RMB'000	Maturity between 2 to 5 years RMB'000	Maturity over 5 year RMB'000	Total RMB'000
At 31 December 2019					
Trade and bills payable, accruals and other payables (excluding salaries payables and other taxes payables)	362,561	–	–	–	362,561
Borrowings including accrued interests	358,146	32,685	219,865	–	610,696
Lease liabilities	20,064	16,323	55,292	122,273	213,952
Convertible notes	24,701	–	–	–	24,701
Amount due to the immediate holding company	–	189,836	–	–	189,836
	765,472	238,844	275,157	122,273	1,401,746
At 31 December 2020					
Trade and bills payable, accruals and other payables (excluding salaries payables and other taxes payables)	411,963	–	–	–	411,963
Borrowings including accrued interests	411,690	211,983	–	–	623,673
Lease liabilities	29,001	24,412	90,149	229,929	373,491
Amount due to the immediate holding company	–	133,937	–	–	133,937
	852,654	370,332	90,149	229,929	1,543,064

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3. Financial risk management (continued)

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain the capital structure, the Group may adjust the amount of dividends paid to shareholder, return capital to shareholder, issue new shares or sell assets to reduce debt, as the directors may consider necessary.

The Group manages the capital structure and make adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholders, return capital to shareholders, issue new shares or obtain funding from the holding companies and related companies.

3.3 Fair value estimation

Financial asset and financial liabilities

(a) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the consolidated financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level is as follows:

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2018				
Financial liabilities				
Financial liabilities at FVPL				
– Convertible notes (Note 19)	–	–	23,724	23,724
As at 31 December 2019				
Financial liabilities				
Financial liabilities at FVPL				
– Convertible notes (Note 19)	–	–	24,701	24,701
As at 31 December 2020				
Financial assets				
Financial assets at FVPL				
– Marketable securities (Note 13)	2,502	–	–	2,502

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3. Financial risk management (continued)

3.3 Fair value estimation (continued)

(a) Fair value hierarchy (continued)

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the year.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3.

(b) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 instruments for the years ended 31 December 2018, 2019 and 2020.

	Warrant			Convertible notes		
	2018	2019	2020	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Opening balance	7,351	–	–	14,537	23,724	24,701
Fair value changes recognised in profit or loss	(546)	–	–	8,024	1,615	(1,670)
Gain/(loss) on derecognition of convertible notes	–	–	–	–	4,141	–
Settlement	(7,073)	–	–	–	–	–
Finance cost	–	–	–	–	–	(899)
Redemption of convertible notes	–	–	–	–	(5,096)	(13,909)
Exchange realignment	268	–	–	1,163	317	(550)
Derecognition of convertible notes	–	–	–	–	–	(7,673)
Closing balance	–	–	–	23,724	24,701	–

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3. Financial risk management (continued)

3.3 Fair value estimation (continued)

(c) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements:

Description	Fair value at			Unobservable inputs			
	2018 RMB'000	2019 RMB'000	2020 RMB'000		2018 RMB'000	2019 RMB'000	2020 RMB'000
Convertible notes	23,724	24,701	–	Discount rate	14.8%	15.1%	–
				Volatility	47.4%	36.7%	–

Management estimated the impact of a reasonable change in the unobservable inputs based on valuation performed by an independent qualified actuary to be insignificant.

As at 31 December 2018, 2019 and 2020, it is estimated that a general increase/decrease of 100 basis points in discount rates, with all other variables held constant, the Group’s profit for the year would increase/decrease by approximately RMB1,044,000/844,000, and decrease/increase by RMB577,000/586,000 and RMB1,118,000/1,713,000, respectively.

As at 31 December 2018, 2019 and 2020, it is estimated that a general increase/decrease of 5% of the volatility rates, with all other variables held constant, the Group’s profit for the year would decrease/increase by approximately RMB520,000/23,000, decrease/increase by RMB10,000/96,000 and increase/decrease by RMB206,000/200,000, respectively.

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3. Financial risk management (continued)

3.4 Financial instruments by category

	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Financial assets			
Financial assets at amortised cost:			
Trade and other receivables (Note 9)	228,699	187,153	183,153
Deposits	40,299	49,798	69,735
Amounts due from fellow subsidiaries (Note 31(b))	34,556	17,774	20,454
Pledged bank deposits (Note 12)	313,881	163,871	149,537
Cash and cash equivalents (Note 12)	117,640	88,563	105,815
	735,075	507,159	528,694
Financial assets at fair values through profit or loss (Note 13)	–	–	2,502
Total financial assets	735,075	507,159	531,196
Financial liabilities			
Financial liabilities at amortised costs:			
Trade and bills payable, accruals and other payables (excluding salaries payables, VAT payable and other tax payables)	519,164	362,561	411,963
Bank and other borrowings (Note 18)	543,319	553,324	591,767
Amount due to the immediate holding company (Note 31(b))	223,407	189,836	133,937
Lease liabilities (Note 6)	138,501	142,412	232,045
	1,424,391	1,248,133	1,369,712
Financial liabilities at fair values through profit or loss:			
Convertible notes (Note 19)	23,724	24,701	–
Total financial liabilities	1,448,115	1,272,834	1,369,712

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4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

- (a) Impairment of intangible assets, goodwill, property, plant and equipment and right-of-use assets

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group’s financial position and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to profit or loss.

Goodwill is reviewed for impairment annually. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of estimates and judgements.

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4. Critical accounting estimates and judgements (continued)

(b) Current and deferred income tax

The Group is subject to income taxes in different jurisdictions. Judgement is required in determining the provision for income taxes in each of these jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the periods in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectation is different from the original estimates, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimates are changed.

(c) Fair value of convertible notes

The fair value of the convertible notes at the reporting date requires the Group to estimate the prominent factors affecting the fair value, including but not limited to, the expected life of the convertible notes, volatility and discount rate. Where the estimation on these factors is different from those previously estimated, such differences will impact the fair value of warrant in the period in which such determination is made.

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5. Property, plant and equipment

	Construction -in-progress RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Automobiles RMB'000	Total RMB'000
At 1 January 2018 (Unaudited)						
Cost	–	150,764	40,375	25,814	83,202	300,155
Accumulated depreciation and impairment	–	(59,190)	(26,905)	(19,810)	(37,768)	(143,673)
Net book amount	–	91,574	13,470	6,004	45,434	156,482
Year ended 31 December 2018						
Opening net book amount	–	91,574	13,470	6,004	45,434	156,482
Additions	2,177	3,941	1,651	1,488	27,088	36,345
Disposals	–	–	–	(131)	(28,958)	(29,089)
Transfer	(1,994)	1,994	–	–	–	–
Depreciation (Note 24)	–	(9,587)	(3,902)	(2,378)	(11,127)	(26,994)
Closing net book amount	183	87,922	11,219	4,983	32,437	136,744
At 31 December 2018						
Cost	183	156,699	42,026	27,171	81,332	307,411
Accumulated depreciation and impairment	–	(68,777)	(30,807)	(22,188)	(48,895)	(170,667)
Net book amount	183	87,922	11,219	4,983	32,437	136,744
Year ended 31 December 2019						
Opening net book amount	183	87,922	11,219	4,983	32,437	136,744
Additions	–	1,657	1,499	1,631	40,873	45,660
Disposals	–	–	(15)	(142)	(29,724)	(29,881)
Depreciation (Note 24)	–	(10,391)	(3,744)	(1,596)	(7,694)	(23,425)
Closing net book amount	183	79,188	8,959	4,876	35,892	129,098

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5. Property, plant and equipment (continued)

	Construction -in-progress RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Automobiles RMB'000	Total RMB'000
At 31 December 2019						
Cost	183	158,356	43,510	28,660	92,481	323,190
Accumulated depreciation and impairment	–	(79,168)	(34,551)	(23,784)	(56,589)	(194,092)
Net book amount	183	79,188	8,959	4,876	35,892	129,098
Year ended 31 December 2020						
Opening net book amount	183	79,188	8,959	4,876	35,892	129,098
Additions	12,037	2,639	1,985	5,793	47,757	70,211
Disposals	(183)	(1,611)	(205)	(397)	(32,448)	(34,844)
Depreciation (Note 24)	–	(10,392)	(2,412)	(1,367)	(8,146)	(22,317)
Impairment reversal	–	29,701	–	–	–	29,701
Transfer	(482)	482	–	–	–	–
Closing net book amount	11,555	100,007	8,327	8,905	43,055	171,849
At 31 December 2020						
Cost	11,555	198,216	45,290	34,056	107,790	396,907
Accumulated depreciation and impairment	–	(98,209)	(36,963)	(25,151)	(64,735)	(225,058)
Net book amount	11,555	100,007	8,327	8,905	43,055	171,849

Depreciation expense of approximately RMB18,570,000 (2018 and 2019: RMB21,992,000 and RMB19,410,000) and RMB3,747,000 (2018 and 2019: RMB5,002,000 and RMB4,015,000) has been charged to selling expenses and administrative respectively.

As at 31 December 2020, certain short-term borrowings of the Group are secured by property, plant and equipment with net book value of approximately RMB1,609,000 (2018 and 2019: RMB3,303,000 and RMB13,213,000) (Note 18).

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5. Property, plant and equipment (continued)

Property, plant and equipment are tested for impairment as described in Note 2.7. The results of the impairment test undertaken as at 31 December 2014 indicated that the recoverable amount of CGU in Chongqing (“Chongqing CGU”) is less than the carrying value of the its net assets due to the continuing losses of Chongqing CGU. As such, an impairment loss for property, plant and equipment of RMB38,350,000 was recognised.

The Chongqing CGU started to turnaround from loss to profit during the year ended 31 December 2019 and the profit level continued to increase during the year ended 31 December 2020. As such, based on a valuation performed by an independent professionally qualified valuer, a reversal of provision for impairment of property, plant and equipment of RMB29,701,000 was recognised in profit or loss during the year ended 31 December 2020. The value-in-use calculation used pre-tax cash flow projection based on a five-year financial budget approved by management using the estimated growth rate of the relevant CGU. The pre-tax discount rate applied to the cash flow projections is 13% and management believes it reflects specific risks relating to the particular operations.

6. Right-of-use assets and lease liabilities

This note provides information for leases where the Group is a lessee

(i) Amounts recognised in the consolidated statement of financial position

The balance sheet shows the following amounts relating to leases:

	2018 RMB’000	2019 RMB’000	2020 RMB’000
Right-of-use asset			
Land use rights	132,244	126,952	121,661
Buildings	124,403	121,843	206,679
Automobiles	—	538	393
	256,647	249,333	328,733
Lease liabilities			
Current	6,609	10,440	12,631
Non-current	131,892	131,972	219,414
	138,501	142,412	232,045

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6. Right-of-use assets and lease liabilities (continued)

(i) Amounts recognised in the consolidated statement of financial position (continued)

The Group leases various offices, showrooms, car park and stores. Rental contracts are typically made for fixed periods of 3 to 25 years. The Group has land lease arrangement with PRC government and leased office and parking spaces in Hong Kong. No extension option and no residual value guarantee are included in such property leases across the Group.

Additions to the right-of-use assets during the years ended 31 December 2018, 2019 and 2021 are RMB753,000, RMB11,773,000 and RMB101,004,000.

(ii) Amounts recognised in the consolidated statement of comprehensive income

	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Depreciation charge of right-of-use assets			
Land use rights	5,291	5,291	5,291
Buildings	12,446	13,726	16,066
Automobiles	–	58	145
	<u>17,737</u>	<u>19,075</u>	<u>21,502</u>
Interest expense (included in finance cost)			
Buildings	9,554	9,509	10,800
Automobiles	–	11	15
	<u>9,554</u>	<u>9,520</u>	<u>10,815</u>

(a) The total cash outflow for leases for the years ended 2018, 2019 and 2020 amounted to RMB19,588,000, RMB21,524,000 and RMB28,532,000.

(b) For the years ended 31 December 2018, 2019 and 2020, certain short-term borrowings of the Group are secured by land use rights. As at 31 December 2018, 2019 and 2020, short-term borrowings of RMB132,244,000 and RMB126,952,000 and nil are secured by land use rights, respectively (Note 18).

(c) During the years ended 31 December 2018, 2019 and 2020, depreciation expense of approximately RMB8,711,000, RMB9,608,000 and RMB11,246,000, and RMB9,026,000, RMB9,467,000 and RMB10,256,000 have been charged to selling expenses and administrative expenses respectively (Note 24).

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6. Right-of-use assets and lease liabilities (continued)

(iii) Short-term leases and low-value assets

For the years ended 31 December 2018, 2019 and 2020, lease payment for short-term lease amounted to RMB5,459,000, RMB4,030,000 and RMB4,335,000, respectively. There were no expenses relating to leases of low-value assets.

7. Intangible assets

	Goodwill			
	BMW 4S dealership business RMB'000	McLaren 4S dealership business RMB'000	Dealership rights RMB'000	Total RMB'000
At 1 January 2018 (Unaudited)				
Cost	48,750	4,172	32,443	85,365
Accumulated amortisation and impairment	–	–	(2,421)	(2,421)
Net book amount	48,750	4,172	30,022	82,944
Year ended 31 December 2018				
Opening net book amount	48,750	4,172	30,022	82,944
Amortisation (Note 24)	–	–	(807)	(807)
Closing net book amount	48,750	4,172	29,215	82,137
At 31 December 2018				
Cost	48,750	4,172	32,443	85,365
Accumulated amortisation and impairment	–	–	(3,228)	(3,228)
Net book amount	48,750	4,172	29,215	82,137

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7. Intangible assets (continued)

	Goodwill			
	BMW 4S dealership business RMB'000	McLaren 4S dealership business RMB'000	Dealership rights RMB'000	Total RMB'000
At 1 January 2019				
Cost	48,750	4,172	32,443	85,365
Accumulated amortisation and impairment	–	–	(3,228)	(3,228)
Net book amount	48,750	4,172	29,215	82,137
Year ended 31 December 2019				
Opening net book amount	48,750	4,172	29,215	82,137
Amortisation (Note 24)	–	–	(807)	(807)
Closing net book amount	48,750	4,172	28,408	81,330
At 31 December 2019				
Cost	48,750	4,172	32,443	85,365
Accumulated amortisation and impairment	–	–	(4,035)	(4,035)
Net book amount	48,750	4,172	28,408	81,330
Year ended 31 December 2020				
Opening net book amount	48,750	4,172	28,408	81,330
Amortisation (Note 24)	–	–	(807)	(807)
Closing net book amount	48,750	4,172	27,601	80,523
At 31 December 2020				
Cost	48,750	4,172	32,443	85,365
Accumulated amortisation and impairment	–	–	(4,842)	(4,842)
Net book amount	48,750	4,172	27,601	80,523

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7. Intangible assets (continued)

Amortisation expense charged to administrative expenses in the consolidated statement of comprehensive income amounted to RMB807,000 for the years ended 31 December 2018, 2019 and 2020 (Note 24).

Goodwill is allocated to the Group’s CGUs identified according to operating entities.

The recoverable amount of the CGUs is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows were then extrapolated using the estimated growth rates beyond the five-year period. The growth rate does not exceed the long-term average growth rate for the business in which the CGUs operates.

Management determined the budgeted revenue growth rate based on past performance and its expectation of market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant CGUs:

BMW 4S dealership business

	2018	2019	2020
Revenue growth rate	5.0%-10.2%	3.8%-10.2%	8.0%
Pre-tax discount rate	14.8%	15.1%	15.4%
Terminal growth rate	3%	3%	3%

Based on the impairment assessment performed by management, the estimated recoverable amount of BMW 4S dealership business is significantly higher than the carrying amount of the relevant goodwill. Management believes that any reasonably possible change in any of the key assumptions would not result in an impairment of goodwill of BMW 4S dealership business.

McLaren 4S dealership business

	2018	2019	2020
Revenue growth rate	6.6%-6.8%	5.0%-5.5%	10.0%-29.2%
Pre-tax discount rate	14.8%	15.1%	15.4%
Terminal growth rate	3.0%	3.0%	3.0%

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7. Intangible assets (continued)

McLaren 4S dealership business (continued)

Based on the impairment assessment performed by management, the excess of the estimated recoverable amount over the carrying amount of the goodwill of McLaren dealership business (i.e. the headroom) are RMB20,375,000, RMB16,685,000 and RMB17,007,000 as at 31 December 2018, 2019 and 2020, respectively.

If the following key parameters (i.e. revenue growth rate and pre-tax discount rate) change, with all other variables held constant, the headroom between the estimated recoverable amount and the carrying amount of the relevant goodwill would vary as follows:

	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Revenue growth rate decreased by 5%	5,714	7,900	3,562
Pre-tax discount rate increased by 10%	15,713	12,144	10,039

The recoverable amount of this goodwill would equal its carrying amount if the key assumptions were to change as follows:

	2018	2019	2020
Revenue growth rate	6.16%-6.3%	4.5%-4.9%	9.4%-27.3%
Pre-tax discount rate	26.3%	23.7%	26.3%

There was no provision for impairment on intangible assets made during the years ended 31 December 2018, 2019 and 2020.

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8. Subsidiaries

Name	Place of incorporation/ registration	Particulars of paid-up capital	Principal activities	Effective interest held as at 31 December		
				2018	2019	2020
TCAH (BVI) Limited	British Virgin Islands	US\$1	Investment holding	100%	100%	100%
Marine Pearl Limited	British Virgin Islands	US\$10	Investment holding	100%	100%	100%
TCA Foshan (BVI) Limited	British Virgin Islands	US\$10	Investment holding	100% [#]	100% [#]	100% [#]
TCA Shenzhen (BVI) Limited	British Virgin Islands	US\$10	Investment holding	100% [#]	100% [#]	100% [#]
TCA Guangzhou (BVI) Limited	British Virgin Islands	US\$10	Investment holding	100% [#]	100% [#]	100% [#]
TCA Chongqing (BVI) Limited	British Virgin Islands	US\$10	Investment holding	100% [#]	100% [#]	100% [#]
Landwealth Holdings Limited	British Virgin Islands	US\$10,000	Investment holding	100% [#]	100% [#]	100% [#]
Trans-China Automotive Holdings (FS) Limited (formerly known as Focus Win (Foshan) Limited)	Hong Kong	HK\$97,556,115	Investment holding	100% [#]	100% [#]	100% [#]
佛山市坤寶汽車銷售服務有限公司	PRC	RMB50,000,000	Sale of automobiles and accessories, and provision of automobile repair and maintenance services	100% [#]	100% [#]	100% [#]
TCA Holdings (HK) Limited (formerly known as Focus Win (Shenzhen) Limited)	Hong Kong	HK\$126,865,939	Investment holding	100% [#]	100% [#]	100% [#]

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8. Subsidiaries (continued)

Name	Place of incorporation/ registration	Particulars of paid-up capital	Principal activities	Effective interest held as at 31 December		
				2018	2019	2020
深圳市創豐寶汽車銷售服務有限公司	PRC	RMB50,000,000	Sale of automobiles and accessories, and provision of automobile repair and maintenance services	100% [#]	100% [#]	100% [#]
Focus Win (Guangzhou) Limited	Hong Kong	HK\$64,797,862	Investment holding	100% [#]	100% [#]	100% [#]
Global Gallant Limited	Hong Kong	HK\$1,000,000	Investment holding	100% [#]	100% [#]	100% [#]
廣州市昌寶汽車銷售服務有限公司	PRC	RMB56,246,115	Sale of automobiles and accessories, and provision of automobile repair and maintenance services	100% [#]	100% [#]	100% [#]
Focus Win (Chongqing) Limited	Hong Kong	HK\$128,180,393	Investment holding	100% [#]	100% [#]	100% [#]
重慶市慶德寶汽車銷售服務有限公司	PRC	RMB80,000,000	Sale of automobiles and accessories, and provision of automobile repair and maintenance services	100% [#]	100% [#]	100% [#]
Power Summit Corporation Limited	Hong Kong	HK\$1,000,000	Investment holding	100% [#]	100% [#]	100% [#]
重慶百澤實業有限公司	PRC	RMB10,000,000	Assets holding	100% [#]	100% [#]	100% [#]
深圳市尚賢同企業諮詢管理服務有限公司	PRC	RMB20,000,000	Investment holding and provision of consulting services	100% [#]	100% [#]	100% [#]

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8. Subsidiaries (continued)

Name	Place of incorporation/ registration	Particulars of paid-up capital	Principal activities	Effective interest held as at 31 December		
				2018	2019	2020
Auto Winning Limited	British Virgin Islands	US\$1	Investment holding	100%	100%	100%
Bright Promise Limited	Hong Kong	HK\$1	Investment holding	100% [#]	100% [#]	100% [#]
深圳市創興盛汽車銷售服務有限公司	PRC	RMB55,000,000	Sale of automobiles and accessories, and provision of automobile repair and maintenance services	100% [#]	100% [#]	100% [#]
長沙創興盛汽車銷售服務有限公司	PRC	RMB1,000,000	Sale of automobiles and accessories, and provision of automobile repair and maintenance services	100% [#]	100% [#]	100% [#]
廣州市銳盛汽車銷售服務有限公司	PRC	RMB1,000,000	Sale of automobiles and accessories, and provision of automobile repair and maintenance services	100% [#]	100% [#]	100% [#]
武漢市銳盛汽車銷售服務有限公司	PRC	RMB1,000,000	Sale of automobiles and accessories, and provision of automobile repair and maintenance services	100% [#] @	100% [#]	100% [#]

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8. Subsidiaries (continued)

Name	Place of incorporation/ registration	Particulars of paid-up capital	Principal activities	Effective interest held as at 31 December		
				2018	2019	2020
福州市創興盛汽車銷售服務有限公司	PRC	2018 and 2019: RMB1,000,000	Sale of automobiles and accessories, and provision of automobile repair and maintenance services	100% [#]	100% [#]	— ^{#&}
昆明創興盛汽車銷售服務有限公司	PRC	2018 and 2019: RMB1,000,000	Sale of automobiles and accessories, and provision of automobile repair and maintenance services	— ^{#^}	— ^{#^}	— ^{#^}
Red Star (Shenzhen) Limited	Hong Kong	HK\$100	Investment holding	100% [#]	100% [#]	100% [#]
耀驊汽車管理服務深圳有限公司 (formerly known as 創豐盛汽車管理服務(深圳)有限公司)	PRC	RMB2,000,000	Providing management services to group entities	100% ^{#*}	100% [#]	100% [#]
N-Tech Services Limited	Hong Kong	HK\$1,000,000	Investment holding	100% [#]	100% [#]	100% [#]
深圳市祺烽汽車銷售服務有限公司 (formerly known as 深圳市安盛傑貿易有限公司)	PRC	RMB500,000	Sale of automobiles and accessories, and provision of automobile repair and maintenance services	100% [#]	100% [#]	100% [#]
廣東耀驊租賃有限公司 (formerly known as 廣東創豐盛融資租賃有限公司)	PRC	RMB12,734,723	Provision of licensing service	100% [#]	100% [#]	100% [#]

[#] Interest held indirectly

[^] Deregistered on 2 May 2018

[@] Established on 13 July 2018

[&] Deregistered on 28 August 2020

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9. Trade and other receivables

The carrying amounts of trade and other receivables are as follows:

	2018	2019	2020
	RMB’000	RMB’000	RMB’000
Trade receivables	9,013	13,398	5,345
Rebate receivables	171,604	133,647	134,634
Value-added tax (“VAT”) receivables	2,968	4,530	4,325
Handling and commission fee and insurance commission receivable	16,898	17,221	18,375
Mortgage commission fee receivable	4,815	3,633	1,839
Indemnity provided by manufacturers for repair and maintenance costs incurred	11,218	10,785	12,387
Other receivables	12,183	3,939	6,248
	228,699	187,153	183,153

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables, handling and commission fee and insurance commission receivable, mortgage commission fee receivable, and indemnity and rebate receivables from manufacturers with known insolvencies or significant outstanding balances. The Group considers the credit risk characteristics of the counterparty or the days past due of the relevant receivable to determine the expected credit losses.

Trade receivables mainly represent receivables from individual customers for sales of automobiles or provision of relevant after sales services, of which deposits are received upfront from individual customers. Rebate receivables represent rebates to be received from manufacturers when the Group is able to meet relevant sales targets required by the manufacturers.

During the years ended 31 December 2018, 2019 and 2020, the expected credit losses for customers of sales of goods is minimal and the expected credit loss rate approximates to zero. No provision for impairment of trade receivables has been made during the years ended 31 December 2018, 2019 and 2020.

The recoverability of deposits and other receivables was assessed with reference to the credit status of the counter parties, and there is no expected credit loss for the future 12 months.

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9. Trade and other receivables (continued)

The Group’s receivables are denominated in the following currencies:

	2018	2019	2020
	RMB’000	RMB’000	RMB’000
RMB	207,205	178,145	174,784
US\$	20,352	7,851	7,285
HK\$	1,142	1,157	1,084
	228,699	187,153	183,153

10. Prepayments and deposits

	2018	2019	2020
	RMB’000	RMB’000	RMB’000
Current			
Prepayments to manufacturers	55,879	71,340	327,777
Security deposits for other borrowings from manufacturers	37,551	38,694	63,504
Prepaid listing expenses	132	1,096	2,034
Others	13,459	21,479	15,171
	107,021	132,609	408,486
Non-current			
Prepayments for property, plant and equipment	—	—	3,738
Total prepayments and deposits	107,021	132,609	412,224

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10. Prepayments and deposits (continued)

The carrying amounts of prepayments and deposits approximate their fair values and are denominated in the following currencies:

	2018	2019	2020
	RMB'000	RMB'000	RMB'000
RMB	100,687	99,163	383,271
US\$	6,075	6,159	7,055
HK\$	259	27,287	21,898
	107,021	132,609	412,224

11. Inventories

	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Automobiles	264,643	380,768	206,647
Spare parts	32,770	39,285	46,031
	297,413	420,053	252,678
Provision for inventories	(8,905)	(5,882)	(3,877)
	288,508	414,171	248,801

Inventories represent automobiles and motor spare parts. The cost of inventories recognised as an expense and included as “Cost of sales” in the consolidated statement of comprehensive income amounted to approximately RMB3,286,778,000, RMB3,461,635,000 and RMB3,874,031,000 for the years ended 31 December 2018, 2019 and 2020, respectively (Note 24).

As at 31 December 2018, 2019 and 2020, short term borrowings amounted to approximately RMB231,091,000, RMB147,296,000 and RMB263,823,000 are secured by inventories held by the Group (Note 18).

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12. Pledged bank deposits and cash and cash equivalents

	2018	2019	2020
	RMB’000	RMB’000	RMB’000
Cash on hand	569	373	508
Cash at banks	117,071	88,190	105,307
Cash and cash equivalents	117,640	88,563	105,815
Pledged bank deposits	313,881	163,871	149,537
Total cash and cash equivalents and pledged bank deposits	431,521	252,434	255,352

Pledged bank deposits were pledged for bills payable granted by financial institutions to certain subsidiaries of the Group as required by the relevant banks, where the deposits need to be maintained when the Group continues to utilise the bills payable facilities.

The Group’s cash and cash equivalents are denominated in the following currencies:

	2018	2019	2020
	RMB’000	RMB’000	RMB’000
RMB	76,335	56,951	80,951
US\$	35,939	18,125	24,159
HK\$	389	13,487	705
British Pounds (“GBP”)	4,977	–	–
	117,640	88,563	105,815

As at 31 December 2018, 2019 and 2020, the Group has cash at banks amounting to approximately RMB66,038,000, RMB56,950,000 and RMB68,721,000 held in the PRC, respectively. These cash and bank balances are subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

The carrying amounts of the Group’s pledged bank deposits and cash and cash equivalents approximate their fair values.

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13. Financial assets at FVPL

Classification of financial assets at FVPL

The group classifies the following financial assets at FVPL:

- debt investments that do not qualify for measurement at either amortised cost or FVOCI
- equity investments that are held for trading, and
- equity investments for which the entity has not elected to recognise fair value gains and losses through OCI.

The Group’s financial asset at FVPL comprises of listed securities investment. Detail of the information about the methods and assumptions used in determining the fair value are disclosed in Note 3.3.

Movement of the FVPL for the years ended 31 December 2018, 2019 and 2020 are as follow:

	2018	2019	2020
	RMB’000	RMB’000	RMB’000
Balance as at 1 January 2018 (Unaudited), 31 December 2018 and 31 December 2019	–	–	–
Addition	–	–	2,500
Fair value changes on revaluation recognised in profit or loss	–	–	2
Balance as at 31 December 2020	–	–	2,502

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14. Share capital

Ordinary shares, issued and fully paid:	Number of shares	Share capital RMB'000	Share premium RMB'000	Total RMB'000
1 January 2018 (Unaudited) and 31 December 2018 and 1 January 2019	43,233,605	284,435	–	284,435
Issuance of shares (Note (a))	1,145,902	7,987	1,526	9,513
31 December 2019 and 1 January 2020	44,379,507	292,422	1,526	293,948
Issuance of shares (Note (b))	2,959,262	20,266	1,453	21,719
Issuance of shares under share-based payment (Note 15)	2,593,626	17,487	5,337	22,824
31 December 2020	49,932,395	330,175	8,316	338,491

Notes:

- (a) During the year ended 31 December 2019, the Company issued 1,145,902 ordinary shares at a total consideration of US\$1,145,902 (equivalent to approximately RMB9,513,000) to its shareholders.
- (b) During the year ended 31 December 2020, the Company issued 2,959,262 ordinary shares at a total consideration of US\$2,959,262 (equivalent to approximately RMB21,719,000) to its shareholders.

On 17 September 2021, the Company approved the sub-division of each ordinary share into 10 shares and the total number of shares in issue increased from 49,932,395 to 499,323,950 (the “Sub-division”).

15. Share-based payments

(a) Share option scheme

The equity compensation agreement (the “Share Award Scheme”) was approved by the board of directors. The Share Award Scheme is designed to provide compensation for grantee’s past services to the Group. Under the scheme, share award granted to the employees are vested immediately. Participation in the plan is at the Board’s discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits. The share awards are exercisable from 1 July 2017 to 31 December 2020. The share awards to each grantee are granted at the consideration of US\$1 for all shares to be granted. When exercisable, share awards are convertible into ordinary share within 30 days after receiving a written notice from the grantees exercising the conversion and a payment in full of the subscription price.

On 10 September 2020, the share awards were exercised at an average price of RMB6.74 per share and converted into 2,593,626 ordinary shares to three employees.

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15. Share-based payments (continued)

(a) Share option scheme (continued)

Movement in number of share awards granted under the share option scheme is as follow:

	Average fair value per share RMB	Number of shares
At 1 January 2018 (Unaudited)	8.80	2,593,626
Granted	—	—
Exercised	—	—
Lapsed	—	—
At 31 December 2018 and 1 January 2019	8.80	2,593,626
Granted	—	—
Exercised	—	—
Lapsed	—	—
At 31 December 2019 and 1 January 2020	8.80	2,593,626
Granted	—	—
Exercised	6.74	(2,593,626)
Lapsed	—	—
At 31 December 2020	—	
Vested and exercisable as at 31 December 2018		2,593,626
Vested and exercisable as at 31 December 2019		2,593,626
Vested and exercisable as at 31 December 2020		—

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15. Share-based payments (continued)

(b) Fair value of options granted

The Company has applied IFRS 2 to account for the equity compensation expenses of the share awards granted to the grantees at the date of grant at fair value in the consolidated financial statements.

The fair value of share awards granted under the scheme is determined using the fair value of share price of the ordinary shares of the Group at the date of grant, using discounted cash flow model with the following inputs as at 31 March 2017 (date of grant):

Discount rate	14.5%
Risk-free interest rate	0.7%
Volatility	41.0%

16. Trade and bills payable, accruals and other payables

	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Trade payables	21,736	34,610	58,419
Bills payable	474,240	306,654	330,645
Salaries payables	10,886	14,755	21,214
VAT payable	8,227	3,984	12,649
Other tax payables	5,473	4,931	3,202
Accrued advertising expenses	4,580	3,477	4,939
Accrued listing expenses	–	1,216	2,475
Others	18,608	16,604	15,485
	543,750	386,231	449,028
Represented by:			
Trade and bills payable	495,976	341,264	389,064
Accruals and other payables	47,774	44,967	59,964
	543,750	386,231	449,028

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16. Trade and bills payable, accruals and other payables (continued)

Majority of the Group’s suppliers grant credit periods ranging from 30 to 60 days.

As at 31 December 2018, 2019 and 2020, the Group’s trade and bills payable, accruals and other payables approximate their fair values. The Group’s trade and bills payable, accruals and other payables are denominated in the following currencies:

	2018 RMB’000	2019 RMB’000	2020 RMB’000
RMB	543,058	385,598	447,110
HK\$	692	633	1,918
	543,750	386,231	449,028

17. Contract liabilities

Contract liabilities represented the unused cash coupon issued by certain subsidiaries of the Group to customers for cars maintenance service and deposit from customers.

	2018 RMB’000	2019 RMB’000	2020 RMB’000
Deposit from customers	139,278	178,355	155,388
Unused cash coupon	9,857	8,818	9,920
	149,135	187,173	165,308

Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in a prior year:

	2018 RMB’000	2019 RMB’000	2020 RMB’000
Revenue recognised in relation to contract liabilities at 1 January	76,416	101,645	187,173

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18. Bank and other borrowings

	2018 RMB'000	2019 RMB'000	2020 RMB'000
Current:			
Bank borrowings – secured	32,000	30,000	60,000
Borrowings from manufacturers – secured	153,259	161,884	266,910
Other borrowings – secured	129,614	151,981	78,724
	314,873	343,865	405,634
Non-current:			
Other borrowings – secured	228,446	209,459	186,133
Total bank and other borrowings	543,319	553,324	591,767

The Group’s borrowings were repayable as follows:

	Within 1 year RMB'000	Between 1 to 2 years RMB'000	Between 2 to 5 years RMB'000	Total RMB'000
At 31 December 2018				
Bank borrowings	32,000	–	–	32,000
Borrowings from manufacturers	153,259	–	–	153,259
Other borrowings	129,614	15,000	213,446	358,060
	314,873	15,000	213,446	543,319
At 31 December 2019				
Bank borrowings	30,000	–	–	30,000
Borrowings from manufacturers	161,884	–	–	161,884
Other borrowings	151,981	29,337	180,122	361,440
	343,865	29,337	180,122	553,324

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18. Bank and other borrowings (continued)

	Within 1 year RMB'000	Between 1 to 2 years RMB'000	Between 2 to 5 years RMB'000	Total RMB'000
At 31 December 2020				
Bank borrowings	60,000	–	–	60,000
Borrowings from manufacturers	266,910	–	–	266,910
Other borrowings	78,724	186,133	–	264,857
	405,634	186,133	–	591,767

The Group’s borrowings are denominated in the following currencies:

	2018 RMB'000	2019 RMB'000	2020 RMB'000
RMB	271,044	311,674	375,745
US\$	272,275	237,639	216,022
HK\$	–	4,011	–
	543,319	553,324	591,767

The average effective interest rates (per annum) were as follows:

	2018	2019	2020
Bank borrowings	6.7%	6.7%	6.7%
Borrowings from manufacturers	8.5%	8.5%	8.5%
Other borrowings	7.7%	6.3%	7.6%

The fair values of the current borrowings approximate their fair value due to the short-term nature. The fair values of the non-current borrowings approximate their carrying amounts as at 31 December 2018, 2019 and 2020. Details of the Group’s exposure to risks arising from non-current borrowings are set out in Note 3.1.

As at 31 December 2018, 2019 and 2020, the Group had aggregate banking facilities for overdrafts, bank loans and trading financing of approximately RMB180,000,000, RMB50,000,000 and RMB80,000,000, respectively, of which approximately RMB148,000,000, RMB20,000,000 and RMB20,000,000 remained undrawn as at 31 December 2018, 2019 and 2020, respectively.

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18. Bank and other borrowings (continued)

As at 31 December 2018, 2019 and 2020, the Group had aggregate credit facilities offered by manufacturers for purchase of inventories of approximately RMB242,250,000, RMB288,750,000 and RMB333,000,000, respectively, of which approximately RMB88,991,000, RMB126,866,000 and RMB66,090,000 remained undrawn as at 31 December 2018, 2019 and 2020, respectively.

The bank and other borrowings were secured by the following:

- (i) Unlimited personal guarantees provided by certain shareholders and related parties;
- (ii) Pledged bank deposits of RMB313,881,000, RMB163,871,000 and RMB149,537,000 as at 31 December 2018, 2019 and 2020, respectively (Note 12);
- (iii) Pledged property, plant and equipment of RMB3,303,000, RMB13,213,000 and RMB1,609,000 as at 31 December 2018, 2019 and 2020, respectively (Note 5);
- (iv) Pledged land use rights of RMB132,244,000 and RMB126,952,000 as at 31 December 2018 and 2019, respectively. The pledge on land use rights have been replaced during the year ended 31 December 2020 (Note 6); and
- (v) Pledged inventories of RMB231,091,000, RMB147,296,000 and RMB263,823,000 as at 31 December 2018, 2019 and 2020, respectively (Note 11).

19. Convertible notes

The Group monitors the convertible note on a fair value basis which is in accordance with its risk management strategy and does not bifurcate any feature from its debt host instrument and designates the entire hybrid contract as a financial liability at fair value through profit or loss with the changes in the fair value recorded in consolidated statement of comprehensive income.

On 30 March 2017, the Company entered into a convertible note arrangement (“Convertible notes A”), pursuant to which the Company issued convertible notes at principal amount of approximately US\$3,244,000 (equivalent to approximately RMB21,108,000), of which US\$3,144,000 and US\$100,000 were issued to third parties and senior management of the Group (collectively, the “Noteholders”) respectively.

Convertible notes are convertible to ordinary shares of the Company. Conversion price is set initially at US\$1.4768 per share. Prevailing note price per unit as at conversion date equals the sum of (i) US\$100, plus (ii) US\$100 multiplied by 7.5% at 365 days basis and multiplied by the number of days elapsed from the issuance date.

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19. Convertible notes (continued)

If the Convertible notes are not converted at maturity, the Company shall redeem all notes at redemption price of US\$115 per note upon maturity. On 30 March 2019, Convertible notes A matured and certain Noteholders redeemed their notes at principal amounts of US\$250,000.

After such redemption, the remaining Convertible notes A of approximately US\$2,994,081 (equivalent to approximately RMB20,097,000) was refinanced by issuing another convertible note that would mature on 30 March 2020 (“Convertible notes B”).

Conversion price of Convertible notes B is initially set at US\$1.386. The number of shares to be allotted equals the prevailing note price as at conversion date divided by the conversion price. Prevailing note price per unit as at conversion date equals the sum of (i) US\$100, plus (ii) US\$100 multiplied by 10% at 365 days basis and multiplied by the number of days elapsed from the issuance date.

On 30 March 2020, the Convertible notes B matured. Convertible notes B amounted to US\$2,193,000 have been redeemed during the year ended 31 December 2020.

Based on the discussion and negotiation with on the Noteholders, Convertible notes B held by the particular noteholder amounted to US\$1,100,000 has been extended to 31 March 2021 and the convertible features has been removed. The remaining balance is reclassified to other borrowings and included in “bank and other borrowings”. This balance of US\$1,100,000 and related interest was settled on 22 February 2021.

The replacements of Convertible notes A and B resulted in a loss on derecognition of approximately RMB4,141,000 and a gain on derecognition of approximately RMB558,000 during the years ended 31 December 2019 and 2020, respectively.

The directors had used the binomial method to determine the fair values. Key assumptions are set out as below:

	2018	2019	2020
Discount rate	14.8%	15.1%	15.3%
Risk-free interest rate	2.5%	1.6%	1.8%
Volatility	47.4%	36.7%	39.2%

Discount rate was estimated using bond yield as of the appraisal date. The risk-free rate is based on the yield of US Government Bonds with a maturity life equal to the time to maturity of the convertible notes. Volatility was estimated at the dates of appraisal based on average of historical volatilities of the comparable companies in the same industry for a period from the respective appraisal dates to expected mature date.

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19. Convertible notes (continued)

The movement of the convertible notes A is set out as below:

	2018	2019	2020
	RMB’000	RMB’000	RMB’000
As at 1 January	14,537	23,724	–
Interest paid	–	(3,355)	–
Redemption	–	(1,741)	–
Fair value changes (Note 23)	8,024	1,942	–
Exchange realignment	1,163	(473)	–
Refinanced by Convertible notes B	–	(20,097)	–
As at 31 December	23,724	–	–

The movement of the convertible notes B is set out as below:

	2018	2019	2020
	RMB’000	RMB’000	RMB’000
As at 1 January	–	–	24,701
Refinanced by Convertible notes B	–	20,097	–
Loss upon derecognition of Convertible notes A	–	4,141	–
Finance costs	–	–	(899)
Redemption	–	–	(13,909)
Fair value changes (Note 23)	–	(327)	(1,670)
Derecognised as other borrowings (Note 18)	–	–	(7,673)
Exchange realignment	–	790	(550)
As at 31 December	–	24,701	–

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20. Segment reporting

The identification and disclosure of operating segment information is based on internal financial reports that are regularly reviewed by the Group’s chief operating decision maker for the purpose of resources allocation and performance assessment. On this basis, the Group has determined that it only has one operating segment which is the sales of automobiles and provision of after-sales services.

(i) Information about geographical area

Substantially of the Group’s revenue is derived from the sales of automobiles and provision of after-sales services in PRC and the principal non-current assets employed by the Group are located in PRC. Accordingly, no analysis by geographical segments has been provided for the reporting period.

(ii) Information about major customers

The Group’s customer base is diversified and there is no customer with whom transactions have exceeded 10% of the Group’s revenues.

21. Revenue

	2018	2019	2020
	RMB’000	RMB’000	RMB’000
Sales of automobiles	3,081,559	3,251,704	3,703,958
After sales services	452,355	517,799	510,032
	3,533,914	3,769,503	4,213,990

During the years ended 31 December 2018, 2019 and 2020, all of the Group’s revenue is from contracts with customers and is recognised at a point in time.

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22. Other income

	2018	2019	2020
	RMB’000	RMB’000	RMB’000
Handling and commission fee income	55,905	39,261	48,541
Insurance commission	18,631	15,088	14,429
Deposit forfeited by customers	1,209	563	18,159
Government grants	41	567	1,802
Others	3,553	1,840	3,666
	79,339	57,319	86,597

23. Other (losses)/gains, net

	2018	2019	2020
	RMB’000	RMB’000	RMB’000
Fair value (loss)/gain of			
– Convertible notes	(8,024)	(1,615)	1,670
– Warrant	546	–	–
Gain on disposals of property, plant and equipment (Note 30(b))	6,499	2,566	3,736
Loss upon on derecognition of convertible notes (Note 19)	–	(4,141)	–
Exchange differences	(1,396)	(597)	389
Others	(756)	(255)	(449)
	(3,131)	(4,042)	5,346

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24. Expenses by nature

	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Cost of sales of automobiles and spare parts (Note 11)	3,286,778	3,461,635	3,874,031
Employee benefit expenses (including directors' emoluments) (Note 25)	111,547	131,087	136,463
Provision for/(reversal of provision for) inventories	5,245	(3,023)	(2,005)
Auditor's remuneration	3,983	3,145	4,127
Advertising expenses	9,845	9,841	13,329
Fuel and maintenance expenses	4,528	4,333	4,315
Depreciation of property, plant and equipment (Note 5)	26,994	23,425	22,317
Depreciation of right-of-use assets (Note 6)	17,737	19,075	21,502
Amortisation of intangible assets (Note 7)	807	807	807
Bank charges	3,484	2,713	2,843
Entertainment	1,115	1,161	605
Legal and professional fees	5,549	4,160	4,075
Listing expenses	—	1,161	2,060
IT and security fees	4,477	5,013	5,172
Office, communication and utilities expenses	7,829	8,958	8,351
Other tax expenses	27,959	24,961	30,924
Short term lease expenses	5,459	4,030	4,335
Travelling expenses	4,495	3,043	2,383
Others	4,351	3,865	4,771
Total cost of sales, selling and administrative expenses	3,532,182	3,709,390	4,140,405

Other tax expenses consist of business taxes such as consumption tax, urban maintenance and construction tax, property tax and luxury product tax that do not form part of income tax expenses.

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25. Employee benefit expenses (including directors’ emoluments)

	2018 RMB’000	2019 RMB’000	2020 RMB’000
Wages and salaries	103,461	121,518	131,448
Pension costs – defined contribution plans	8,086	9,569	5,015
	<u>111,547</u>	<u>131,087</u>	<u>136,463</u>

26. Finance costs, net

	2018 RMB’000	2019 RMB’000	2020 RMB’000
Finance income			
– Bank interest income	2,737	1,852	917
Finance costs			
– Interest expense on bills payable	(12,515)	(9,671)	(7,023)
– Interest expense on bank and other borrowings	(38,817)	(47,177)	(41,588)
– Interest expense on lease liability	(9,554)	(9,520)	(10,815)
	<u>(60,886)</u>	<u>(66,368)</u>	<u>(59,426)</u>
Finance costs, net	<u>(58,149)</u>	<u>(64,516)</u>	<u>(58,509)</u>

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27. Income tax expense

	2018 RMB'000	2019 RMB'000	2020 RMB'000
Current income tax:			
– PRC corporate income tax	20,027	23,015	28,209
– Hong Kong profits tax	106	–	–
Deferred income tax (credited)/charged (Note 28)	(3,154)	2,302	(1,398)
Income tax expense	16,979	25,317	26,811

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the domestic income tax rate as follows:

	2018 RMB'000	2019 RMB'000	2020 RMB'000
Profit before income tax	19,791	48,874	136,720
Tax calculated at the respective domestic tax rates applicable to the subsidiaries in the respective countries	6,632	15,684	31,944
Income not subject to tax	(2,297)	(1,363)	(4,836)
Expenses not deductible for taxation purposes	11,945	16,201	10,985
Utilisation of previously unrecognised tax losses	(2,631)	(7,372)	(11,879)
Tax losses for which no deferred tax asset was recognised	3,330	2,167	597
	16,979	25,317	26,811

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28. Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The balances shown in the consolidated statement of financial position, after appropriate offsetting, are as follows:

The net movement on the deferred income tax account is as follows:

	2018 RMB'000	2019 RMB'000	2020 RMB'000
Opening balance at the beginning of year	(38,047)	(34,893)	(37,195)
Credited/(charged) to the consolidated statements of comprehensive income (Note 27)	3,154	(2,302)	1,398
Closing balance at the end of year	(34,893)	(37,195)	(35,797)

The movement in deferred income tax assets and liabilities prior to offsetting of balances within the same taxation jurisdiction is as follows:

Deferred income tax assets

	Provision for inventory impairment RMB'000	Tax losses RMB'000	Unused cash coupon RMB'000	Social insurance RMB'000	Decelerated tax depreciation RMB'000	Total RMB'000
At 1 January 2018 (Unaudited)	469	181	1,453	237	2,853	5,193
Credited/(charged) to profit or loss	737	(181)	(58)	208	(271)	435
At 31 December 2019 and 1 January 2019	1,206	–	1,395	445	2,582	5,628
Charged to profit or loss	(117)	–	(425)	302	(785)	(1,025)
At 31 December 2019 and 1 January 2020	1,089	–	970	747	1,797	4,603
(Charged)/credited to profit or loss	(461)	–	433	176	716	864
At 31 December 2020	628	–	1,403	923	2,513	5,467

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28. Deferred income tax (continued)

Deferred income tax liabilities

	Unremitted earnings RMB’000	Fair value adjustments RMB’000	Total RMB’000
At 1 January 2018 (Unaudited)	(2,807)	(40,433)	(43,240)
Utilisation	2,855	–	2,855
(Credited)/charged to profit or loss	(1,604)	1,468	(136)
At 1 January 2019	(1,556)	(38,965)	(40,521)
Utilisation	490	–	490
(Credited)/charged to profit or loss	(3,235)	1,468	(1,767)
At 31 December 2019 and 1 January 2020	(4,301)	(37,497)	(41,798)
Utilisation	4,532	–	4,532
(Credited)/charged to profit or loss	(5,466)	1,468	(3,998)
At 31 December 2020	(5,235)	(36,029)	(41,264)

At the end of the reporting period, the Group has the following unutilised tax losses available for offsetting against future taxable profits for which no deferred tax asset is recognised:

	2018 RMB’000	2019 RMB’000	2020 RMB’000
Tax losses expiring:			
Within 1 year	65,199	–	–
Between 2-5 years	117,709	67,025	16,654
Without expiry date	27,805	35,891	51,166
	210,713	102,916	67,820

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29. Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and adjusted for the effect of the sub-division of shares as disclosed in Note 14, excluding shares held for employee share scheme (Note 15).

	2018 RMB'000	2019 RMB'000	2020 RMB'000
Profit attributable to equity holders of the Company	2,812	23,557	109,909
Weighted average number of ordinary shares in issue (thousands) prior to sub-division of shares	43,234	44,094	46,342
Weighted average number of ordinary shares in issue (thousands) after sub-division of shares	432,340	440,940	463,420
Basic earnings per share	0.01	0.05	0.24

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

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29. Earnings per share (continued)

(b) Diluted earnings per share (continued)

	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Profit attributable to equity holders of the Company	2,812	23,557	109,909
Weighted average number of ordinary shares in issue (thousands) prior to sub-division of shares	43,234	44,094	46,342
Effect of dilutive potential shares:			
– Warrant (thousands)	849	–	–
– Conversion of convertible notes (thousands)	2,526	2,413	591
– Share options scheme (thousands)	2,594	2,594	1,793
Weighted average number of shares for calculation of diluted earnings per share (thousands) prior to sub-division of shares	49,203	49,101	48,726
Weighted average number of shares for calculation of diluted earnings per share (thousands) after sub-division of shares	492,030	491,010	487,260
Diluted earnings per share	0.01	0.05	0.23

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30. Notes to the consolidated statement of cash flows

(a) Cash generated from/(used in) operations

	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Cash flows from operating activities			
Profit before income tax	19,791	48,874	136,720
Adjustments for:			
Depreciation of property, plant and equipment (Note 5)	26,994	23,425	22,317
Depreciation of right-of-use asset (Note 6)	17,737	19,075	21,502
Amortisation of goodwill and intangible assets (Note 7)	807	807	807
Gain on disposals of property, plant and equipment (Note 23)	(6,499)	(2,566)	(3,736)
Finance income	(2,737)	(1,852)	(917)
Finance costs	60,886	66,368	59,426
Provision/(reversal of provision) for inventories (Note 11)	5,245	(3,023)	(2,005)
Reversal for impairment of property, plant and equipment	–	–	(29,701)
Loss on derecognition of convertible note (Note 23)	–	4,141	–
Fair value changes on convertible notes	8,024	1,615	(1,670)
Fair value changes on warrant	(546)	–	–
Fair value changes on financial assets at fair value through profit or loss	–	–	(2)
	129,702	156,864	202,741

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30. Notes to the consolidated statement of cash flows (continued)

(a) Cash generated from/(used in) operations (continued)

	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Changes in working capital:			
Inventories	39,635	(122,640)	167,375
Trade and other receivables, prepayments and deposits	(75,210)	16,708	(272,986)
Trade and bills payable, accruals and other payables	151,738	(149,825)	63,200
Amount due from fellow subsidiaries	(50,188)	18,287	(2,114)
Contract liabilities	(2,211)	38,038	(21,865)
Cash generated from/(used in) operations	193,466	(42,568)	136,351

(b) In the consolidated statement of cash flows, proceeds from sale of property, plant and equipment comprises:

	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Net book amount (Note 5)	29,089	29,881	34,844
Gain on disposals of property, plant and equipment (Note 23)	6,499	2,566	3,736
Proceeds from disposals of property, plant and equipment	35,588	32,447	38,580

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30. Notes to the consolidated statement of cash flows (continued)

(c) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	2018 RMB'000	2019 RMB'000	2020 RMB'000
Bank and other borrowings	543,319	553,324	591,767
Convertible notes	23,724	24,701	–
Lease liabilities	138,501	142,412	232,045
Amount due to immediate holding company	223,407	189,836	133,937
Net debt	928,951	910,273	957,749

Liabilities from financing activities						
	Bank and other borrowings RMB'000	Convertible bonds RMB'000	Lease liabilities RMB'000	Amount due to immediate holding company RMB'000	Warrants RMB'000	Total RMB'000
Net debt as at 1 January 2018 (Unaudited)	564,694	14,537	143,447	228,351	7,351	958,380
Fair value change	–	8,024	–	–	(546)	7,478
Addition on bank and other borrowings	468,246	–	–	–	–	468,246
Repayment to bank and other borrowings	(516,847)	–	–	–	–	(516,847)
Finance cost	15,826	–	9,554	–	–	25,380
Addition on lease liabilities	–	–	753	–	–	753
Repayment to lease liabilities	–	–	(15,253)	–	–	(15,253)
Repayment to immediate holding company	–	–	–	(17,934)	–	(17,934)
Repayment to warrant	–	–	–	–	(7,073)	(7,073)
Exchange realignment	11,400	1,163	–	12,990	268	25,821
Net debt as at 31 December 2018	543,319	23,724	138,501	223,407	–	928,951

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30. Notes to the consolidated statement of cash flows (continued)

(c) Net debt reconciliation (continued)

	Liabilities from financing activities					
	Bank and other borrowings	Convertible bonds	Lease liabilities	Amount due to immediate holding company	Warrants	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net debt as at 1 January 2019	543,319	23,724	138,501	223,407	–	928,951
Fair value change	–	1,615	–	–	–	1,615
Addition on bank and other borrowings	1,776,606	–	–	–	–	1,776,606
Repayment to bank and other borrowings	(1,767,569)	–	–	–	–	(1,767,569)
Finance cost	(2,016)	–	9,520	–	–	7,504
Addition on lease liabilities	–	–	11,773	–	–	11,773
Repayment to lease liabilities	–	–	(17,293)	–	–	(17,293)
Repayment to convertible notes	–	(5,096)	–	–	–	(5,096)
Loss on derecognition on convertible notes	–	4,141	–	–	–	4,141
Repayment to immediate holding company	–	–	–	(35,988)	–	(35,988)
Exchange realignment	2,984	317	(89)	2,417	–	5,629
Net debt as at 31 December 2019	553,324	24,701	142,412	189,836	–	910,273

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30. Notes to the consolidated statement of cash flows (continued)

(c) Net debt reconciliation (continued)

	Liabilities from financing activities					
	Bank and other borrowings RMB'000	Convertible bonds RMB'000	Lease liabilities RMB'000	Amount due to immediate holding company RMB'000	Warrants RMB'000	Total RMB'000
Net debt as at 1 January 2020	553,324	24,701	142,412	189,836	–	910,273
Fair value change	–	(1,670)	–	–	–	(1,670)
Addition on bank and other borrowings	2,671,821	–	–	–	–	2,671,821
Repayment to bank and other borrowings	(2,626,077)	–	–	–	–	(2,626,077)
Finance cost	(971)	(899)	10,815	–	–	8,945
Addition on lease liabilities	–	–	101,004	–	–	101,004
Repayment to lease liabilities	–	–	(22,073)	–	–	(22,073)
Repayment to convertible notes	–	(13,909)	–	–	–	(13,909)
Repayment to immediate holding company	–	–	–	(46,706)	–	(46,706)
Transfer of convertible note to other borrowings	7,673	(7,673)	–	–	–	–
Exchange realignment	(14,003)	(550)	(113)	(9,193)	–	(23,859)
Net debt as at 31 December 2020	591,767	–	232,045	133,937	–	957,749

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31. Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, common significant influence or joint control. Members of key management and their close family member of the Group are also considered as related parties.

The directors regard TCA Fund L.P., an exempted limited partnership established in the Cayman Islands, as the ultimate holding entity of the Company, and all the related parties stated below are/were the fellow subsidiaries of the Company.

During the years ended 31 December 2018, 2019 and 2020, the Group undertook the following related party transactions in the normal course of business:

(a) Transactions with fellow subsidiaries

	Note	2018 RMB'000	2019 RMB'000	2020 RMB'000
Sales of goods to a fellow subsidiary				
– 民生東都汽車貿易深圳有限公司	(i)	7,284	–	–
Purchases of goods from a fellow subsidiary				
– 民生東都汽車貿易深圳有限公司	(ii)	33,364	16,346	–

Notes:

- (i) Sales to a fellow subsidiary were conducted in the normal course of business at terms mutually agreed with the respective companies during the years ended 31 December 2018, 2019 and 2020.
- (ii) Purchases from a fellow subsidiary were conducted in the normal course of business at terms mutually agreed with the respective companies during the years ended 31 December 2018, 2019 and 2020.

**APPENDIX A – INDEPENDENT AUDITOR’S REPORT ON
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For the financial years ended 31 December 2018, 2019 and 2020

31. Related party transactions (continued)

(b) Balances with the immediate holding company and fellow subsidiaries

	Note	2018 RMB'000	2019 RMB'000	2020 RMB'000
Amount due from fellow subsidiaries				
– 民生東都汽車貿易深圳有限公司	(i)	15,314	17,766	20,454
– Focus Win Holdings (Hong Kong) Company Limited	(i)	19,234	–	–
– Focus Win (Dongguan) Limited	(i)	8	8	–
		<u>34,556</u>	<u>17,774</u>	<u>20,454</u>
Amount due to the immediate holding company				
– TCA International Limited	(ii)	<u>223,407</u>	<u>189,836</u>	<u>133,937</u>

Notes:

- (i) The balances with fellow subsidiaries were unsecured, interest free, receivable on demand, and their carrying values approximate their fair values.
- (ii) The balance with the immediate holding company was unsecured, interest free. Repayments to the immediate holding company of approximately RMB63,407,000 was due during the year ended 31 December 2019, with the remaining balance due on 31 December 2022.

(c) Key management compensation

	2018 RMB'000	2019 RMB'000	2020 RMB'000
Wages and salaries	4,231	7,748	8,307
Employer's contribution to defined contribution plans, including Mandatory Provident Fund	41	65	64
	<u>4,272</u>	<u>7,813</u>	<u>8,371</u>

**APPENDIX A – INDEPENDENT AUDITOR’S REPORT ON
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TRANS-CHINA AUTOMOTIVE HOLDINGS LIMITED AND ITS SUBSIDIARIES

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For the financial years ended 31 December 2018, 2019 and 2020

31. Related party transactions (continued)

(d) Transactions with key management

	2018 RMB'000	2019 RMB'000	2020 RMB'000
Subscription of shares upon exercise of convertible notes by key management (Note 14)	–	801	–
Subscription of shares by key management (Note 14)	–	–	1,712
Subscription of shares under share-based payment by key management (Note 14)	–	–	22,824

(e) Corporate guarantee and personal guarantees from related parties

The bank borrowings were supported by personal guarantees provided by certain directors of the Company to the extent as follows:

	2018 RMB'000	2019 RMB'000	2020 RMB'000
Personal guarantee from directors of the Company	1,100,933	1,169,199	1,262,838

32. Events occurring after the reporting period

Save as disclosed elsewhere in these financial statements, the following events occurred after the 31 December 2020:

On 24 June 2021, the Company completed a capital reduction exercise that the par value of each of the Company’s shares with a par value of US\$1.00 each in the capital reduced from US\$1.00 to US\$0.10, by the cancellation of the paid-up share capital of the Company to the extent of US\$0.90 on each of the shares with a par value of US\$1.00 in the capital of the Company in issue on the effective date of the capital reduction. The issued and paid-up share capital of the Company was reduced from US\$49,932,395 (RMB330,175,225) to US\$4,993,239.50 (RMB33,017,522) divided into 49,932,395 shares with a par value of US\$0.10 each in the capital of the Company; and

The share premium account of the Company was reduced from US\$1,222,826.55 (RMB8,315,597) to Nil by the cancellation of the entire sum.

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**APPENDIX B – INDEPENDENT AUDITOR’S REPORT ON THE REVIEW
OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL
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**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS FOR THE THREE-MONTHS ENDED 31 MARCH 2021**

TRANS-CHINA AUTOMOTIVE HOLDINGS LIMITED

(Incorporated and domiciled in Cayman Islands with limited liability No.306871)

AND ITS SUBSIDIARIES

APPENDIX B – INDEPENDENT AUDITOR’S REPORT ON THE REVIEW OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTHS ENDED 31 MARCH 2021

INDEPENDENT AUDITOR’S REPORT ON THE REVIEW OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTHS ENDED 31 MARCH 2021

1 November 2021

The Board of Directors
Trans-China Automotive Holdings Limited
Cricket Square, Hutchins Drive
P.O Box 2681, Grand Cayman
KY1-1111, Cayman Islands

Report on the Review of the Unaudited Interim Condensed Consolidated Financial Statements

Introduction

We have reviewed the accompanying unaudited interim condensed consolidated statement of financial position of Trans-China Automotive Holdings Limited (the “Company”) and its subsidiaries (the “Group”) as at 31 March 2021 and the related interim condensed consolidated statements of comprehensive income, statement of changes in equity and statement of cash flows for the three-month period then ended, and other explanatory notes (the “interim financial information”), as set out on page B-4 to B-52. Management is responsible for the preparation and presentation of the interim financial information in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on the interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standards on Review Engagements (“ISRE”) 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consist of making inquiries, 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 International Standards on Auditing (“ISAs”) 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying unaudited interim condensed consolidated financial statement is not prepared, in all material respect, in accordance with IAS 34 *Interim Financial Reporting*.

**APPENDIX B – INDEPENDENT AUDITOR’S REPORT ON THE REVIEW
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**INDEPENDENT AUDITOR’S REPORT ON THE REVIEW OF THE UNAUDITED INTERIM
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Restriction on distribution and use

This report is made solely to you as a body for the inclusion in the Preliminary Offer Document of the Company to be issued in relation to the proposed offering of the shares of the Company in connection with the Company’s listing on the Catalist Board of the Singapore Exchange Securities Trading Limited.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore

Partner-in-charge: Rebekah Khan

**APPENDIX B – INDEPENDENT AUDITOR’S REPORT ON THE REVIEW
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TRANS-CHINA AUTOMOTIVE HOLDINGS LIMITED AND ITS SUBSIDIARIES

**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE
INCOME**

For the three-month period ended 31 March 2021

	Note	Three-month period ended	
		31 March 2021 RMB’000 (Unaudited)	31 March 2020 RMB’000 (Unaudited)
Revenue	21	1,293,185	696,511
Cost of sales	24	(1,180,232)	(637,891)
Gross profit		112,953	58,620
Other income	22	24,800	10,450
Other gains/(losses), net	23	6,812	(1,359)
Selling and distribution expenses	24	(22,299)	(17,053)
Administrative expenses	24	(45,895)	(28,831)
Operating profit		76,371	21,827
Finance income		433	184
Finance costs		(16,312)	(15,498)
Finance costs, net	26	(15,879)	(15,314)
Profit before income tax		60,492	6,513
Income tax expense	27	(13,653)	(3,606)
Profit for the period		46,839	2,907
Other comprehensive income/(loss):			
<i>Items that may be reclassified to profit or loss:</i>			
– Currency translation differences		(2,152)	(3,798)
Total comprehensive income/(loss) for the period		44,687	(891)
Earnings per share attributable to owners of the Company			
Basic	29	0.09	0.01
Diluted	29	0.09	0.01

The accompanying notes form an integral part of these unaudited interim condensed consolidated financial statements.

**APPENDIX B – INDEPENDENT AUDITOR'S REPORT ON THE REVIEW
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TRANS-CHINA AUTOMOTIVE HOLDINGS LIMITED AND ITS SUBSIDIARIES

**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL
POSITION**

As at 31 March 2021

	Note	As at 31 March 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	5	170,167	171,849
Right-of-use assets	6	322,209	328,733
Intangible assets	7	80,321	80,523
Deferred income tax assets	28	6,085	5,467
Prepayment	10	–	3,738
		578,782	590,310
Current assets			
Inventories	11	254,559	248,801
Trade and other receivables	9	161,244	183,153
Prepayments and deposits	10	172,933	408,486
Amounts due from fellow subsidiaries	31(a)	24,925	20,454
Financial assets at fair value through profit or loss	13	2,515	2,502
Pledged bank deposits	12	219,386	149,537
Cash and cash equivalents	12	309,551	105,815
		1,145,113	1,118,748
Total assets		1,723,895	1,709,058
Equity attributable to the owner of the Company			
Share capital	14	330,175	330,175
Share premium	14	8,316	8,316
Reserves		(139,736)	(137,584)
Accumulated losses		(74,607)	(121,446)
Total equity		124,148	79,461
LIABILITIES			
Non-current liabilities			
Bank and other borrowings	18	142,278	186,133
Lease liabilities	6	216,274	219,414
Deferred income tax liabilities	28	40,897	41,264
Amount due to the immediate holding company	31(a)	122,944	133,937
		522,393	580,748
Current liabilities			
Trade and bills payable	16	318,569	389,064
Accruals and other payables	16	70,496	59,964
Contract liabilities	17	112,518	165,308
Bank and other borrowings	18	538,183	405,634
Lease liabilities	6	12,507	12,631
Current income tax liabilities		25,081	16,248
		1,077,354	1,048,849
Total liabilities		1,599,747	1,629,597
Total equity and liabilities		1,723,895	1,709,058

The accompanying notes form an integral part of these unaudited interim condensed consolidated financial statements.

**APPENDIX B – INDEPENDENT AUDITOR'S REPORT ON THE REVIEW
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ENDED 31 MARCH 2021**

TRANS-CHINA AUTOMOTIVE HOLDINGS LIMITED AND ITS SUBSIDIARIES

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGE IN EQUITY
For the three-month period ended 31 March 2021

	Share capital RMB'000	Share premium RMB'000	Statutory reserve (Note (i)) RMB'000	Exchange reserve RMB'000	Capital reserve (Note (ii)) RMB'000	Share- based payment reserve (Note (iii)) RMB'000	Accumulated losses RMB'000	Total RMB'000
As at 31 December 2019 and 1 January 2020	292,422	1,526	18,662	(15,865)	(171,630)	26,377	(225,940)	(74,448)
Comprehensive income								
Profit for the period	–	–	–	–	–	–	2,907	2,907
Other comprehensive income								
Currency translation differences	–	–	–	(3,798)	–	–	–	(3,798)
Total comprehensive income for the period	–	–	–	(3,798)	–	–	2,907	(891)
Transaction with owners								
Transfer to statutory reserve	–	–	5,415	–	–	–	(5,415)	–
Total transaction with owners	–	–	5,415	–	–	–	(5,415)	–
As at 31 March 2020	292,422	1,526	24,077	(19,663)	(171,630)	26,377	(228,448)	(75,339)

The accompanying notes form an integral part of these unaudited interim condensed consolidated financial statements.

**APPENDIX B – INDEPENDENT AUDITOR'S REPORT ON THE REVIEW
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TRANS-CHINA AUTOMOTIVE HOLDINGS LIMITED AND ITS SUBSIDIARIES

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGE IN EQUITY
For the three-month period ended 31 March 2021

	Share capital RMB'000	Share premium RMB'000	Statutory reserve (Note (i)) RMB'000	Exchange reserve RMB'000	Capital reserve (Note (ii)) RMB'000	Share- based payment reserve (Note (iii)) RMB'000	Accumulated losses RMB'000	Total RMB'000
As at 31 December 2020 and 1 January 2021	330,175	8,316	24,077	6,416	(171,630)	3,553	(121,446)	79,461
Comprehensive income								
Profit for the period	–	–	–	–	–	–	46,839	46,839
Other comprehensive income								
Currency translation differences	–	–	–	(2,152)	–	–	–	(2,152)
Total comprehensive income for the period	–	–	–	(2,152)	–	–	46,839	44,687
As at 31 March 2021	330,175	8,316	24,077	4,264	(171,630)	3,553	(74,607)	124,148

Notes:

- (i) The statutory reserves are non-distributable and the transfers of these funds are determined by the directors of the relevant subsidiaries in the Group in accordance with the laws and regulations in the People's Republic of China (the "PRC").
- (ii) Capital reserve represents the capital contributions from the shareholders of the Company. The movement for the three-month period ended 31 March 2021 represents the changes in group structure as described in Notes 2.1(a) to the consolidated financial statements.
- (iii) The share-based payment reserve represents the of new shares issued and reserved for the share option scheme of the Group Details are set out in Notes 14 and 15 to the unaudited interim condensed consolidated financial statements.

The accompanying notes form an integral part of these unaudited interim condensed consolidated financial statements.

**APPENDIX B – INDEPENDENT AUDITOR’S REPORT ON THE REVIEW
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TRANS-CHINA AUTOMOTIVE HOLDINGS LIMITED AND ITS SUBSIDIARIES

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three-month period ended 31 March 2021

	Note	Three-month period ended	
		31 March 2021 RMB'000 (Unaudited)	31 March 2020 RMB'000 (Unaudited)
Cash flows from operating activities			
Cash generated from/(used in) operations	30(a)	222,931	(17,789)
Income tax paid		(5,805)	(7,524)
Net cash generated by/(used in) operating activities		217,126	(25,313)
Cash flows from investing activities			
Interest received		433	184
Purchases of property, plant and equipment and prepayment for property, plant and equipment		(10,416)	(4,369)
Proceeds from disposal of property, plant and equipment	30(b)	11,837	3,688
Net cash generated from/(used in) investing activities		1,854	(497)
Cash flows from financing activities			
Interest paid		(26,948)	(20,616)
Proceeds from bank and other borrowings		936,118	395,523
Repayment to bank and other borrowings		(833,284)	(434,394)
Principal elements of lease payments		(7,279)	(5,012)
Proceeds from pledged bank deposit		(726,528)	(342,162)
Repayment to pledged bank deposit		656,679	464,560
Repayment to the immediate holding company		(13,212)	(6,250)
Listing expense paid (equity portion)		(38)	(154)
Net cash (used in)/generated from financing activities		(14,492)	51,495
Net increase in cash and cash equivalents		204,488	25,685
Cash and cash equivalents			
Beginning of financial period		105,815	88,563
Effect of translation differences on cash and cash equivalents		(752)	2,153
End of financial period	12	309,551	116,401

The accompanying notes form an integral part of these unaudited interim condensed consolidated financial statements.

APPENDIX B – INDEPENDENT AUDITOR’S REPORT ON THE REVIEW OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTHS ENDED 31 MARCH 2021

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NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three-month period ended 31 March 2021

1. General information

Trans-China Automotive Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 18 December 2015 as an exempted company with limited liability under the Company Law, Cap 22 (Law 3 of 1961, as consolidated and revised, of the Cayman Islands). The address of the Company’s registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together, the “Group”) are principally engaged in the business of automobile dealerships in the premium and ultra-premium market segment in the People’s Republic of China (“PRC”), which includes (i) the sales of new automobiles, and (ii) the provision of after-sales services, including maintenance and repair services, sale of automobile parts and accessories. In conjunction with the two principal activities, the Group also provide certain agency services of referring automobile registration, financing and insurance services to other service providers.

The unaudited interim condensed consolidated financial statements are presented in Renminbi (“RMB”) and rounded to the nearest thousand (“RMB’000”), unless otherwise stated.

2 Basis of preparation

The unaudited interim condensed consolidated financial statements for the three-months ended 31 March 2021 of the Group have been prepared in accordance with International Standards on Auditing 34 Interim Financial Reporting issued by the International Accounting Standards Board. The unaudited interim condensed consolidated financial statements do not include the information and full disclosures normally included in a complete set of financial statements and should be read in conjunction with the Group’s audited consolidated financial statements for the financial years ended 31 December 2018, 2019 and 2020. However selected explanatory notes are included to explain the events and transactions that are significant to understanding the changes in the Group’s financial position and performance since the last issued audited consolidated financial statements.

The unaudited interim condensed consolidated financial statements have been prepared on the historical cost convention except as disclosed in the accounting policies in the audited consolidated financial statements for the financial years ended 31 December 2018, 2019 and 2020 and are prepared in accordance with IFRSs.

The accounting policies and method of computations used in unaudited interim condensed consolidated financial statements are consistent with those applied in the audited consolidated financial statements for the financial years ended 31 December 2018, 2019 and 2020. These accounting policies are set out on Note 2 to the audited consolidated financial statements for the financial years ended 31 December 2018, 2019 and 2020.

In preparation of unaudited interim condensed consolidated financial statements, management has made judgements, estimates and assumption that affect the application of the Group’s accounting policies and the reported amounts of assets, liabilities, income and expense.

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TRANS-CHINA AUTOMOTIVE HOLDINGS LIMITED AND ITS SUBSIDIARIES

**NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS**

For the three-month period ended 31 March 2021

2 Basis of preparation (continued)

The significant judgements and key sources of uncertainty made by management for the Group’s audited consolidated financial statements for the financial years ended 31 December 2018, 2019 and 2020 remained unchanged.

(a) Standards issued but not yet effective

The Group has not adopted the following standards that have been issued but not yet effective:

	Effective for annual period beginning on or after
Amendments to IFRS 16: Covid-19 Related Rent Concession	1 March 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest rate benchmark reform	1 January 2021
IFRS 17: Insurance Contracts	1 January 2023
Amendments to IAS 1: Presentation of Financial Statements on classification of Liabilities as Current or Non-current	1 January 2023
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

(b) New standards, interpretations and amendments adopted by the Group

A number of new or amended standards became applicable for the current period:

- Amendments to IFRS 3: Definition of a business
- Amendments to IAS 1 and IAS 8: Definition of material
- Conceptual framework for financial reporting 2018: Revised conceptual framework for financial reporting
- IFRS 7, IFRS 9 and IAS 39: Interest rate benchmark reform – amendment to IFRS 7, IFRS 9 and IAS 39

The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting the above new or amended standards.

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TRANS-CHINA AUTOMOTIVE HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three-month period ended 31 March 2021

2 Basis of preparation (continued)

(b) New standards, interpretations and amendments adopted by the Group (continued)

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. There is no change in accounting policies that will have an impact on the unaudited interim condensed consolidated financial statements of the Group.

3. Financial risk management

3.1 Financial risk factors

The Group’s principal activities is investing in “4S” (sales, spare part, service and survey) dealerships in the PRC. Risk management is carried out by management under the direction of the directors. Management reviews and approves principles for overall risk management, as well as policies and procedures covering specific areas, such as cash flow and fair value interest-rate risk, credit risk and liquidity risk. These policies and procedures enable management to make strategic and informed decision with regard to the operations of the Group. The Group is not exposed to significant currency risk as there are no significant assets, liabilities or transactions denominated in currencies other than the Group entities’ functional currencies.

(a) Cash flow and fair value interest-rate risk

The Group’s income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets except for cash at banks. The Group’s exposures to changes in interest rates are mainly attributable to its borrowings.

Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates.

As at 31 March 2021, if interest rates on borrowings had been 10 basis points higher/lower with all other variables held constant, the Group’s profit for the year would have been RMB1,209 lower/higher (as at 31 December 2020: RMB837,000 lower/higher), mainly as a result of higher/lower interest expenses on floating rate borrowings.

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TRANS-CHINA AUTOMOTIVE HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three-month period ended 31 March 2021

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk

The Group is exposed to credit risk in relation to its trade and other receivables, amount due from fellow subsidiaries, pledged deposits and cash at bank and on hand. The carrying trade and other receivables, amount due from fellow subsidiaries, pledged deposits and cash at bank and on hand represent the Group’s maximum exposure to credit risk in relation to financial assets.

The Group applied the simplified approach in IFRS 9 to measure the credit loss allowance at lifetime expected credit loss (“ECL”). Except for handling and commission fee and insurance commission receivable, mortgage commission fee receivable, and indemnity and rebate receivables from manufacturers with known insolvencies or significant outstanding balances which are assessed individually based on the credit risk of the counterparty, the Group determines the expected credit loss on the trade receivables by using a provision matrix grouped by common risk characteristic.

The Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverability of these receivables at the end of each reporting period to ensure that adequate expected impairment losses are made.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating;
- external credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer’s ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtor/customer;
- significant increases in credit risk on other financial instruments of the same customer; and

APPENDIX B – INDEPENDENT AUDITOR’S REPORT ON THE REVIEW OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTHS ENDED 31 MARCH 2021

TRANS-CHINA AUTOMOTIVE HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three-month period ended 31 March 2021

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

- significant changes in the expected performance and behaviour of the customer, including changes in the payment status of customer in the group and changes in the operating results of the customer.

Cash is deposited in financial institutions with high credit quality and the Group does not expect any significant counterparty risk. Moreover, credit limits are set for individual counterparties and periodic reviews are conducted to ensure that the limits are strictly followed.

For the amounts due from fellow subsidiaries, the Group has policies in place to monitor the credit exposure of the fellow subsidiaries. The Group will assess the financial capabilities of the fellow subsidiaries including their repayment histories and financial conditions. Management also regularly reviews the recoverability of these receivables and follow up the disputes or amounts overdue, if any. Management is of the opinion that the risk of default by the fellow subsidiaries company is low.

For deposits and other receivables, the Group applies the general approach in IFRS 9 to measure the credit loss allowance and provide for ECL. The maximum period considered when measuring ECL is the maximum contractual period over which the Group is exposed to credit risk. IFRS 9 outlines the “three-stage” model for impairment based on the changes in credit quality since initial recognition are summarised as follows:

- Stage 1: Financial instruments that are not credit-impaired on initial recognition and has their credit risk continuously monitored by the Group. Provision for impairment is measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months (“12-month ECL”);
- Stage 2: Financial instruments with significant increase in credit risk since initial recognition, but are not yet deemed to be credit-impaired. Provision for impairment is measured based on expected credit losses on a lifetime basis (“lifetime ECL”); and
- Stage 3: Financial instruments that are credit impaired where provision for impairment is measured based on lifetime ECL.

The Group measures provision for impairment of financial assets under IFRS 9 ECL model. The ECL is measured on either a 12-month or lifetime basis, depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. The measurement of ECL is a function of PD, EAD and LGD that are defined below:

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3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

- Probability of Default (“PD”): The PD represents the likelihood of a customer defaulting on the corresponding loan and interest receivable (as per “Definition of default and credit-impaired” above);
- Exposure at Default (“EAD”): The EAD represents the expected balance at default, taking into account the repayment of principal and interest from the balance sheet date to the default event. EAD is based on the amounts the Group expects to be owed at the time of default; and
- Loss given Default (“LGD”): The LGD represents expected losses on the EAD given the event of default, taking into account, among other attributes, the mitigating effect of collateral value at the time it is expected to be realised and the time value of money. LGD representing the percentage of loss expected to be made if the default occurs in the next 12 months or over the remaining expected lifetime of the loan respectively.

The lifetime PD is calculated by applying a maturity profile to the 12-month PD. The maturity profile set out how defaults develop on a loan portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical data and is assumed to be the same across all loans in a portfolio supported by historical analysis.

Forward-looking information incorporated in the ECL model

The assessment of ECL incorporates forward-looking information and is performed on a quarterly basis on each loan portfolio. The criteria used in the assessment are monitored and reviewed periodically for appropriateness by the management. The Group considers forward-looking information with reference to the macro-economic indicators in the PRC including:

- Annual industrial growth rate; and
- China delinquency ratio of corporate loans and deposits.

During the three-month period ended 31 March 2021 and 2020, the expected losses is minimal and the expected credit loss rate is close to zero, given there is no history of significant defaults and no adverse change is anticipated in the future business environment.

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3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk

Prudent liquidity management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities.

The Group's primary cash requirements have been the payment for operating expenses. The Group mainly finances its working capital requirements through proceeds from bank and other borrowings.

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure it maintains sufficient cash and cash equivalents and adequate amount of committed credit facilities to meet its liquidity requirements in the short and long term.

As at 31 March 2021 and 31 December 2020, the contractual undiscounted cash flows of the Group's current financial liabilities approximate their respective carrying amounts due to their short maturities.

	On demand/ maturity less than 1 year RMB'000	Maturity between 1 to 2 year RMB'000	Maturity between 2 to 5 years RMB'000	Maturity over 5 year RMB'000	Total RMB'000
At 31 December 2020 (Audited)					
Trade and bills payable, accruals and other payables (excluding salaries payables and other taxes payables)	411,963	—	—	—	411,963
Borrowings including accrued interests	411,690	211,983	—	—	623,673
Lease liabilities	29,001	24,412	90,149	229,929	373,491
Amount due to the immediate holding company	—	133,937	—	—	133,937
	852,654	370,332	90,149	229,929	1,543,064

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3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

	On demand/ maturity less than 1 year RMB’000	Maturity between 1 to 2 year RMB’000	Maturity between 2 to 5 years RMB’000	Maturity over 5 year RMB’000	Total RMB’000
At 31 March 2021 (Unaudited)					
Trade and bills payable, accruals and other payables (excluding salaries payables and other taxes payables)	349,971	–	–	–	349,971
Borrowings including accrued interests	551,676	158,276	–	–	709,952
Lease liabilities	28,654	24,103	90,412	222,866	366,035
Amount due to the immediate holding company	–	122,944	–	–	122,944
	<u>930,301</u>	<u>305,323</u>	<u>90,412</u>	<u>222,866</u>	<u>1,548,902</u>

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3. Financial risk management (continued)

3.2 Capital risk management

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern in order to provide returns for shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain the capital structure, the Group may adjust the amount of dividends paid to shareholder, return capital to shareholder, issue new shares or sell assets to reduce debt, as the directors may consider necessary.

The Group manages the capital structure and make adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholders, return capital to shareholders, issue new shares or obtain funding from the holding companies and related companies.

3.3 Fair value estimation

Financial asset and financial liabilities

(a) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the unaudited interim condensed consolidated financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level is as follows:

	Level 1	Level 2	Level 3	Total
	RMB’000	RMB’000	RMB’000	RMB’000
As at 31 December 2020				
(Audited)				
Financial assets				
Financial assets at FVPL				
– Marketable securities (Note 13)	2,502	–	–	2,502
As at 31 March 2021 (Unaudited)				
Financial assets				
Financial assets at FVPL				
– Marketable securities (Note 13)	2,515	–	–	2,515

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3. Financial risk management (continued)

3.3 Fair value estimation (continued)

(a) Fair value hierarchy (continued)

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the year.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3.

(b) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 instruments for the three-month period ended 31 March 2021 and year ended 31 December 2020.

	Three-month period ended 31 March 2021 RMB'000 (Unaudited)	Year ended 31 December 2020 RMB'000 (Audited)
Opening balance	–	24,701
Fair value changes recognised in profit or loss	–	(1,670)
Settlement	–	–
Finance cost	–	(899)
Redemption of convertible notes	–	(13,909)
Exchange realignment	–	(550)
Derecognition of convertible notes	–	(7,673)
	–	–

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3. Financial risk management (continued)

3.3 Fair value estimation (continued)

(c) Fair value measurements

The fair values of the Group’s financial liabilities at 31 March 2021 and 31 December 2020 were based on valuations carried out by an independent qualified professional valuer that is not connected with the Group.

Details of the financial assets at FVPL convertible notes are disclosed in Note 19 respectively to the unaudited interim condensed consolidated financial statements.

3.4 Financial instruments by category

	As at 31 March 2021 RMB’000 (Unaudited)	As at 31 December 2020 RMB’000 (Audited)
Financial assets		
Financial assets at amortised cost:		
Trade and other receivables (Note 9)	161,244	183,153
Deposits	48,251	69,735
Amounts due from fellow subsidiaries (Note 31(a))	24,925	20,454
Pledged bank deposits (Note 12)	219,386	149,537
Cash and cash equivalents (Note 12)	309,551	105,815
	763,357	528,694
Financial assets at fair values through profit or loss (Note 13)	2,515	2,502
Total financial assets	765,872	531,196

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3. Financial risk management (continued)

3.4 Financial instruments by category (continued)

	As at 31 March 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Financial liabilities		
Financial liabilities at amortised costs:		
Trade and bills payable, accruals and other payables (excluding salaries payables and other tax payables)	349,971	411,963
Bank and other borrowings (Note 18)	680,461	591,767
Amount due to the immediate holding company (Note 31(a))	122,944	133,937
Lease liabilities (Note 6)	228,781	232,045
Total financial liabilities	1,382,157	1,369,712

4. Critical accounting estimates and judgements

The preparation of the Group's unaudited interim condensed consolidated financial statements requires management to exercise their judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The management is of the opinion that there is no area involving higher degree of judgement or complexity or where estimates and assumptions used are significant to the unaudited interim condensed consolidated financial statements.

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5. Property, plant and equipment

	Construction -in-progress RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Automobiles RMB'000	Total RMB'000
At 31 December 2019 and 1 January 2020 (Audited)						
Cost	183	158,356	43,510	28,660	92,481	323,190
Accumulated depreciation and impairment	–	(79,168)	(34,551)	(23,784)	(56,589)	(194,092)
Net book amount	183	79,188	8,959	4,876	35,892	129,098
Year ended 31 December 2020						
Opening net book amount	183	79,188	8,959	4,876	35,892	129,098
Additions	12,037	2,639	1,985	5,793	47,757	70,211
Disposals	(183)	(1,611)	(205)	(397)	(32,448)	(34,844)
Depreciation	–	(10,392)	(2,412)	(1,367)	(8,146)	(22,317)
Impairment reversal	–	29,701	–	–	–	29,701
Transfer	(482)	482	–	–	–	–
Closing net book amount	11,555	100,007	8,327	8,905	43,055	171,849
At 31 December 2020						
Cost	11,555	198,216	45,290	34,056	107,790	396,907
Accumulated depreciation and impairment	–	(98,209)	(36,963)	(25,151)	(64,735)	(225,058)
Net book amount	11,555	100,007	8,327	8,905	43,055	171,849

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5. Property, plant and equipment (continued)

	Construction -in-progress RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Automobiles RMB'000	Total RMB'000
At 31 December 2020 and 1 January 2021 (Audited)						
Cost	11,555	198,216	45,290	34,055	107,791	396,907
Accumulated depreciation and impairment	–	(98,209)	(36,963)	(25,151)	(64,735)	(225,058)
Net book amount	11,555	100,007	8,327	8,904	43,056	171,849
Three-month period ended 31 March 2021 (Unaudited)						
Opening net book amount	11,555	100,007	8,327	8,904	43,056	171,849
Additions	6,318	1,007	82	1,315	5,432	14,154
Disposals	–	–	(4)	(109)	(8,458)	(8,571)
Depreciation (Note 24)	–	(3,849)	(575)	(617)	(2,224)	(7,265)
Transfer	(11,555)	11,555	–	–	–	–
Closing net book amount	6,318	108,720	7,830	9,493	37,806	170,167
At 31 March 2021 (Unaudited)						
Cost	6,318	210,778	45,368	35,261	104,765	402,490
Accumulated depreciation and impairment	–	(102,058)	(37,538)	(25,768)	(66,959)	(232,323)
Net book amount	6,318	108,720	7,830	9,493	37,806	170,167

Depreciation expense of approximately RMB4,865,000 and RMB2,400,000 (31 December 2020: RMB18,570,000 and RMB3,747,000) has been charged to selling expenses and administrative expenses (Note 24) respectively.

As at 31 March 2021, certain short-term borrowings of the Group are secured by property, plant and equipment with net book value of approximately RMB14,498,000 (for the year ended 31 December 2020: RMB1,609,000) (Note 18).

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6. Right-of-use assets and lease liabilities

This note provides information for leases where the Group is a lessee

- (i) Amounts recognised in the unaudited interim condensed consolidated statement of financial position

	As at 31 March 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Right-of-use asset		
Land use rights	120,319	121,661
Buildings	201,524	206,679
Automobiles	366	393
	322,209	328,733
Lease liabilities		
Current	12,507	12,631
Non-current	216,274	219,414
	228,781	232,045

The Group leases various offices, showrooms, car parks and stores. Rental contracts are typically made for fixed periods of 3 to 25 years. The Group has land lease arrangement with mainland China government and leased office and parking spaces in Hong Kong.

There are no additions to the right-of-use assets during the three-month period ended 31 March 2021 (for the year ended 31 December 2020: RMB101,004,000).

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6. Right-of-use assets and lease liabilities (continued)

- (ii) Amounts recognised in the unaudited interim condensed consolidated statement of comprehensive income

	Three-month period ended 31 March 2021 RMB'000 (Unaudited)	Three-month period ended 31 March 2020 RMB'000 (Unaudited)
Depreciation charge of right-of-use assets		
Land use rights	1,342	1,342
Buildings	5,152	3,813
Automobiles	28	20
	6,522	5,175
Interest expense (included in finance cost)		
Buildings	3,920	2,501
Automobiles	4	4
	3,924	2,505

- (a) The total cash outflow for leases for the three-month period ended 31 March 2021 and 2020 are RMB7,279,000 and RMB5,012,000.
- (b) As at 31 March 2021, RMB9,020,000 short-term borrowings (31 December 2020: Nil) are secured by land use rights (Note 18).
- (c) Depreciation expense of approximately RMB3,607,000 and RMB2,915,000 has been charged to selling expenses and administrative expenses (Note 24) respectively.

(iii) Short-term leases and low-value assets

For the three-month period ended 31 March 2021 and 2020, lease payment for short-term leases amounted to RMB1,068,000 and RMB864,000, respectively. For the three-month period ended 31 March 2021 and 2020, there are no expenses relating to leases of low-value assets.

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7. Intangible assets

	Goodwill			
	BMW 4S dealership business RMB'000	McLaren 4S dealership business RMB'000	Dealership rights RMB'000	Total RMB'000
At 31 December 2020 and 1 January 2021 (Audited)				
Cost	48,750	4,172	32,443	85,365
Accumulated amortisation and impairment	–	–	(4,842)	(4,842)
Net book amount	48,750	4,172	27,601	80,523
Three-month period ended 31 March 2021				
Opening net book amount	48,750	4,172	27,601	80,523
Amortisation (Note 24)	–	–	(202)	(202)
Closing net book amount	48,750	4,172	27,399	80,321
At 31 March 2021 (Unaudited)				
Cost	48,750	4,172	32,443	85,365
Accumulated amortisation and impairment	–	–	(5,044)	(5,044)
Net book amount	48,750	4,172	27,399	80,321

Amortisation expense charged to selling and distribution expenses in the unaudited interim condensed consolidated statement of comprehensive income amounted to RMB202,000 for the three-month period ended 31 March 2021.

Goodwill is allocated to the Group's CGUs identified according to operating entities. Goodwill is allocated to relevant operating entities.

The recoverable amount of the CGUs is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows were then extrapolated using the estimated growth rates beyond the five-year period. The growth rate does not exceed the long-term average growth rate for the business in which the CGUs operates.

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8. Subsidiaries

Name	Place of incorporation/ registration	Particulars of paid-up capital	Principal activities	Effective interest held	
				As at 31 March 2021	As at 31 December 2020
TCAH (BVI) Limited	British Virgin Islands	US\$1	Investment holding	100%	100%
Marine Pearl Limited	British Virgin Islands	US\$10	Investment holding	100%	100%
TCA Foshan (BVI) Limited	British Virgin Islands	US\$10	Investment holding	100% [#]	100% [#]
TCA Shenzhen (BVI) Limited	British Virgin Islands	US\$10	Investment holding	100% [#]	100% [#]
TCA Guangzhou (BVI) Limited	British Virgin Islands	US\$10	Investment holding	100% [#]	100% [#]
TCA Chongqing (BVI) Limited	British Virgin Islands	US\$10	Investment holding	100% [#]	100% [#]
Landwealth Holdings Limited	British Virgin Islands	US\$10,000	Investment holding	100% [#]	100% [#]
Trans-China Automotive Holdings (FS) Limited (formerly known as Focus Win (Foshan) Limited)	Hong Kong	HK\$97,556,115	Investment holding	100% [#]	100% [#]

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8. Subsidiaries (continued)

Name	Place of incorporation/ registration	Particulars of paid-up capital	Principal activities	Effective interest held	
				As at 31 March 2021	As at 31 December 2020
佛山市坤寶汽車銷售服務有限公司	PRC	RMB50,000,000	Sale of automobiles and accessories, and provision of automobile repair and maintenance services	100% [#]	100% [#]
TCA Holdings (HK) Limited (formerly known as Focus Win (Shenzhen) Limited)	Hong Kong	HK\$126,865,939	Investment holding	100% [#]	100% [#]
深圳市創豐寶汽車銷售服務有限公司	PRC	RMB50,000,000	Sale of automobiles and accessories, and provision of automobile repair and maintenance services	100% [#]	100% [#]
Focus Win (Guangzhou) Limited	Hong Kong	HK\$64,797,862	Investment holding	100% [#]	100% [#]
Global Gallant Limited	Hong Kong	HK\$1,000,000	Investment holding	100% [#]	100% [#]
廣州市昌寶汽車銷售服務有限公司	PRC	RMB56,246,115	Sale of automobiles and accessories, and provision of automobile repair and maintenance services	100% [#]	100% [#]

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8. Subsidiaries (continued)

Name	Place of incorporation/ registration	Particulars of paid-up capital	Principal activities	Effective interest held	
				As at 31 March 2021	As at 31 December 2020
Focus Win (Chongqing) Limited	Hong Kong	HK\$128,180,393	Investment holding	100% [#]	100% [#]
重慶市慶德寶汽車銷售 服務有限公司	PRC	RMB80,000,000	Sale of automobiles and accessories, and provision of automobile repair and maintenance services	100% [#]	100% [#]
Power Summit Corporation Limited	Hong Kong	HK\$1,000,000	Investment holding	100% [#]	100% [#]
重慶百澤實業有限公司	PRC	RMB10,000,000	Assets holding	100% [#]	100% [#]
深圳市尚賢同企業諮詢 管理服務有限公司	PRC	RMB20,000,000	Investment holding and provision of consulting services	100% [#]	100% [#]
Auto Winning Limited	British Virgin Islands	US\$1	Investment holding	100%	100%
Bright Promise Limited	Hong Kong	HK\$1	Investment holding	100% [#]	100% [#]
深圳市創興盛汽車銷售 服務有限公司	PRC	RMB55,000,000	Sale of automobiles and accessories, and provision of automobile repair and maintenance services	100% [#]	100% [#]

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8. Subsidiaries (continued)

Name	Place of incorporation/ registration	Particulars of paid-up capital	Principal activities	Effective interest held	
				As at 31 March 2021	As at 31 December 2020
長沙創興盛汽車銷售服務有限公司	PRC	RMB1,000,000	Sale of automobiles and accessories, and provision of automobile repair and maintenance services	100% [#]	100% [#]
廣州市銳盛汽車銷售服務有限公司	PRC	RMB1,000,000	Sale of automobiles and accessories, and provision of automobile repair and maintenance services	100% [#]	100% [#]
武漢市銳盛汽車銷售服務有限公司	PRC	RMB1,000,000	Sale of automobiles and accessories, and provision of automobile repair and maintenance services	100% [#]	100% [#]
Red Star (Shenzhen) Limited	Hong Kong	HK\$100	Investment holding	100% [#]	100% [#]
耀驊汽車管理服務深圳有限公司 (formerly known as 創豐盛汽車管理服務(深圳)有限公司)	PRC	RMB2,000,000	Providing management services to group entities	100% [#]	100% [#]
N-Tech Services Limited	Hong Kong	HK\$1,000,000	Investment holding	100% [#]	100% [#]

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8. Subsidiaries (continued)

Name	Place of incorporation/ registration	Particulars of paid-up capital	Principal activities	Effective interest held	
				As at 31 March 2021	As at 31 December 2020
深圳市祺峰汽車銷售服務有限公司 (formerly known as 深圳市安盛傑貿易有限公司)	PRC	RMB500,000	Sale of automobiles and accessories, and provision of automobile repair and maintenance services	100% [#]	100% [#]
廣東耀驊租賃有限公司 (formerly known as 廣東創豐盛融資租賃有限公司)	PRC	RMB12,734,723	Provision of licencing service	100% [#]	100% [#]

[#] Interest held indirectly

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9. Trade and other receivables

The fair values of trade and other receivables are as follows:

	As at 31 March 2021 RMB’000 (Unaudited)	As at 31 December 2020 RMB’000 (Audited)
Trade receivables	12,613	5,345
Rebate receivables	108,737	134,634
Value-added tax (“VAT”) receivables	6,648	4,325
Handling and commission fee and insurance commission receivable	12,049	18,375
Mortgage commission fee receivable	2,049	1,839
Indemnity provided by manufacturers for repair and maintenance costs incurred	4,274	12,387
Other receivables	14,874	6,248
	161,244	183,153

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables, handling and commission fee and insurance commission receivable, mortgage commission fee receivable, and indemnity and rebate receivables from manufacturers with known insolvencies or significant outstanding balances. The Group considers the credit risk characteristics of the counterparty or the days past due of the relevant receivable to determine the expected credit losses.

Trade receivables mainly represent receivables from individual customers for sales of automobiles or provision of relevant after sales services, of which deposits are received upfront from individual customers. Rebate receivables represent rebates to be received from manufacturers when the Group is able to meet relevant sales targets required by the manufacturers.

During the three-month period ended 31 March 2021 and 2020, the expected credit losses for customers of sales of goods is minimal and the expected credit loss rate approximates to zero. No provision for impairment of trade receivables has been made during the three-month period ended 31 March 2021 and 2020.

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9. Trade and other receivables (continued)

The recoverability of deposits and other receivables was assessed with reference to the credit status of the recipients, and there is no expected credit loss for future 12 months.

The Group’s receivables are denominated in the following currencies:

	As at 31 March 2021 RMB’000 (Unaudited)	As at 31 December 2020 RMB’000 (Audited)
RMB	152,864	174,784
US\$	7,292	7,285
HK\$	1,088	1,084
	161,244	183,153

10. Prepayments and deposits

	As at 31 March 2021 RMB’000 (Unaudited)	As at 31 December 2020 RMB’000 (Audited)
Current		
Prepayments to manufacturers	108,055	327,777
Security deposits for other borrowings	41,675	63,504
Prepaid listing expenses	3,468	2,034
Others	19,735	15,171
	172,933	408,486
Non-current		
Prepayments for property, plant and equipment	–	3,738
Total prepayments and deposits	172,933	412,224

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10. Prepayments and deposits (continued)

The carrying amounts of prepayments and deposits approximate their fair values and are denominated in the following currencies:

	As at 31 March 2021 RMB’000 (Unaudited)	As at 31 December 2020 RMB’000 (Audited)
RMB	164,424	383,271
US\$	7,964	7,055
HK\$	545	21,898
	172,933	412,224

11. Inventories

	As at 31 March 2021 RMB’000 (Unaudited)	As at 31 December 2020 RMB’000 (Audited)
Automobiles	214,213	206,647
Spare parts	46,720	46,031
	260,933	252,678
Provision for inventories	(6,374)	(3,877)
	254,559	248,801

Inventories represent automobiles and motor spare parts. The cost of inventories recognised as an expense and included as “Cost of sales” in the unaudited interim condensed consolidated statement of comprehensive income amounted to approximately RMB1,171,264,000 and RMB627,817,000 for the three-month period ended 31 March 2021 and 2020 (Note 24).

Certain short-term borrowings are secured by inventories with carrying amount of approximately RMB174,686,000 and RMB263,823,000 as at 31 March 2021 and 31 December 2020 (Note 18), respectively.

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12. Pledged bank deposits and cash and cash equivalents

	As at 31 March 2021 RMB’000 (Unaudited)	As at 31 December 2020 RMB’000 (Audited)
Cash on hand	707	508
Cash at banks	308,844	105,307
Cash and cash equivalents	309,551	105,815
Pledged bank deposits	219,386	149,537
Total cash and cash equivalents and pledged bank deposits	528,937	255,352

Pledged bank deposits were pledged to the bills payable granted by financial institutions to certain subsidiaries of the Group as required by the relevant banks, where the deposits need to be maintained when the Group continues to utilise the bills payable facility.

The Group’s cash and cash equivalents are denominated in the following currencies:

	As at 31 March 2021 RMB’000 (Unaudited)	As at 31 December 2020 RMB’000 (Audited)
RMB	118,184	80,951
US\$	184,579	24,159
HK\$	6,788	705
	309,551	105,815

As at 31 March 2021 and 31 December 2020, the Group has cash at banks amounting to approximately RMB117,890,000 and RMB68,721,000 held in the PRC respectively. These cash and bank balances are subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

The carrying amounts of the Group’s pledged bank deposits and cash and cash equivalents approximate their fair values.

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13. Financial assets at FVPL

Classification of financial assets at FVPL

The group classifies the following financial assets FVPL:

- debt investments that do not qualify for measurement at either amortised cost or FVOCI
- equity investments that are held for trading, and
- equity investments for which the entity has not elected to recognise fair value gains and losses through OCI.

The Group’s financial asset at FVPL comprises of unlisted securities investment. Detail of the information about the methods and assumptions used in determining the fair value are disclosed in Note 3.3.

Movement of the FVPL for the three-month period ended 31 March 2021 and the year ended 31 December 2020 are as follow:

	As at 31 March 2021 RMB’000 (Unaudited)	As at 31 December 2020 RMB’000 (Audited)
Balance as at 1 January 2020	2,502	–
Addition	–	2,500
Fair value changes on revaluation recognised in profit or loss (Note 23)	13	2
Balance as at 31 December 2020	2,515	2,502

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14. Share capital

Ordinary shares, issued and fully paid:	Number of shares	Share capital RMB'000	Share premium RMB'000	Total RMB'000
1 January 2020 (Audited)	44,379,507	292,422	1,526	293,948
Issuance of ordinary shares (Note)	2,959,262	20,266	1,453	21,719
Issuance of shares under share-based payment (Note 15)	2,593,626	17,487	5,337	22,824
31 December 2020 (Audited) and 1 January 2021 (Audited) and 31 March 2021 (Unaudited)	49,932,395	330,175	8,316	338,491

Note:

During the year ended 31 December 2020, the Company issued 2,959,262 ordinary shares at a total consideration of US\$2,959,262 (equivalent to approximately RMB21,719,000) to related parties.

On 17 September 2021, the Company approved the sub-division of each ordinary share into 10 shares and the total number of shares in issue increased from 49,932,395 to 499,323,950 (the “Sub-division”).

15. Share-based payments

(a) Share option scheme

The equity compensation agreement (the “Share Award Scheme”) was approved by the board of directors. The Share Award Scheme is designed to provide compensation for grantee’s past services to Group and to ultimate holding company. Under the scheme, share award granted to the employees are vested immediately. Participation in the plan is at the Board’s discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits. The share awards are exercisable from 1 July 2017 to 31 December 2020. The share awards to each grantee are granted at the consideration of US\$1 for all shares to be granted. When exercisable, share awards are convertible into ordinary share within 30 days after receiving a written notice from the grantees exercising the conversion and a payment in full of the subscription price.

On 10 September 2020, the share awards were exercised at an average price of RMB6.74 per share and converted into 2,593,626 ordinary shares to three employees. There is no exercisable share awards as at 31 March 2021 and 31 December 2020.

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15. Share-based payments (continued)

(a) Share option scheme (continued)

Movement in number of share awards granted under the Long-Term Incentive Plan is as follow:

	Average fair value per share RMB	Number of shares
At 1 January 2020	8.80	2,593,626
Granted	—	—
Exercised	6.74	(2,593,626)
Lapsed	—	—
At 31 December 2020		—
Vested and exercisable as at 31 December 2020		—

(b) Fair value of options granted

The Company has applied IFRS 2 to account for the equity compensation expenses of the share awards granted to the grantees at the date of grant at fair value in the unaudited interim condensed consolidated financial statements. The fair value of share awards granted under the scheme is determined using the fair value of share price of the ordinary shares of the Group at the date of grant, using discounted cash flow model.

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16. Trade and bills payable, accruals and other payables

	As at 31 March 2021 RMB’000 (Unaudited)	As at 31 December 2020 RMB’000 (Audited)
Trade payables	50,409	58,419
Bills payable	268,160	330,645
Salaries payables	25,295	21,214
VAT payables	12,048	12,649
Other tax payables	1,751	3,202
Accrued advertising expenses	7,749	4,939
Accrued listing expenses	6,148	2,475
Others	17,505	15,485
	389,065	449,028
Represented by:		
Trade and bills payable	318,569	389,064
Accruals and other payables	70,496	59,964
	389,065	449,028

Majority of the Group’s suppliers grant credit periods ranging from 30 to 60.

As at the 31 March 2021 and 31 December 2020, the Group’s trade and bills payable, accruals and other payables approximate their fair values. The Group’s trade and bills payable, accruals and other payables are denominated in the following currencies:

	As at 31 March 2021 RMB’000 (Unaudited)	As at 31 December 2020 RMB’000 (Audited)
RMB	387,650	447,110
HK\$	1,415	1,918
	389,065	449,028

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17. Contract liabilities

Contract liabilities represented the unused cash coupon issued by certain companies in the Group to customers for cars maintenance service and deposit from customers.

	As at 31 March 2021 RMB’000 (Unaudited)	As at 31 December 2020 RMB’000 (Audited)
Deposit from customers	102,171	155,388
Unused cash coupon	10,347	9,920
	112,518	165,308

18. Bank and other borrowings

	As at 31 March 2021 RMB’000 (Unaudited)	As at 31 December 2020 RMB’000 (Audited)
Current:		
Bank borrowings – secured	292,500	60,000
Borrowings from manufacturers – secured	178,886	266,910
Other borrowings – secured	66,797	78,724
	538,183	405,634
Non-current:		
Other borrowings – secured	142,278	186,133
Total bank and other borrowings	680,461	591,767

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18. Bank and other borrowings (continued)

The Group’s borrowings were repayable as follows:

	Within 1 year RMB’000	Between 1 to 2 years RMB’000	Total RMB’000
At 31 March 2021 (Unaudited)			
Bank borrowings	292,500	–	292,500
Borrowings from manufacturers	178,886	–	178,886
Other borrowings	66,797	142,278	209,075
	538,183	142,278	680,461
At 31 December 2020 (Audited)			
Bank borrowings	60,000	–	60,000
Borrowings from manufacturers	266,910	–	266,910
Other borrowings	78,724	186,133	264,857
	405,634	186,133	591,767

The Group’s borrowings are denominated in the following currencies:

	As at 31 March 2021 RMB’000 (Unaudited)	As at 31 December 2020 RMB’000 (Audited)
RMB	500,313	375,745
US\$	180,148	216,022
	680,461	591,767

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18. Bank and other borrowings (continued)

The weighted average effective interest rates (per annum) were as follows:

	As at 31 March 2021 (Unaudited)	As at 31 December 2020 (Audited)
Bank	4.9%	6.7%
Borrowings from manufacturers	8.5%	8.5%
Other borrowings	8.4%	7.6%

The fair values of the current borrowings approximate their fair value due to the short-term nature. The fair values of the non-current borrowings approximate their carrying amounts as at 31 March 2021 and 31 December 2020. Details of the Group’s exposure to risks arising from non-current borrowings are set out in Note 3.1.

As at 31 March 2021, the Group had aggregate banking facilities for overdrafts, bank loans and trading financing of approximately RMB253,900,000 (31 December 2020: RMB80,000,000), of which approximately and RMB5,700,000 remained undrawn as at 31 March 2021 (31 December 2020: RMB20,000,000).

As at 31 March 2021, the Group had aggregate credit facilities offered by manufacturers for purchase of inventories of approximately RMB333,000,000 and (31 December 2020: RMB333,000,000), of which approximately RMB154,115,000 remained undrawn as at 31 March 2021 (31 December 2020: RMB66,090,000).

The bank and other borrowings were secured by the following:

- (i) Unlimited personal guarantees provided by certain shareholders and related parties;
- (ii) Pledged bank deposits of RMB219,386,000 as at 31 March 2021 (31 December 2021: RMB149,537,000) (Note 12);
- (iii) Pledged property, plant and equipment of RMB14,498,000 as at 31 March 2021 (31 December 2020: RMB1,609,000);
- (iv) Pledged land use rights of RMB9,020,000 as at 31 March 2021 (31 December 2020: Nil); and
- (v) Pledged inventories of RMB174,686,000 as at 31 March 2021 (31 December 2020: RMB263,823,000).

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19. Convertible notes

The Group monitors the convertible note on a fair value basis which is in accordance with its risk management strategy and does not bifurcate any feature from its debt host instrument and designates the entire hybrid contract as a financial liability at fair value through profit or loss (“FVPL”) with the changes in the fair value recorded in consolidated statement of comprehensive income.

On 30 March 2017, the Company entered into a convertible note arrangement (“Convertible notes A”), pursuant to which the Company issued convertible notes at principal amount of approximately US\$3,244,000 (equivalent to approximately RMB21,108,000), of which US\$3,144,000 and US\$100,000 were issued to third parties and senior management of the Group (collectively, the “Noteholders”) respectively.

Convertible notes are convertible to ordinary shares of the Company. Conversion price is set initially at US\$1.4768 per share. Prevailing note price per unit as at conversion date equals the sum of (i) US\$100, plus (ii) US\$100 multiplied by 7.5% at 365 days basis and multiplied by the number of days elapsed from the issuance date.

If the Convertible notes are not converted at maturity, the Company shall redeem all notes at redemption price of US\$115 per note upon maturity. On 30 March 2019, Convertible notes A matured and certain Noteholders redeemed their notes at principal amounts of US\$250,000.

After such redemption, the remaining Convertible notes A of approximately US\$2,994,081 (equivalent to approximately RMB20,097,000) was refinanced by issuing another convertible note that would mature on 30 March 2020 (“Convertible notes B”).

Conversion price of Convertible notes B is initially set at US\$1.386. The number of shares to be allotted equals the prevailing note price as at conversion date divided by the conversion price. Prevailing note price per unit as at conversion date equals the sum of (i) US\$100, plus (ii) US\$100 multiplied by 10% at 365 days basis and multiplied by the number of days elapsed from the issuance date.

On 30 March 2020, the Convertible notes B matured. Convertible notes B amounted to US\$2,193,000 have been redeemed during the year ended 31 December 2020.

Based on the discussion and negotiation with on the Noteholders, Convertible notes B held by the particular noteholder amounted to US\$1,100,000 has been extended to 31 March 2021 and the convertible features has been removed. The remaining balance is reclassified to other borrowings and included in “bank and other borrowings”. This balance of US\$1,100,000 and related interest was settled on 22 February 2021.

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19. Convertible notes (continued)

The replacements of Convertible notes A and B resulted in a loss on derecognition of approximately RMB4,141,000 and a gain on derecognition of approximately RMB558,000 during the years ended 31 December 2019 and 2020, respectively.

20. Segment reporting

The identification and disclosure of operating segment information is based on internal financial reports that are regularly reviewed by the Group’s chief operating decision maker for the purpose of resources allocation and performance assessment. On this basis, the Group has determined that it only has one operating segment which is the sales of automobiles and provision of after-sales services

(i) Information about geographical area

Substantially of the Group’s revenue is derived from the sales of automobiles and provision of after-sales services in mainland China and the principal non-current assets employed by the Group are located in mainland China. Accordingly, no analysis by geographical segments has been provided for the reporting period.

(ii) Information about major customers

The Group’s customer base is diversified and no customer with whom transactions have exceeded 10% of the Group’s revenues.

21. Revenue

	Three-month period ended	
	31 March 2021 RMB’000 (Unaudited)	31 March 2020 RMB’000 (Unaudited)
Sales of automobiles	1,167,522	608,170
After sales services	125,663	88,341
	1,293,185	696,511

During the three-month period ended 31 March 2021 and 2020, all of the Group’s revenue is from contracts with customers and is recognised at a point in time.

The increase in revenue during the three months ended 31 March 2021 was mainly driven by the recovery from the outbreak of Coronavirus Disease 2019 (the “COVID-19 outbreak”).

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21. Revenue (continued)

During the three months ended 31 March 2020, a series of precautionary and control measures have been implemented in the PRC which affected the operations of the dealership shops of the Group. For the three months ended 31 March 2021, new automobile sales improved as the COVID-19 restrictions abated.

22. Other income

	Three-month period ended	
	31 March 2021	31 March 2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Handling and commission fee income	19,812	6,709
Insurance commission	2,888	2,988
Deposit forfeited by customers	476	–
Government grant	185	77
Others	1,439	676
	24,800	10,450

23. Other gains/(losses), net

	Three-month period ended	
	31 March 2021	31 March 2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Fair value gain of		
– Convertible notes (Note 19)	–	1,112
– Financial assets at FVPL (Note 13)	13	–
Gain on disposals of property, plant and equipment (Note 30)	3,266	688
Exchange differences	3,574	(2,948)
Others	(41)	(211)
	6,812	(1,359)

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24. Expenses by nature

	Three-month period ended	
	31 March 2021 RMB'000 (Unaudited)	31 March 2020 RMB'000 (Unaudited)
Cost of sales of automobiles and spare parts (Note 11)	1,171,264	627,817
Employee benefit expenses (including directors' emoluments) (Note 25)	40,330	26,804
Provision for inventories (Note 11)	2,497	3,694
Auditor's remuneration	523	649
Advertising expenses	1,812	(736)
Fuel and maintenance expenses	800	540
Depreciation of property, plant and equipment (Note 5)	7,265	5,223
Depreciation of right-of-use assets (Note 6)	6,522	5,175
Amortisation of intangible assets (Note 7)	202	202
Bank charges	543	717
Entertainment	182	121
Legal and professional fees	1,332	1,024
IT and security fees	2,514	1,206
Listing expenses	3,015	366
Office, communication and utilities expenses	1,937	1,813
Other tax expenses	5,466	6,550
Short term lease expenses	1,068	864
Travelling expenses	476	440
Others	678	1,306
Total cost of sales, selling and administrative expenses	1,248,426	683,775

**APPENDIX B – INDEPENDENT AUDITOR’S REPORT ON THE REVIEW
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TRANS-CHINA AUTOMOTIVE HOLDINGS LIMITED AND ITS SUBSIDIARIES

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For the three-month period ended 31 March 2021

25. Employee benefit expenses (including directors’ emoluments)

	Three-month period ended	
	31 March 2021 RMB’000 (Unaudited)	31 March 2020 RMB’000 (Unaudited)
Wages and salaries	37,349	25,252
Pension costs – defined contribution plans	2,981	1,552
	40,330	26,804

26. Finance costs, net

	Three-month period ended	
	31 March 2021 RMB’000 (Unaudited)	31 March 2020 RMB’000 (Unaudited)
Finance income		
– Bank interest income	433	184
Finance costs		
– Interest expense on bills payable	(2,592)	(1,218)
– Interest expense on bank and other borrowings	(9,796)	(11,775)
– Interest expense on lease liability	(3,924)	(2,505)
	(16,312)	(15,498)
Finance costs, net	(15,879)	(15,314)

27. Income tax expense

	Three-month period ended	
	31 March 2021 RMB’000 (Unaudited)	31 March 2020 RMB’000 (Unaudited)
Current income tax:		
– PRC corporate income tax	12,409	4,574
– Withholding tax	2,229	234

APPENDIX B – INDEPENDENT AUDITOR’S REPORT ON THE REVIEW OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTHS ENDED 31 MARCH 2021

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For the three-month period ended 31 March 2021

27. Income tax expense (continued)

	Three-month period ended	
	31 March 2021 RMB'000 (Unaudited)	31 March 2020 RMB'000 (Unaudited)
Deferred income tax credit	(985)	(1,202)
Income tax expense	13,653	3,606

During the three-month period ended 31 March 2021, new automobile sales improved as the COVID-19 restrictions abated. the PRC subsidiaries of the Group started to generate more assessable profits that are subject to PRC corporate income tax accordingly.

28. Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Deferred income tax assets are recognised for tax loss carry-forward to the extent that the realisation of the related tax benefit through future taxable profits is probable.

29 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and adjusted for the effect of the sub-division of shares as disclosed in Note 14, excluding shares held for employee share scheme (Note 15).

	31 March 2021 RMB'000 (Unaudited)	31 March 2020 RMB'000 (Unaudited)
Profit attributable to equity holders of the Company	46,839	2,907

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For the three-month period ended 31 March 2021

29 Earnings per share (continued)

(a) Basic earnings per share (continued)

	31 March 2021 RMB’000 (Unaudited)	31 March 2020 RMB’000 (Unaudited)
Weighted average number of ordinary shares in issue (thousands) prior to sub-division of shares	49,932	43,234
Weighted average number of ordinary shares in issue (thousands) after sub-division of shares	499,320	432,340
Basic earnings per share	0.09	0.01

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

	31 March 2021 RMB’000 (Unaudited)	31 March 2020 RMB’000 (Unaudited)
Profit attributable to equity holders of the Company	46,839	2,907
Weighted average number of ordinary shares in issue (thousands) prior to sub-division of shares	49,932	43,234
Effect of dilutive potential shares:		
– Share options scheme (thousands)	–	2,594
Weighted average number of shares for calculation of diluted earnings per share (thousands) prior to sub-division of shares	49,932	45,828
Weighted average number of shares for calculation of diluted earnings per share (thousands) after sub-division of shares	499,320	458,280
Diluted earnings per share	0.09	0.01

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For the three-month period ended 31 March 2021

30. Notes to the unaudited interim condensed consolidated statement of cash flows

(a) Cash generated from operations

	Three-month period ended	
	31 March 2021 RMB'000 (Unaudited)	31 March 2020 RMB'000 (Unaudited)
Cash flows from operating activities		
Profit before income tax	60,492	6,513
Adjustments for:		
Depreciation of property, plant and equipment (Note 5)	7,265	5,223
Depreciation of right-of-use asset (Note 6)	6,522	5,175
Amortisation of goodwill and intangible assets (Note 7)	202	202
Gain on disposals of property, plant and equipment (Note 23)	(3,266)	(688)
Finance costs	16,312	15,498
Finance income	(433)	(184)
Provision for inventories written down	2,497	3,694
Fair value changes on convertible note	–	(1,112)
Fair value changes on financial assets at FVPL	(13)	–
	89,578	34,321
Changes in working capital:		
Inventories	(8,255)	48,768
Trade and other receivables, prepayments and deposits	257,532	102,941
Trade and bills payable, accruals and other payables	(60,095)	(149,675)
Amount due from fellow subsidiaries	(3,039)	5,489
Contract liabilities	(52,790)	(59,633)
Cash generated from/(used in) operations	222,931	(17,789)

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For the three-month period ended 31 March 2021

**30. Notes to the unaudited interim condensed consolidated statement of cash flows
(continued)**

- (b) In the consolidated statement of cash flows, proceeds from sale of property, plant and equipment comprises:

	Three-month period ended	
	31 March 2021 RMB'000 (Unaudited)	31 March 2020 RMB'000 (Unaudited)
Net book amount	8,571	3,000
Gain on disposals of property, plant and equipment (Note 23)	3,266	688
Proceeds from disposals of property, plant and equipment	11,837	3,688

31. Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, common significant influence or joint control. Members of key management and their close family member of the Group are also considered as related parties.

The directors regard TCA Fund L.P., an exempted limited partnership established in the Cayman Islands, to be the ultimate holding entity of the Company, and all the related parties stated below are/were the fellow subsidiaries of the Company.

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For the three-month period ended 31 March 2021

31. Related party transactions (continued)

During the three-month period ended 31 March 2021, the Group undertook the following related party transactions in the normal course of business:

(a) Balances with the immediate holding company and fellow subsidiaries

	Note	As at 31 March 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Amount due from fellow subsidiaries			
– 民生東都汽車貿易深圳有限公司	(i)	24,925	20,454
Amount due to the immediate holding company			
– TCA International Limited	(ii)	122,944	133,937

Notes:

- (i) The balances with fellow subsidiaries were unsecured, interest free, receivable on demand, and their carrying values approximate their fair values.
- (ii) The balance with the immediate holding company was unsecured, interest free and due on 31 December 2022.

(b) Key management compensation

	Three-month period ended	
	31 March 2021 RMB'000 (Unaudited)	31 March 2020 RMB'000 (Unaudited)
Wages and salaries	2,729	1,661
Employer's contribution to defined contribution plans, including Mandatory Provident Fund	16	16
	2,745	1,677

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For the three-month period ended 31 March 2021

31. Related party transactions (continued)

(c) Corporate guarantee and personal guarantees from related parties

The bank borrowings were supported by personal guarantees provided by certain directors of the Company to the extent as follows:

	As at 31 March 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Personal guarantee from directors of the Company	1,038,700	1,262,838

Corporate guarantee has been provided by a fellow subsidiary for certain dealership agreements with McLaren entered into by a subsidiary of the Group.

32. Events occurring after the reporting period

Save as disclosed elsewhere in these financial statements, the following events occurred after the 31 March 2021:

On 24 June 2021, the Company completed a capital reduction exercise that the par value of each of the Company's shares with a par value of US\$1.00 each in the capital reduced from US\$1.00 to US\$0.10, by the cancellation of the paid-up share capital of the Company to the extent of US\$0.90 on each of the shares with a par value of US\$1.00 in the capital of the Company in issue on the effective date of the capital reduction. The issued and paid-up share capital of the Company was reduced from US\$49,932,395 (RMB330,175,225) to US\$4,993,239.50 (RMB33,017,522) divided into 49,932,395 shares with a par value of US\$0.10 each in the capital of the Company; and

The share premium account of the Company was reduced from US\$1,222,826.55 (RMB8,315,597) to Nil by the cancellation of the entire sum.

**APPENDIX C – INDEPENDENT AUDITOR’S ASSURANCE REPORT ON
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**UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION FOR
THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 AND THE
THREE-MONTHS ENDED 31 MARCH 2021**

TRANS-CHINA AUTOMOTIVE HOLDINGS LIMITED

(Incorporated and domiciled in Cayman Islands with limited liability No.306871)

AND ITS SUBSIDIARIES

**APPENDIX C – INDEPENDENT AUDITOR’S ASSURANCE REPORT ON
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**INDEPENDENT AUDITOR’S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED
PRO FORMA CONSOLIDATED FINANCIAL INFORMATION OF TRANS-CHINA AUTOMOTIVE
HOLDINGS LIMITED AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2020 AND THE THREE-MONTHS ENDED 31 MARCH 2021**

1 November 2021

The Board of Directors
Trans-China Automotive Holdings Limited
Cricket Square, Hutchins Drive
P.O Box 2681, Grand Cayman
KY1-1111, Cayman Islands

Report on the Compilation of Unaudited Pro Forma Consolidated Financial Information

Opinion

We have completed our assurance engagement to report on the compilation of pro forma consolidated financial information of Trans-China Automotive Holdings Limited (the “Company”) and its subsidiaries (the “Group”) by management. The unaudited pro forma consolidated financial information of the Group consists of the unaudited pro forma consolidated statement of financial position as at 31 December 2020 and 31 March 2021 and related notes as set out on pages C-5 to C-12 of the Offer Document issued by the Company. The applicable criteria on the basis of which management of the Group has compiled the unaudited pro forma consolidated financial information are described in Note 3.

The unaudited pro forma consolidated financial information of the Group has been compiled by management to illustrate the impact of the significant event (the “Significant Event”) set out in Note 2 on the unaudited pro forma consolidated financial position of the Group as at 31 December 2020 and 31 March 2021 as if the Significant Event had occurred on 31 December 2020 and 31 March 2021 respectively.

The pro forma adjustments do not have any material effect on the consolidated financial performance of the Group for the financial year ended 31 December 2020 and for the three-months ended 31 March 2021 and the consolidated cash flows of the Group for the financial year ended 31 December 2020 and for the three-months ended 31 March 2021. Accordingly, the unaudited pro forma consolidated statement of comprehensive income for the financial year ended 31 December 2020 and for the three-months ended 31 March 2021 and unaudited pro forma consolidated statement of cash flow for the financial year ended 31 December 2020 and for the three-month ended 31 March 2021 have not been presented.

As part of this process, information about the Group’s financial position has been extracted by management from the Group’s audited consolidated financial statements for the financial year ended 31 December 2020 on which the audit report have been published and from the unaudited consolidated financial statements for the three-months ended 31 March 2021, on which a review report has been published.

Management’s Responsibility for the Unaudited Pro Forma Consolidated Financial Information

Management is responsible for compiling the unaudited pro forma consolidated financial information of the Group on the basis of the applicable criteria as described in Note 3.

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Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *International Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants (“IESBA”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor’s Responsibilities

Our responsibility is to express an opinion about whether the unaudited pro forma consolidated financial information of the Group has been compiled, in all material respects, by management on the basis of the applicable criteria as described in Note 3.

We conducted our engagement in accordance with International Standard on Assurance Engagements (“ISAE”) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board. This standard requires that the auditor plan and perform procedures to obtain reasonable assurance about whether management has compiled, in all material respects, the unaudited pro forma consolidated financial information of the Group on the basis of the applicable criteria as described in Note 3.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information of the Group, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma consolidated financial information of the Group.

The purpose of unaudited pro forma consolidated financial information of the Group included in the Offer Document is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity 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 the event or transaction at the respective dates would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma consolidated financial information of the Group has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by management in the compilation of the unaudited pro forma consolidated financial information of the Group provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- (i) The related pro forma adjustments give appropriate effect to those criteria; and
- (ii) The unaudited pro forma consolidated financial information reflects the proper application of those adjustments to the unadjusted financial information.

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The procedures selected depend on the practitioner’s judgement, having regard to the auditor’s understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information of the Group has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma consolidated financial information of the Group.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) The unaudited pro forma consolidated financial information of the Group has been compiled:
 - (i) in a manner consistent with the accounting policies adopted by the Group in its latest audited consolidated financial statement, which are in accordance with International Financial Reporting Standards (“IFRSs”).
 - (ii) on the basis of the applicable criteria stated in Note 3 of the unaudited pro forma consolidated financial information of the Group; and
- (b) Each material adjustment made to the information used in the preparation of the unaudited pro forma consolidated financial information of the Group is appropriate for the purpose of preparing such unaudited financial information.

Restriction of Use and Distribution

This report is made solely to you as a body for the inclusion in the Preliminary Offer Document of the Company to be issued in relation to the proposed offering of the shares of the Company in connection with the Company’s listing on the Catalist Board of Singapore Exchange Securities Trading Limited.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore
Partner in-charge: Rebekah Khan

**APPENDIX C – INDEPENDENT AUDITOR’S ASSURANCE REPORT ON
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TRANS-CHINA AUTOMOTIVE HOLDINGS LIMITED AND ITS SUBSIDIARIES

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020 and 31 March 2021

	As at 31 December 2020	As at 31 March 2021
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Property, plant and equipment	171,849	170,167
Right-of-use assets	328,733	322,209
Intangible assets	80,523	80,321
Deferred income tax assets	5,467	6,085
Prepayment	3,738	–
	590,310	578,782
Current assets		
Inventories	248,801	254,559
Trade and other receivables	183,153	161,244
Prepayments and deposits	408,486	172,933
Amounts due from fellow subsidiaries	20,454	24,925
Financial assets at fair value through profit or loss	2,502	2,515
Pledged bank deposits	149,537	219,386
Cash and cash equivalents	105,815	309,551
	1,118,748	1,145,113
Total assets	1,709,058	1,723,895
Equity attributable to the owner of the Company		
Share capital	33,017	33,017
Share premium	–	–
Reserves	57,059	54,907
Accumulated losses	(10,615)	36,224
Total equity	79,461	124,148
LIABILITIES		
Non-current liabilities		
Bank and other borrowings	186,133	142,278
Lease liabilities	219,414	216,274
Deferred income tax liabilities	41,264	40,897
Amount due to the immediate holding company	133,937	122,944
	580,748	522,393
Current liabilities		
Trade and bills payable	389,064	318,569
Accruals and other payables	59,964	70,496
Contract liabilities	165,308	112,518
Bank and other borrowings	405,634	538,183
Lease liabilities	12,631	12,507
Current income tax liabilities	16,248	25,081
	1,048,849	1,077,354
Total liabilities	1,629,597	1,599,747
Total equity and liabilities	1,709,058	1,723,895

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NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

For the financial year ended 31 December 2020 and the three-months ended 31 March 2021

1. General information

Trans-China Automotive Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 18 December 2015 as an exempted company with limited liability under the Company Law, Cap 22 (Law 3 of 1961, as consolidated and revised, of the Cayman Islands). The address of the Company’s registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together, the “Group”) are principally engaged in the business of automobile dealerships in the premium market segment in the People’s Republic of China (“PRC”), which includes (i) sales of new automobiles, (ii) provision of after-sales services, including maintenance and repair services; (iii) sale of automobile parts and accessories; and (iv) automobile agency services including related registration, financing and insurance services.

2. Significant event

Save for the following significant event discussed below (the “Significant Event”), the directors of the Company, as at the date of this report, are not aware of any other significant acquisitions, disposal of assets and subsidiaries have occurred or significant changes made to the capital structure of the Group subsequent to 31 March 2021:

(a) Capital reduction

On 24 June 2021, the Company completed a capital reduction exercise which resulted in:

- (i) The reduction of the par value of each of the Company’s shares with a par value of US\$1.00 each in the capital of the Company from US\$1.00 to US\$0.10, by the cancellation of the paid-up share capital of the Company to the extent of US\$0.90 on each of the shares with a par value of US\$1.00 in the capital of the Company in issue on the effective date of the capital reduction. The issued and paid-up share capital of the Company was reduced from US\$49,932,395 (RMB330,175,225) to US\$4,993,239.50 (RMB33,017,522) divided into 49,932,395 shares with a par value of US\$0.10 each in the capital of the Company; and
- (ii) The share premium account of the Company was reduced from US\$1,222,826.55 (RMB8,315,597) to Nil by the cancellation of the entire sum.

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NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

For the financial year ended 31 December 2020 and the three-months ended 31 March 2021

3. Basis of preparation of the unaudited pro forma consolidated financial information

The unaudited pro forma consolidated financial information of the Group for the year ended 31 December 2020 and the three-months ended 31 March 2021 have been compiled based on:

- The audited consolidated financial statements of the Group for the financial year ended 31 December 2020, which were prepared by management in accordance with International Financial Reporting Standards (“IFRSs”) and audited by PricewaterhouseCoopers LLP, in accordance with International Standards on Auditing (“ISAs”). The auditor’s report on these consolidated financial statements was not modified.
- The unaudited interim condensed consolidated financial statements of the Group for the three-months ended 31 March 2021, which were prepared by management in accordance with International Accounting Standards (“IAS”) 34 *Interim Financial Reporting* and reviewed by PricewaterhouseCoopers LLP, in accordance with International Standards on Review Engagements (“ISRE”) 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. The auditor’s review report on these consolidated financial statements was not modified.

The unaudited pro forma consolidated financial information of the Group for the financial year ended 31 December 2020 and the three-months ended 31 March 2021 have been prepared using the same accounting policies and method of computation in the preparation of the audited consolidated financial statement for the financial year ended 31 December 2020.

The unaudited pro forma consolidated financial information of the Group for the financial year ended 31 December 2020 are prepared for illustrative purposes only. These are prepared based on certain assumptions and after making certain adjustments to show what the unaudited pro forma consolidated statement of financial position of the Group as at 31 December 2020 and 31 March 2021 would have been if the Significant Event discussed in Note 2 had taken place on 31 December 2020 and 31 March 2021 respectively.

The pro forma adjustments do not have any material effect on the consolidated financial performance of the Group for the financial year ended 31 December 2020 and the three-months ended 31 March 2021 and the consolidated cash flows of the Group for the financial year ended 31 December 2020 and the three-months ended 31 March 2021. Accordingly, the unaudited pro forma consolidated statement of comprehensive income for the financial year ended 31 December 2020 and the three-months ended 31 March 2021 and the unaudited pro forma consolidated statement of cash flow for the financial year ended 31 December 2020 and the three-months ended 31 March 2021 have not been presented.

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For the financial year ended 31 December 2020 and the three-months ended 31 March 2021

3. Basis of preparation of the unaudited pro forma consolidated financial information
(continued)

The unaudited pro forma consolidated financial information of the Group, because of their nature, is not necessarily indicative of the results of the operations, cash flows, or the related effects on the financial position that would have been attained had the Significant Event actually occurred earlier. Save as disclosed in Note 2, the management, for the purposes of preparing this set of unaudited pro forma consolidated financial information of the Group, have not considered the effects of the other events.

4. Statement of adjustments for the years ended 31 December 2020 and for the three-months ended 31 March 2021

4.1 The following pro forma adjustments have been made to the audited financial position for the year ended 31 December 2020 and for the three-months ended 31 March 2021 in arriving at the unaudited pro forma consolidated financial information of the Group:

- a. Reduction of the paid-up share capital of the Company from US\$49,932,395 (RMB330,175,225) to US\$4,993,239.50 (RMB33,017,522) amounting to US\$44,939,156 (RMB297,157,703);
- b. Reduction of the share premium account of the Company from US\$1,222,826.55 (RMB8,315,597) to Nil; and
- c. The credit arising from the capital reduction totalling US\$46,161,982.05 (RMB305,473,300) is credited to a distributable reserve account of the Company of which US\$16,255,101.34 (RMB110,831,240) is utilised by setting off against the accumulated losses of the Company as at 31 December 2020 and 31 March 2021 respectively. The utilisation of the remaining amounts in the distributable reserve account may be determined by the Board of Directors of the Company in accordance with the Memorandum and Articles of Association of the Company and applicable law.

**APPENDIX C – INDEPENDENT AUDITOR’S ASSURANCE REPORT ON
THE COMPILATION OF UNAUDITED PRO FORMA CONSOLIDATED
FINANCIAL INFORMATION OF TRANS-CHINA AUTOMOTIVE HOLDINGS
LIMITED AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2020 AND THE THREE-MONTHS ENDED 31 MARCH 2021**

TRANS-CHINA AUTOMOTIVE HOLDINGS LIMITED AND ITS SUBSIDIARIES

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For the financial year ended 31 December 2020 and the three-months ended 31 March 2021

4. Statement of adjustments for the years ended 31 December 2020 and for the three-months ended 31 March 2021 (continued)

4.2 The unaudited pro forma consolidated statement of financial position as at 31 December 2020

	Audited consolidated statement of financial position	Pro forma adjustments Note 4.1 (a), (b)	Pro forma adjustments Note 4.1 (c)	Pro forma consolidated statement of financial position
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	171,849	–	–	171,849
Right-of-use assets	328,733	–	–	328,733
Intangible assets	80,523	–	–	80,523
Deferred income tax assets	5,467	–	–	5,467
Prepayment	3,738	–	–	3,738
	590,310	–	–	590,310
Current assets				
Inventories	248,801	–	–	248,801
Trade and other receivables	183,153	–	–	183,153
Prepayments and deposits	408,486	–	–	408,486
Amounts due from fellow subsidiaries	20,454	–	–	20,454
Financial assets at fair value through profit or loss	2,502	–	–	2,502
Pledged bank deposits	149,537	–	–	149,537
Cash and cash equivalents	105,815	–	–	105,815
	1,118,748	–	–	1,118,748
Total assets	1,709,058	–	–	1,709,058
EQUITY				
Share capital	330,175	(297,158)	–	33,017
Share premium	8,316	(8,316)	–	–
Reserves	(137,584)	305,474	(110,831)	57,059
(Accumulated losses)/Retained profits	(121,446)	–	110,831	(10,615)
Total equity	79,461	–	–	79,461

**APPENDIX C – INDEPENDENT AUDITOR’S ASSURANCE REPORT ON
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LIMITED AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2020 AND THE THREE-MONTHS ENDED 31 MARCH 2021**

TRANS-CHINA AUTOMOTIVE HOLDINGS LIMITED AND ITS SUBSIDIARIES

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4. Statement of adjustments for the years ended 31 December 2020 and for the three-months ended 31 March 2021 (continued)

4.2 The unaudited pro forma consolidated statement of financial position as at 31 December 2020 (continued)

	Audited consolidated statement of financial position	Pro forma adjustments Note 4.1 (a), (b)	Pro forma adjustments Note 4.1 (c)	Pro forma consolidated statement of financial position
	RMB'000	RMB'000	RMB'000	RMB'000
LIABILITIES				
Non-current liabilities				
Bank and other borrowings	186,133	–	–	186,133
Lease liabilities	219,414	–	–	219,414
Deferred income tax liabilities	41,264	–	–	41,264
Amount due to the immediate holding company	133,937	–	–	133,937
	580,748	–	–	580,748
Current liabilities				
Trade and bills payable	389,064	–	–	389,064
Accruals and other payables	59,964	–	–	59,964
Contract liabilities	165,308	–	–	165,308
Amount due to the immediate holding company	–	–	–	–
Bank and other borrowings	405,634	–	–	405,634
Lease liabilities	12,631	–	–	12,631
Current income tax liabilities	16,248	–	–	16,248
	1,048,849	–	–	1,048,849
Total liabilities	1,629,597	–	–	1,629,597
Total equity and liabilities	1,709,058	–	–	1,709,058

**APPENDIX C – INDEPENDENT AUDITOR’S ASSURANCE REPORT ON
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FINANCIAL INFORMATION OF TRANS-CHINA AUTOMOTIVE HOLDINGS
LIMITED AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR ENDED
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TRANS-CHINA AUTOMOTIVE HOLDINGS LIMITED AND ITS SUBSIDIARIES

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4. Statement of adjustments for the years ended 31 December 2020 and for the three-months ended 31 March 2021 (continued)

4.3 The unaudited pro forma consolidated statement of financial position as at 31 March 2021

	Audited consolidated statement of financial position	Pro forma adjustments Note 4.1 (a), (b)	Pro forma adjustments Note 4.1 (c)	Pro forma consolidated statement of financial position
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	170,167	–	–	170,167
Right-of-use assets	322,209	–	–	322,209
Intangible assets	80,321	–	–	80,321
Deferred income tax assets	6,085	–	–	6,085
Prepayment	–	–	–	–
	578,782	–	–	578,782
Current assets				
Inventories	254,559	–	–	254,559
Trade and other receivables	161,244	–	–	161,244
Prepayments and deposits	172,933	–	–	172,933
Amounts due from fellow subsidiaries	24,925	–	–	24,925
Financial assets at fair value through profit or loss	2,515	–	–	2,515
Pledged bank deposits	219,386	–	–	219,386
Cash and cash equivalents	309,551	–	–	309,551
	1,145,113	–	–	1,145,113
Total assets	1,723,895	–	–	1,723,895
EQUITY				
Share capital	330,175	(297,158)	–	33,017
Share premium	8,316	(8,316)	–	–
Reserves	(139,736)	305,474	(110,831)	54,907
(Accumulated losses)/Retained profits	(74,607)	–	110,831	36,224
Total equity	124,148	–	–	124,148

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FINANCIAL INFORMATION OF TRANS-CHINA AUTOMOTIVE HOLDINGS
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31 DECEMBER 2020 AND THE THREE-MONTHS ENDED 31 MARCH 2021**

TRANS-CHINA AUTOMOTIVE HOLDINGS LIMITED AND ITS SUBSIDIARIES

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4. Statement of adjustments for the years ended 31 December 2020 and for the three-months ended 31 March 2021 (continued)

4.3 The unaudited pro forma consolidated statement of financial position as at 31 March 2021 (continued)

	Audited consolidated statement of financial position	Pro forma adjustments Note 4.1 (a), (b)	Pro forma adjustments Note 4.1 (c)	Pro forma consolidated statement of financial position
	RMB'000	RMB'000	RMB'000	RMB'000
LIABILITIES				
Non-current liabilities				
Bank and other borrowings	142,278	–	–	142,278
Lease liabilities	216,274	–	–	216,274
Deferred income tax liabilities	40,897	–	–	40,897
Amount due to the immediate holding company	122,944	–	–	122,944
	522,393	–	–	522,393
Current liabilities				
Trade and bills payable	318,569	–	–	318,569
Accruals and other payables	70,496	–	–	70,496
Contract liabilities	112,518	–	–	112,518
Bank and other borrowings	538,183	–	–	538,183
Lease liabilities	12,507	–	–	12,507
Current income tax liabilities	25,081	–	–	25,081
	1,077,354	–	–	1,077,354
Total liabilities	1,599,747	–	–	1,599,747
Total equity and liabilities	1,723,895	–	–	1,723,895

**APPENDIX D – INDEPENDENT MARKET RESEARCH REPORT OF THE
INDEPENDENT MARKET RESEARCH CONSULTANT**

F R O S T  S U L L I V A N

**Independent Market Research on the
Premium/Ultra-Premium Automobile Market in the People's
Republic of China**

Final Report

July 2021

IMR Report

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Date: 1st November, 2021

The Board of Directors
Trans-China Automotive Holdings Limited
#3002, 30th Floor
88 Hing Fat Street
Causeway Bay, Hong Kong

Dear Sirs,

Independent Market Research on the Premium/Ultra-Premium Automobile Market in the People's Republic of China, for Trans-China Automotive Holdings Limited ("TCA" or "Company")

We, Frost & Sullivan (Singapore) Pte Ltd ("**Frost & Sullivan**"), have prepared this Independent Market Report on the Premium/Ultra-Premium Automobile Market in the People's Republic of China, ("**the Report**") for inclusion in TCA's Offer Document in connection with the initial public offering of the ordinary shares of TCA on the Catalist Board of the Singapore Exchange Securities Trading Limited.

Frost & Sullivan has prepared this Report in an independent and objective manner and has taken adequate care to ensure the accuracy and completeness of this Report. We believe that this Report presents a true and fair view of the industry within the limitations of, among others, secondary statistics and primary research, and does not purport to be exhaustive. Our research has been conducted with an "overall industry" perspective and may not necessarily reflect the performance of individual companies in the industry. Frost & Sullivan shall not be held responsible for the decisions and/or actions of the readers of this Report. This Report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies as mentioned in this Report or otherwise.

For and on behalf of Frost & Sullivan (Singapore) Pte Ltd

Subhranshu Sekhar Das
Director

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The market research process for this study has been undertaken through secondary/desktop research as well as focused primary research. Quantitative information was sourced from secondary research from sources including but not limited to press releases, journals, Government publications, company presentations and other information in the public domain since we also track the automobile industry.

Forecasts, estimates, predictions, and other forward-looking statements contained in this report are inherently uncertain because of changes in factors underlying their assumptions, or events or combinations of events that cannot be reasonably foreseen. Actual results and future events could differ materially from such forecasts, estimates, predictions, or such statements.

This study has been prepared for inclusion in the Offer Document of the Company.

Save for the inclusion of this study in the Offer Document issued by the Company and for using the data in the report (in whole or part) for the investor presentation (as reviewed by Frost & Sullivan), no part of it may be otherwise given, lent, resold, or disclosed to non-customers without our written permission. Furthermore, no part may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without our permission.

Frost & Sullivan has prepared this study in an independent and objective manner, and it has taken adequate care to ensure its accuracy and completeness. We believe that this study presents a true and fair view of premium/ultra-premium automobile market in the 'PRC', from an outside-in perspective largely relying on publicly available information on the impact and key challenges faced in the wake of Co-VID within the limitations of, among others, secondary statistics and primary research. Due to the limitations surrounding travel, there were no site visits conducted for the purpose of this research report. Therefore, it does not purport to be exhaustive. Our research has been conducted with an "overall industry" perspective, and it may not necessarily reflect the performance of individual companies in the industry unless otherwise specified. Frost & Sullivan shall not be liable for any loss suffered because of reliance on the information contained in this study. This study should also not be considered as a recommendation to buy or not to buy the shares of any company or companies as mentioned in it or otherwise.

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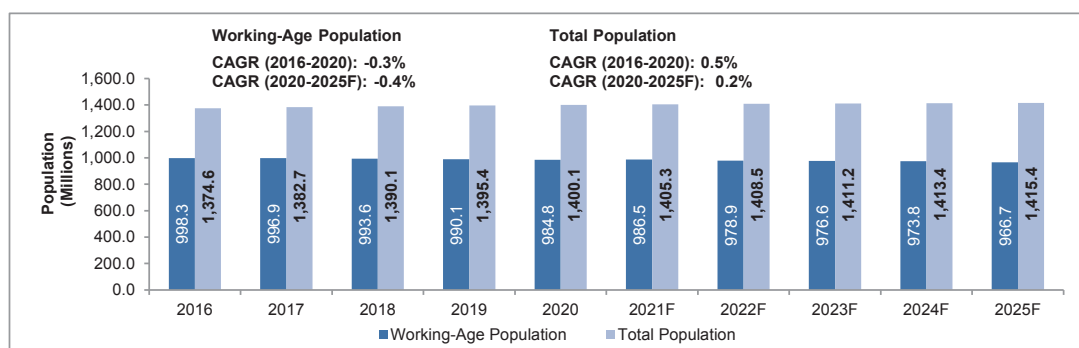
1 MACROECONOMIC OVERVIEW

1.1 MACROECONOMIC LANDSCAPE: PEOPLE'S REPUBLIC OF CHINA ("PRC")

1.1.1 POPULATION

In 2020, the population of the PRC was 1,400.1 million. 70.3%, or 984.8 million, of the PRC population in 2020 were of working age (between 15 and 64). A combination of low fertility rates and a rapidly increasing aging population (referring to persons aged 65 and older) has led to a decline in the overall working population, from 998.3 million in 2016 to 984.8 million in 2020, being equivalent to a reduction of 0.61% over the said 4-year period. Frost & Sullivan expects this trend to continue through to 2025, even as the country's overall aggregate population increases slightly. Chart 1-1 depicts the trends in overall population and working age population during the study period of 2016 to 2025F.

Chart 1-1: Population and Growth Trends, PRC, 2016-2025F



Source: National Bureau of Statistics of China (found at <https://data.stats.gov.cn/>); forecast by Frost & Sullivan; CAGRs calculated by Frost & Sullivan

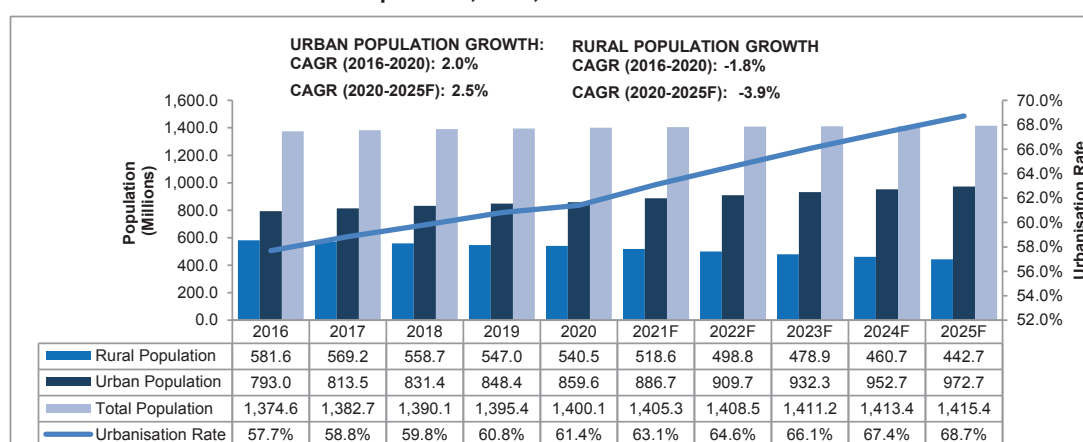
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Rapid economic development has fuelled unprecedented urbanisation in the PRC since 1980. From 2016 to 2020 alone, the urban population has increased from 793.0 million to 859.6 million at a compound annual growth rate (“CAGR”) of 2.0%, as illustrated in chart 1-2 below. Frost & Sullivan forecasts that the urban population will reach 972.7 million by 2025. The government recognized the stress of this seismic shift on the economy and launched the *National Plan for Promoting Healthy Urbanization* (《全国促进城镇化健康发展规划》) in 2013 to promote urban-rural coordination and reasonable distribution of population and resources. The working-age urban population is the primary target market for automobile sales and Frost & Sullivan believes such increase in consumer demand is also due to an increase in per capita annual disposable income which is likely to continue on its growth trajectory in the forecast period of 2020 to 2025F (“Forecast Period”).

Chart 1-2: Rural Versus Urban Population, PRC, 2016-2025F



Source: National Bureau of Statistics of China (found at <https://data.stats.gov.cn/>); forecast by Frost & Sullivan; CAGRs calculated by Frost & Sullivan

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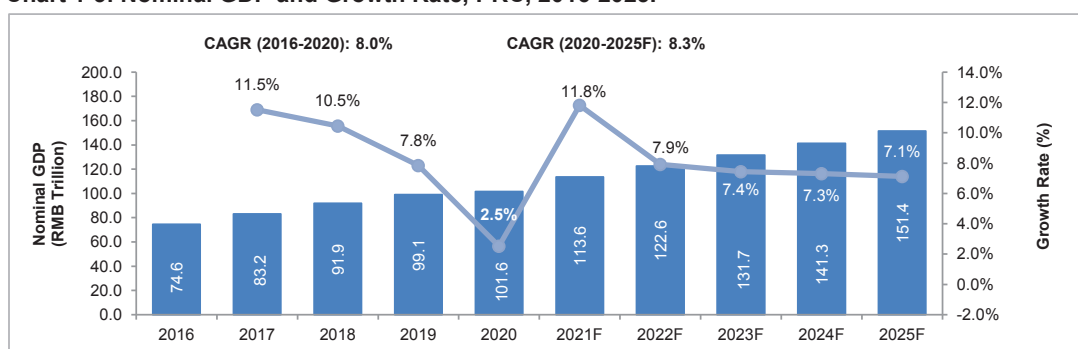
1.1.2 GDP GROWTH

The PRC's economy experienced a period of rapid growth over the last decade. The PRC's nominal gross domestic product ("GDP") has increased at a CAGR of 8.0%, from RMB 74.6 trillion in 2016 to RMB 101.6 trillion in 2020, due to growing investments in real estate, infrastructure, and exports. The COVID-19 pandemic in 2020, however, slowed year-over-year nominal GDP growth to just 2.5% in 2020, as compared with 7.8% in 2019. This is illustrated in chart 1-3 below.

The PRC government recognized 2020 as an unusual year affecting GDP growth but remains optimistic for future years, anticipating strong growth in domestic consumption, government stimulus policies, and investment in fixed assets. With strict quarantine measures and vaccine availability bringing the pandemic under control, household consumption levels and manufacturing output has begun to see an uptick in the third quarter of 2020, with projections of steady growth from 2021.

Frost & Sullivan believes that the Chinese government is unlikely to change its current stimulus policies, with a view to maintaining macroeconomic stability through 2025. In the May 2020 guideline *Opinions on Accelerating the Improvement of the Socialist Market Economic System in the New Era* (《关于新时代加快完善社会主义市场经济体制的意见》), the Central Committee of the Communist Party of China stated that the country will focus on promoting economic system reforms and building a more systematic and mature high-level market economic system. As a result, Frost & Sullivan expects the year-on-year ("y-o-y") nominal GDP to increase by 11.8% in 2021 and to reach RMB 151.4 trillion by 2025, registering a CAGR of 8.3% for the Forecast Period.

Chart 1-3: Nominal GDP and Growth Rate, PRC, 2016-2025F



Source: National Bureau of Statistics of China (found at <https://data.stats.gov.cn/>); forecast by International Monetary Fund World Economic Outlook (IMF WEO) (Version Apr. 2021); CAGRs calculated by Frost & Sullivan

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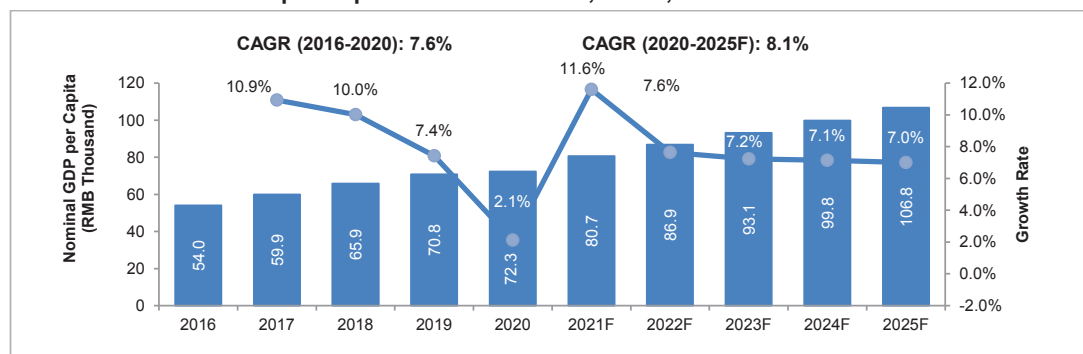
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1.1.3 GDP PER CAPITA

In line with economic growth, nominal GDP per capita increased at a CAGR of 7.6% from RMB 54,000 in 2016 to RMB 72,300 in 2020. Frost & Sullivan anticipates that the nominal GDP per capita will reach RMB 106,800 in 2025, registering a CAGR of 8.1% for the Forecast Period.

Chart 1-4: Nominal GDP per Capita and Growth Rate, China, 2016-2025F

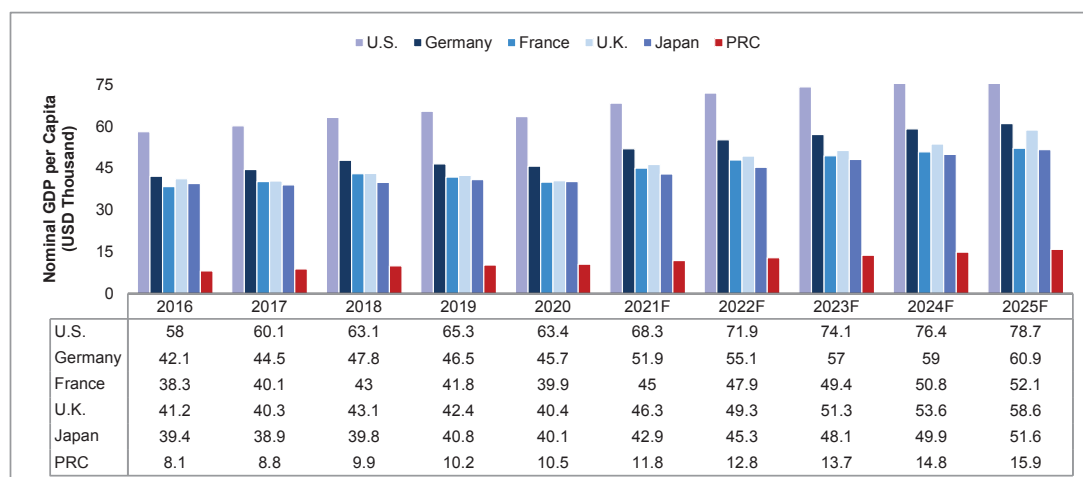


Source: National Bureau of Statistics of China (found at <https://data.stats.gov.cn/>); forecast by Frost & Sullivan; CAGRs calculated by Frost & Sullivan

1.1.4 NOMINAL GDP PER CAPITA COMPARISON

The PRC's nominal GDP per capita is well behind that of the United States, Japan, and selected European countries, as depicted by Chart 1-5, but the PRC is nevertheless the only country out of the sampled countries to register growth in 2020 during the pandemic. This indicates strong economic fundamentals, as well as a relatively optimistic outlook for an economic recovery in the Forecast Period.

Chart 1-5: Nominal GDP per Capita Comparison, Selected Countries, 2016 - 2025F



Source: Data for China from National Bureau of Statistics of China (found at <https://data.stats.gov.cn/>); data for the United States, Japan, Germany, France, and the United Kingdom from IMF WEO (Version Apr. 2021); CAGRs calculated by Frost & Sullivan

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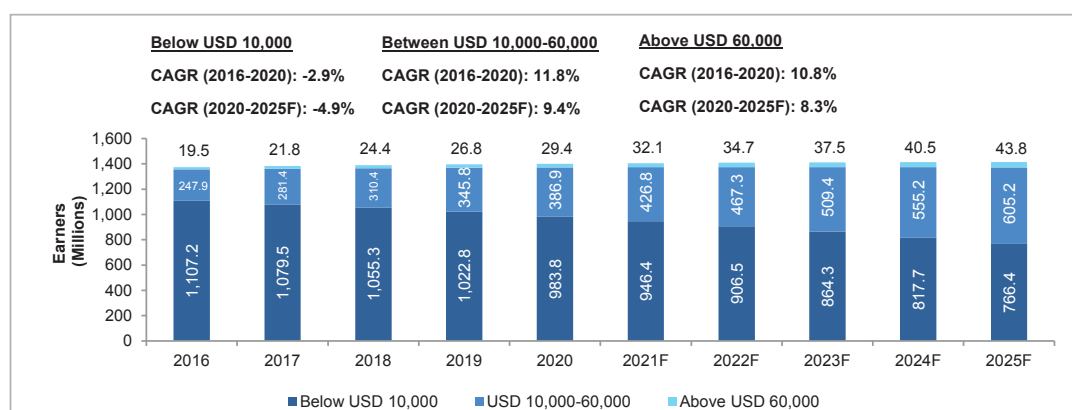
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1.1.5 ANNUAL INCOME LEVELS

One of the key directives of the State Council's *13th Five-Year Plan* issued in November 2016 was to eliminate poverty, with a focus on the PRC's central and western regions. The results of government initiatives are already apparent: the number of people in the PRC who earned less than USD 10,000 annually declined from 1,107.2 million in 2016 to 983.8 million in 2020, while approximately 29.4 million people in the PRC earned more than USD 60,000 in 2020, and those with an annual income between USD 10,000 and USD 60,000 reached 386.9 million. Frost & Sullivan forecasts that these trends will continue through to 2025, as outlined in Chart 1-6 below. For the Forecast Period, it is indicated that there will be a forecast CAGR of 9.4% and 8.3% among people in the PRC who earned between USD 10,000-60,000 and those who earned in excess of USD 60,000 respectively.

Chart 1-6: Annual Income Breakdown, PRC, 2016-2025F

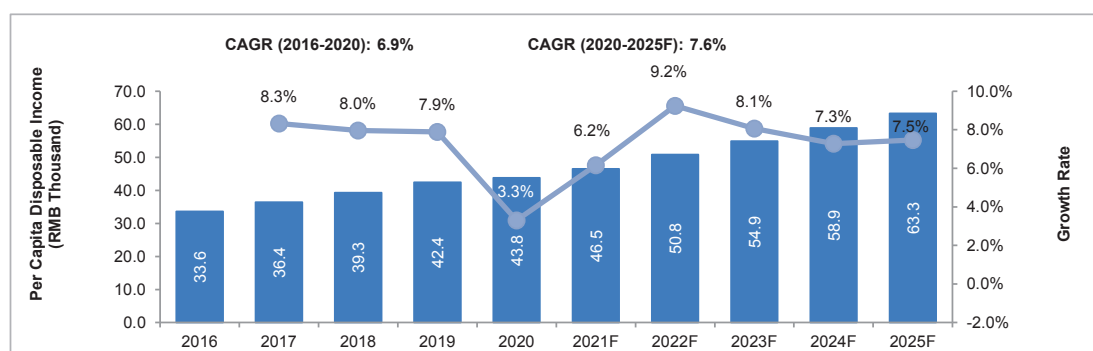


Source: National Bureau of Statistics of China (found at <https://data.stats.gov.cn/>); forecast by Frost & Sullivan; CAGRs calculated by Frost & Sullivan

1.1.6 DISPOSABLE INCOME

Urban households' per capita disposable income increased from RMB 33,600 in 2016 to RMB 43,800 in 2020. The COVID-19 pandemic in 2020 interrupted what had previously been a steady growth trend, but Frost & Sullivan forecasts a correction through to 2022 and a return to a relatively stable growth by 2023. The RMB 63,300 projection for 2025 shown in chart 1-7 below represents a CAGR of 7.6% for the Forecast Period. Greater consumer buying power has increased the demand for aspirational brands, including premium and ultra-premium automobile.

Chart 1-7: Per Capita Disposable Income of Urban Households, PRC, 2016-2025F



Source: National Bureau of Statistics of China (found at <https://data.stats.gov.cn/>); forecast by Frost & Sullivan; CAGRs calculated by Frost & Sullivan

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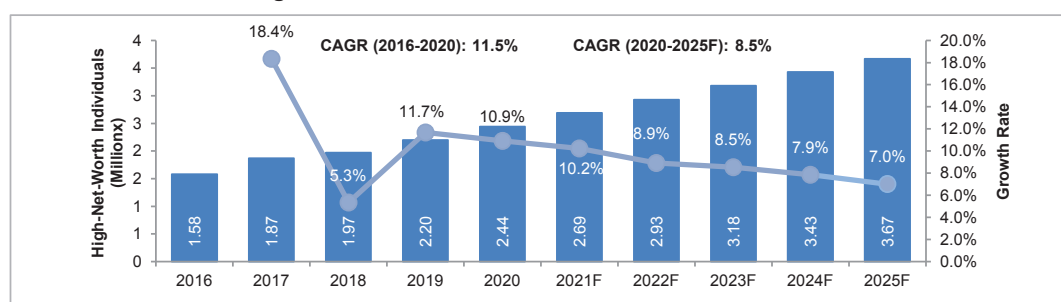
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1.1.7 HIGH-NET-WORTH INDIVIDUALS

The number of high-net-worth individuals in the PRC (referring to persons whose investable assets exceeding RMB10 million), increased by 54.4% in just five years, from only 1.58 million persons in 2016 to 2.44 million persons in 2020, representing a CAGR of 11.5%. The projected CAGR for the Forecast Period is 8.5%, as illustrated in chart 1-8 below. High-net-worth individuals are known to consider premium and ultra-premium automobiles to be symbols of their status, which will further drive the consumer demand for these automobile categories in the Forecast Period.

Chart 1-8: Number of High-Net-Worth Individuals, PRC, 2016-2025F



Source: China Merchants Bank (found at <http://english.cmbchina.com/>); forecast by Frost & Sullivan; CAGRs calculated by Frost & Sullivan

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1.2 MACROECONOMIC LANDSCAPE: GREATER BAY AREA

1.2.1 INTRODUCTION

The Greater Bay Area (GBA) spans Hong Kong, Macao, and nine cities in Guangdong province (Guangzhou, Shenzhen, Zhuhai, Foshan, Dongguan, Zhongshan, Jiangmen, Huizhou, and Zhaoqing). In July 2017, the National Development and Reform Commission, the People's Government of Guangdong Province, Government of the Hong Kong Special Administrative Region, and Government of the Macao Special Administrative Region drafted a GBA framework agreement to promote development in the GBA, by leveraging on a regional advantage in national economic development, and to ensure the long-term prosperity and stability of Hong Kong and Macao.

The GBA leads the PRC in terms of economic development. Of the seven Special Economic Zones in the PRC, Shenzhen and Zhuhai were the first to be established (in the 1980s) and have attracted a significant amount of foreign and domestic investment. Over decades of development, GBA cities have established a comprehensive industrial system encompassing information technology, financial services, and the manufacture of automobiles, semiconductors, and consumer electronics.

Guangdong Province has the largest population of high-net-worth individuals in the PRC, making it a ripe market for luxury products. The expected completion of the Shenzhen-Zhongshan Bridge in 2024 is expected to strengthen the interconnection among cities in the province and increase the demand for automobiles.

1.2.2 GBA ECONOMY

According to the National Bureau of Statistics of China, the GBA economy, as measured by growth in nominal GDP, registered a CAGR of 5.5% from 2016 to 2020.

In February 2019, authorities announced the *GBA Outline Development Plan*¹ to enhance the region's leading role in national economic development. Provisions include (i) forming an international innovation and technology research and development hub; (ii) expediting infrastructural connectivity; (iii) building a globally competitive modern industrial system; (iv) taking forward ecological conservation; (v) developing a quality living circle for living, working, and travelling; (vi) strengthening cooperation and jointly participating in the Belt and Road Initiative; and (vii) jointly developing Guangdong-Hong Kong-Macao cooperation platforms.

Frost & Sullivan expects measures of the plan's successes to include a growth in nominal GDP representing a CAGR of 6.5% and a nominal GDP per capita representing a CAGR of 6.6% in the region for the Forecast Period, as shown in charts 1-9 and 1-10 below, despite pandemic-related declines in nominal GDP per capita in 2020. In fact, as the economy continues to recover from the effects of the pandemic, the GBA's nominal GDP per capita is expected to remain higher than the PRC's nominal GDP per capita as a whole over the Forecast Period, as chart 1-11 below indicates, and its growth trajectory is also likely to continue.

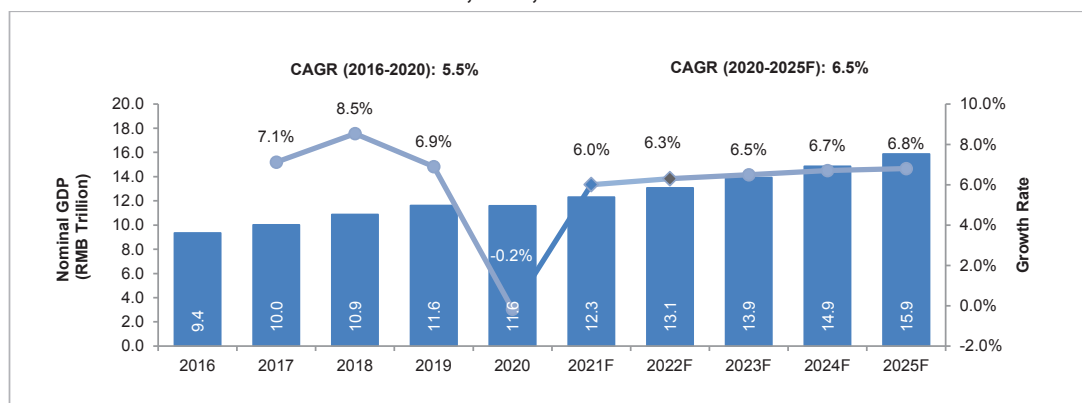
The GBA is one of the wealthiest and youngest regions of the PRC. Hong Kong is a financial, trade, and service centre, in addition to its strengths in international aviation and risk management; Shenzhen is a technology innovation hub; and Guangzhou plays a central role in developing the regional private equity, property rights, and commodities markets.

¹ CPC Central Committee and the State Council, *GBA Outline Development Plan* (found at http://www.gov.cn/zhengce/2019-02/18/content_5366593.htm#1), dated 2 February 2019.

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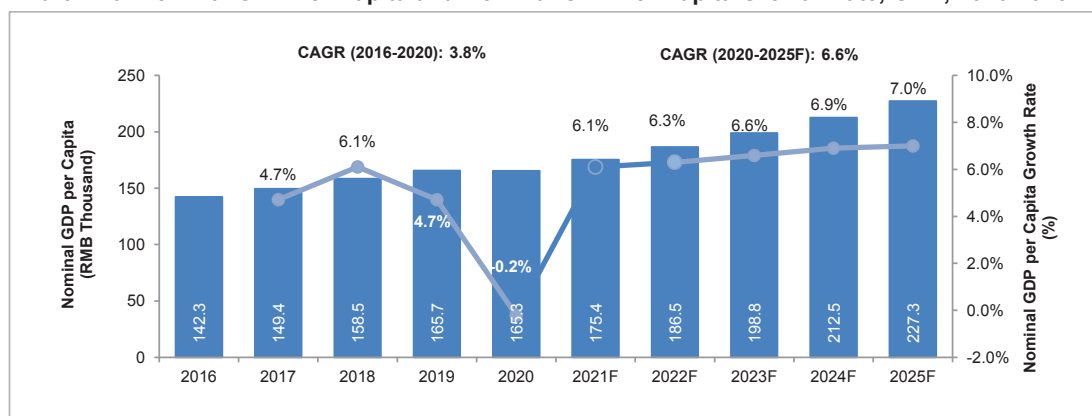
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Chart 1-9: Nominal GDP and Growth Rate, GBA, 2016-2025F



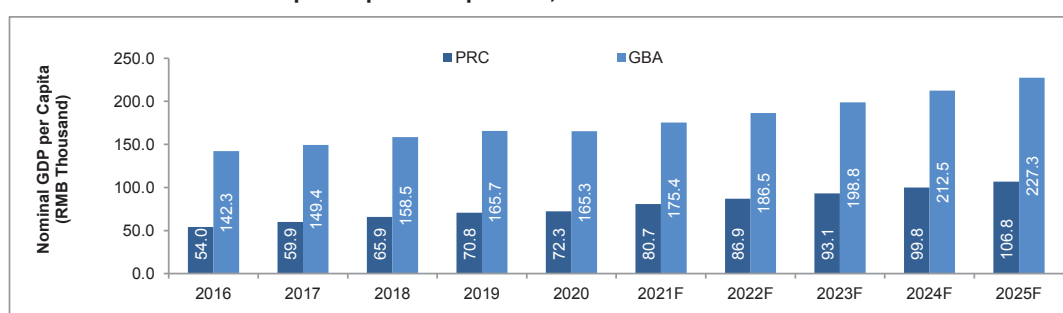
Source: National Bureau of Statistics (found at <https://data.stats.gov.cn/>); Hong Kong Census and Statistics Department (found at <https://www.censtatd.gov.hk/en/search.html>); forecast by Frost & Sullivan; CAGRs calculated by Frost & Sullivan

Chart 1-10: Nominal GDP Per Capita and Nominal GDP Per Capita Growth Rate, GBA, 2016-2025F



Source: National Bureau of Statistics (found at <https://data.stats.gov.cn/>); Hong Kong Census and Statistics Department (found at <https://www.censtatd.gov.hk/en/search.html>); forecast by Frost & Sullivan; CAGRs calculated by Frost & Sullivan

Chart 1-11: Nominal GDP per Capita Comparison, GBA and PRC 2016-2025F



Source: National Bureau of Statistics (found at <https://data.stats.gov.cn/>); Hong Kong Census and Statistics Department (found at <https://www.censtatd.gov.hk/en/search.html>); forecast by Frost & Sullivan; CAGRs calculated by Frost & Sullivan

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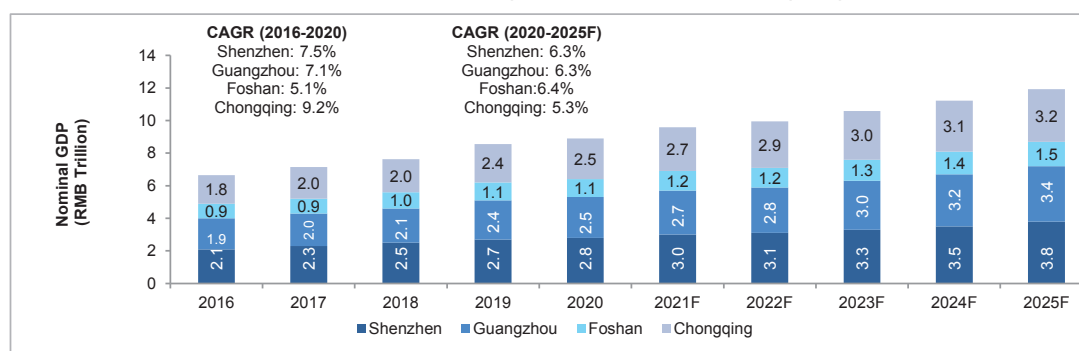
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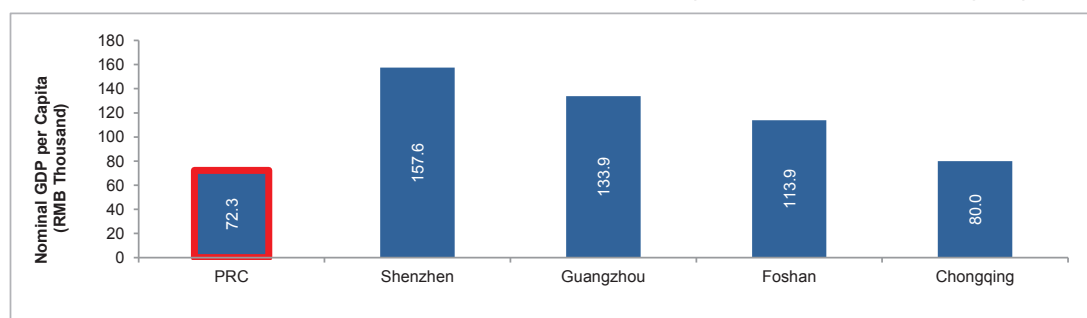
Shenzhen, Guangzhou, Chongqing and Foshan are the key cities in which Trans-China Automotive Holdings (“TCA”) operates its’ BMW dealerships. Historically, from 2016 to 2020, the nominal GDP of Chongqing, Shenzhen and Guangzhou have grown at a faster rate than the overall GBA of the PRC as a whole, while Foshan, with a historical CAGR of 5.1%, has been marginally lower than the GBA’s nominal GDP growth rate. Frost & Sullivan anticipates steady growth for the Forecast Period, as shown in chart 1-12 below. The nominal GDP per capita in each of these cities was also higher than the national average for 2020, which chart 1-13 below illustrates.

Chart 1-12: Nominal GDP of Shenzhen, Guangzhou, Foshan and Chongqing, 2016-2025F



Source: National Bureau of Statistics (found at <https://data.stats.gov.cn/>); forecast by Frost & Sullivan; CAGRs calculated by Frost & Sullivan

Chart 1-13: Nominal GDP per Capita of PRC, Shenzhen, Guangzhou, Foshan and Chongqing, 2020



Source: National Bureau of Statistics (found at <https://data.stats.gov.cn/>); forecast by Frost & Sullivan; CAGRs calculated by Frost & Sullivan

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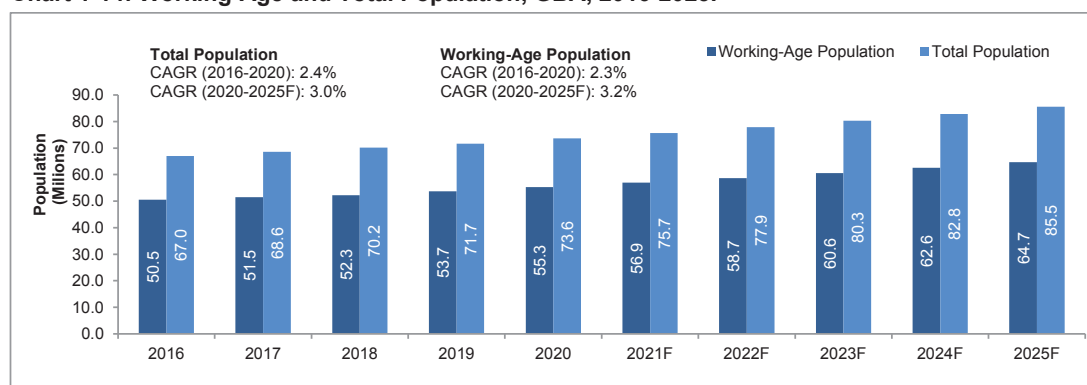
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1.2.3 WORKING-AGE POPULATION

As shown in chart 1-14 below, the GBA population registered a CAGR of 2.4% between 2016 and 2020, reach 73.6 million persons by the end of 2020. The working-age population of the GBA represented 75.1% of the GBA's total population of 73.6 million in 2020, which had increased at a similar CAGR over the aforementioned period. The working-age population of the GBA is expected to increase such that the CAGR for the Forecast Period is expected to be 3.2%, which is in sharp contrast to the expected 0.4% for the PRC as a whole for the same period. Frost & Sullivan believes that an expected increase in working age population is likely to contribute to a higher disposable income per capita which in turn is likely to drive the consumer demand for automobile sales in the region.

Chart 1-14: Working-Age and Total Population, GBA, 2016-2025F

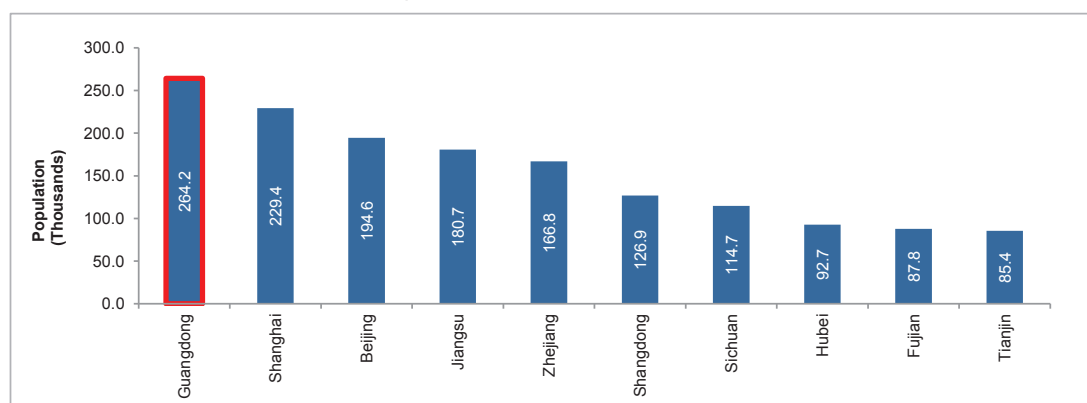


Source: National Bureau of Statistics (found at <https://data.stats.gov.cn/>); forecast by Frost & Sullivan; CAGRs calculated by Frost & Sullivan

1.2.4 PROPENSITY FOR CONSUMPTION

Owing to its wealth per capita, the GBA has a higher propensity for consumption than other regions of the PRC. As depicted in chart 1-15 below, Guangdong province ranked No. 1 for the number of high-net-worth individuals in 2020 as compared to other key provinces in the PRC. There is a trend of high-net-worth individuals having the desire and the ability to own premium and ultra-premium automobiles, which in turn is expected to positively impact TCA whose operations are in Guangdong.

Chart 1-15: Top 10 Provinces for High-Net-Worth Individuals, PRC, 2020



Source: China Merchants Bank (found at <http://english.cmbchina.com/>)

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2 AUTOMOBILES IN THE PRC

2.1 DEFINITION AND MARKET SEGMENTATION

An automobile for the purpose of this study is a passenger vehicle with fewer than nine seats. Vehicle types include sedans, sport utility vehicles (SUVs), and multi-purpose vehicles (MPVs).

Automobiles are generally classified as entry-level, mass-market, premium or ultra-premium based on the brand positioning of their original equipment manufacturer (OEM). Premium and ultra-premium brands are distinguished mainly in terms of price (above RMB 300,000 for premium and above RMB 1 million for ultra-premium), configuration (bespoke in the case of ultra-premium), higher levels of customized specifications and equipment, and craftsmanship and after-sales service. Chart 2-1 below provides examples of brands in each segment in the PRC.

Chart 2-1: Representative Automobile Brands, PRC, 2020

Segment	Price Range	Examples of Representative Brands
Ultra-Premium	Over RMB 1 million	McLaren, Lotus, Porsche, Ferrari, Lamborghini, Maserati, Aston Martin, Bentley, Rolls-Royce,
Premium	RMB 300,000-RMB1 million	BMW, Audi, Mercedes-Benz, Alfa Romeo, Volvo, Infiniti, Jaguar, Land Rover, Lincoln, Lexus, Cadillac, NIO, Tesla
Mass-Market	RMB 100,000-RMB 300,000	Dodge, Fiat, Ford, Buick, Chevrolet, CLIMO, Everus, Honda, Hyundai, Kia, Isuzu, Mazda, Mitsubishi, MG, LYNK&CO, Citroen, DS, Peugeot, Nissan, Renault, Suzuki, Skoda, Toyota, VW, Wey
Entry-Level	Below RMB 100,000	BYD, Chery, Cowin, Karry, Rely, Riich, Bestun, FAW Jilin Automobile, FAW-GM Hongta Yunnan Automobile, Haima, JiaBao, Oley, Xiali, Emgrand, Englon, Geely, Gleagle, KANDI, ZD, Baojun, Great Wall, Haval, Lifan, JAC, JAC Volkswagen-Shiao, Beijing, Beiqi Foton Motor, Brilliance, Changan/Chana Changhe, Denza, Dongfeng Motor, Enranger, Fengshen, GAC, Roewe, SAIC GM, SAIC Motor

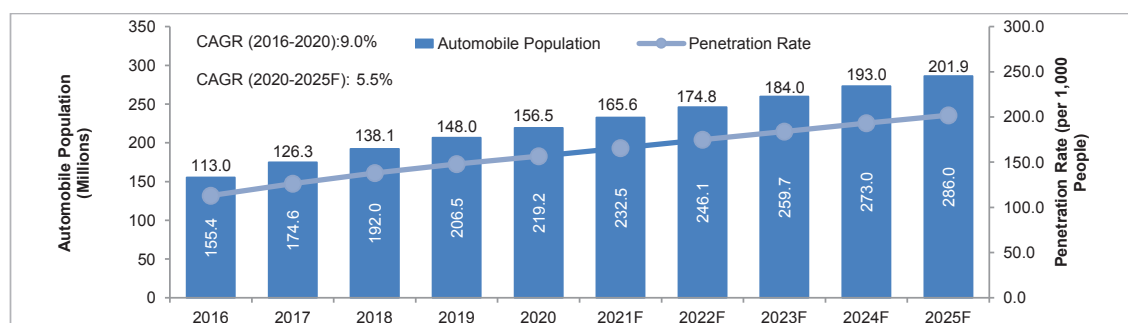
Source: Data for car retail price from Autohome (found at <https://www.autohome.com.cn/>); edited by Frost & Sullivan

2.2 AUTOMOBILE POPULATION

The PRC's population of persons owning and/or using personal automobiles ("automobile population") increased from 155.4 million in 2016 to 219.2 million in 2020; the penetration rate over the same period increased from 113 vehicles per 1,000 people to 156.5 per 1,000, as depicted in chart 2-2 below.

Frost & Sullivan projects that the automobile population is expected to reach 286 million by 2025, representing a CAGR of 5.5% for the Forecast Period. The penetration rate is expected to reach 201.9 vehicles per 1,000 people by 2025, which is indicative of a growing trend of consumer spending on automobiles in the Forecast Period.

Chart 2-2: Automobile Population and Penetration Rate, PRC, 2016-2025F



Source: China Association of Automobile Manufacturers (CAAM) (found at <http://www.caam.org.cn/tjsj/>); (IMF, (found at <https://www.imf.org/en/Data>); forecast by Frost & Sullivan; CAGRs calculated by Frost & Sullivan

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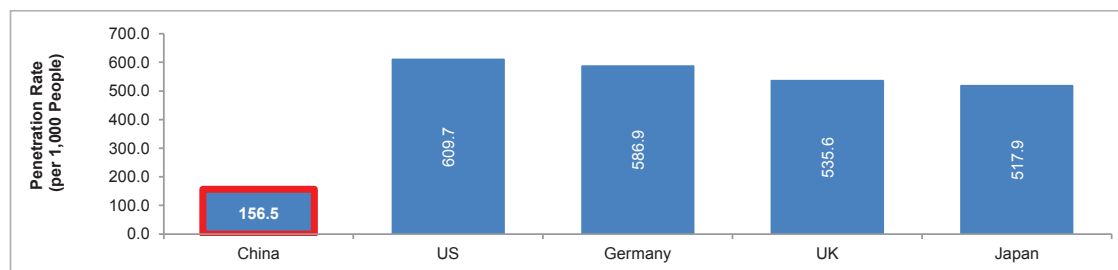
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2.2.1 PENETRATION RATE COMPARISON

The automobile penetration rate in the PRC is still far lower than that of selected developed countries, as shown in chart 2-3 below. Frost & Sullivan is of the opinion, however, with the growing automobile population, that this is indicative of substantial growth opportunities in the automobile market in the PRC during the Forecast Period.

Chart 2-3: Automobile Penetration Rates, PRC and Selected Developed Countries, 2020



Source: OICA; World Bank; Frost & Sullivan

2.3 AUTOMOBILE MARKET SIZE

During the period from 2016 to 2020, sales of new automobiles began to increase from 2016 to 2017 but declined after peaking in 2017, mainly because of a slowdown in the national economy, higher tariffs on U.S.-made automobiles and spare parts, which were related to trade tensions between the United States and the PRC, and implementation of vehicle purchase and traffic restrictions in certain cities and provinces. Cautious consumer spending in general during the COVID-19 pandemic further accelerated the drop in 2020, when year-over-year sales declined nearly 11.1%. Frost & Sullivan expects sales to slowly rebound and again surpass 25 million by 2025, at a CAGR of 4.8% for the Forecast Period, as high-net-worth individuals act on pent-up automobile demand and the government offers incentives for the purchase of new energy vehicles (NEVs).

Sales of more affordable pre-owned automobiles have also been on an upward trajectory since 2016. While the pandemic has interrupted that ascent, recovery is likely to be swift, with sales expected to reach 19.4 million by 2025. Pre-owned automobile sales as a percentage of all automobile sales reached an all-time high of 39.7% in 2019. Frost & Sullivan forecasts the percentage of pre-owned automobile sales to further surpass that figure by 2022, owing to used-car trading platforms, additional financing options, and a general change in attitudes about second-hand vehicles. Although the pre-owned automobiles market is forecasted to register a CAGR of 9% over the Forecast Period, they currently account for only 15% to 20% of the total sales value in the PRC.

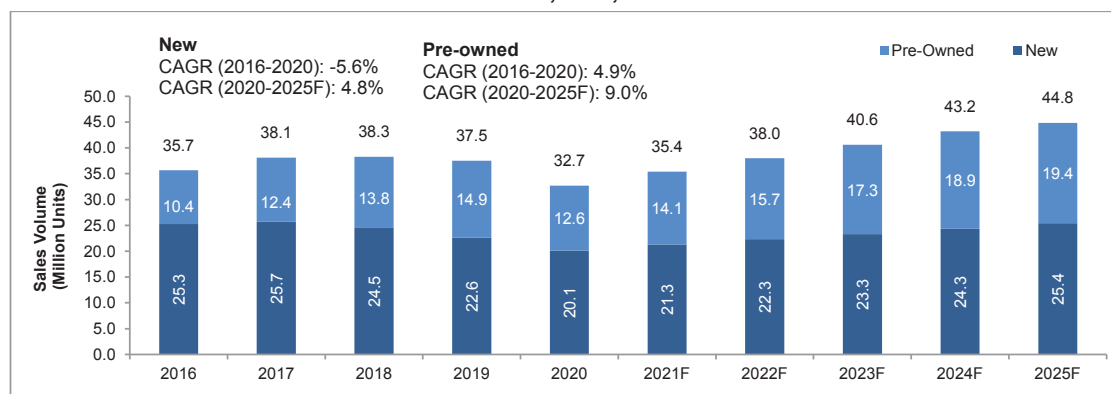
Charts 2-4 and 2-5 below compare sales for new and pre-owned automobile by number of vehicles, value, and growth rates. Their combined sales are expected to return to pre-pandemic levels by 2022.

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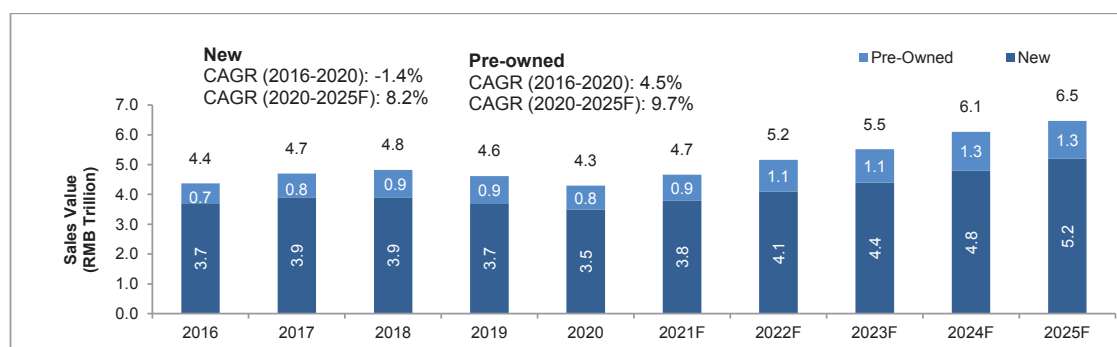
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Chart 2-4: New and Pre-owned Automobile Sales, PRC, 2016-2025F



Source: China Automobile Dealers Association (found at <http://cada.cn/>); CAAM (found at (<http://www.caam.org.cn/tjsj>); forecast by Frost & Sullivan; CAGRs calculated by Frost & Sullivan

Chart 2-5: New and Pre-owned Automobile Sales Value, PRC, 2016-2025F



Source: China Automobile Dealers Association (found at <http://cada.cn/>); CAAM (found at (<http://www.caam.org.cn/tjsj>); forecast by Frost & Sullivan; CAGRs calculated by Frost & Sullivan

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2.3.1 SALES BY VEHICLE SEGMENT

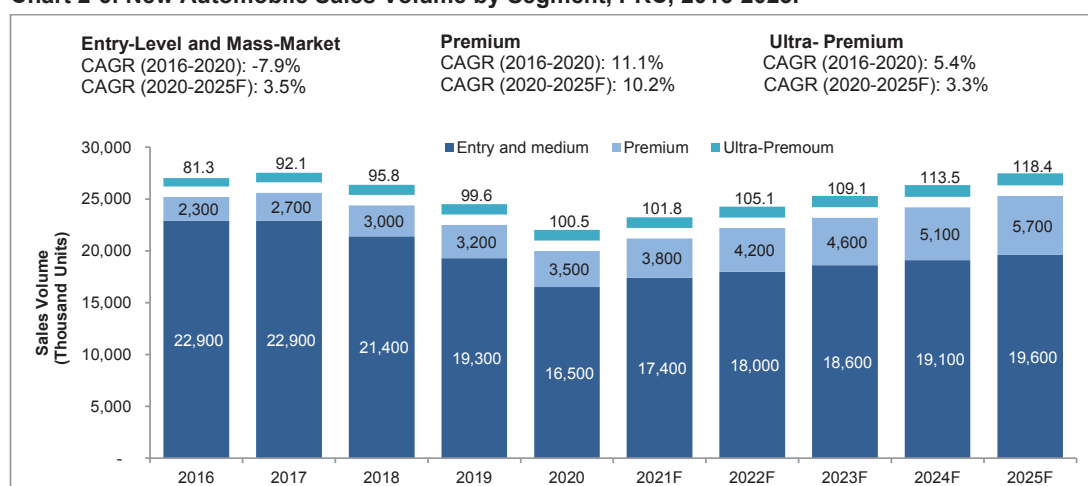
New entry-level and mass-market automobile sales in the PRC started declining from 2018 and reached its lowest level in 2020 during the COVID-19 pandemic (with a year-over-year decline of 14.5%), although the segments combined still accounted for 82.1% of all new automobile sales in 2020. Segment sales are likely to struggle to return to pre-pandemic levels, but Frost & Sullivan forecasts that by 2025, they will at least surpass the figures for total sales in 2019.

Higher household incomes and the increase in the number of high-net-worth individuals are likely to be significant contributing factors to increased premium and ultra-premium automobile sales. Both segments were more resilient to the pandemic's economic effects in the PRC; in fact, premium and ultra-premium automobile sales numbers saw an increase in 2020 as compared to previous years. New premium automobile sales grew from 2.3 million vehicles in 2016 to 3.5 million in 2020, with a CAGR of 11.1% for the period from 2016 to 2020. Frost & Sullivan predicts a CAGR of 10.2% in respect of premium automobile sales for the Forecast Period, with sales volume reaching 5.7 million vehicles by 2025. New ultra-premium automobile sales were less robust but still impressive in view of the headwinds that the automotive industry faced in 2020, increasing from 81,300 vehicles in 2016 to 100,500 vehicles in 2020, with a CAGR of 5.4% for the period from 2016 to 2020. This is expected to further grow at a CAGR of 3.3% over the Forecast Period to reach total sales of 118,400 vehicles by 2025. The growth in premium and ultra-premium sales is likely to be driven by the following key factors:

- An increase in domestic production of vehicles by joint-venture companies (established between domestic companies and foreign OEMs) as opposed to foreign imports, which lowers a vehicle's retail price by leveraging local supply chains and avoiding import tariffs.
- A wider range of premium models, with some being sold at a lower entry price point in order to attract new customers to the brand.
- The proliferation of competitively priced automobile finance products offered by banks as well as OEM-affiliated finance companies.
- The increased willingness of Generation Y and Z consumers to obtain automobile finance loans to purchase premium and ultra-premium brands.

Considering the combined premium and ultra-premium segments in volume terms as a percentage of all new automobile sales in the PRC, Frost & Sullivan forecasts the premium and ultra-premium segments to increase from 17.9% in 2020 to 22.9% in 2025. Charts 2-6 and 2-7 below depict the sales trends over the historical period and the Forecast Period.

Chart 2-6: New Automobile Sales Volume by Segment, PRC, 2016-2025F



Source: CAAM (found at <http://www.caam.org.cn/tjsj>); forecast by Frost & Sullivan; CAGRs calculated by Frost & Sullivan

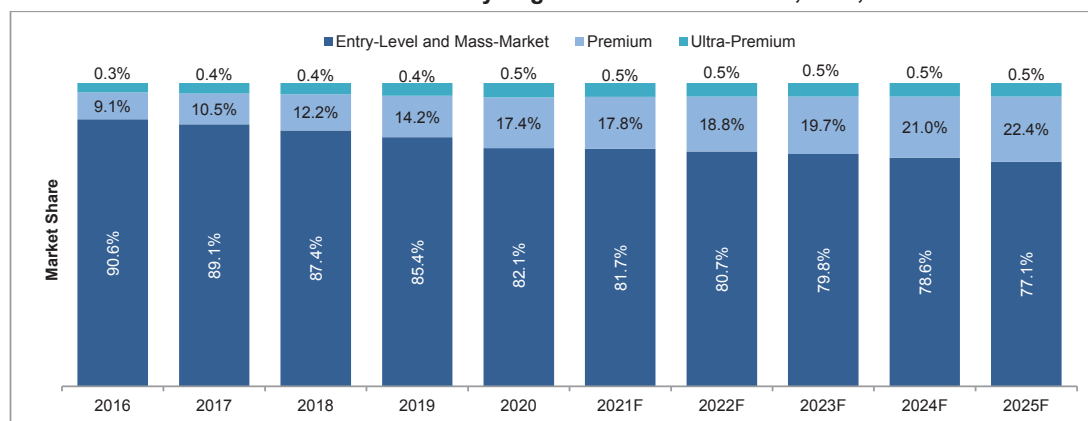
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Chart 2-7: New Automobile Market Share by Segment in Volume Terms, PRC, 2016-2025F

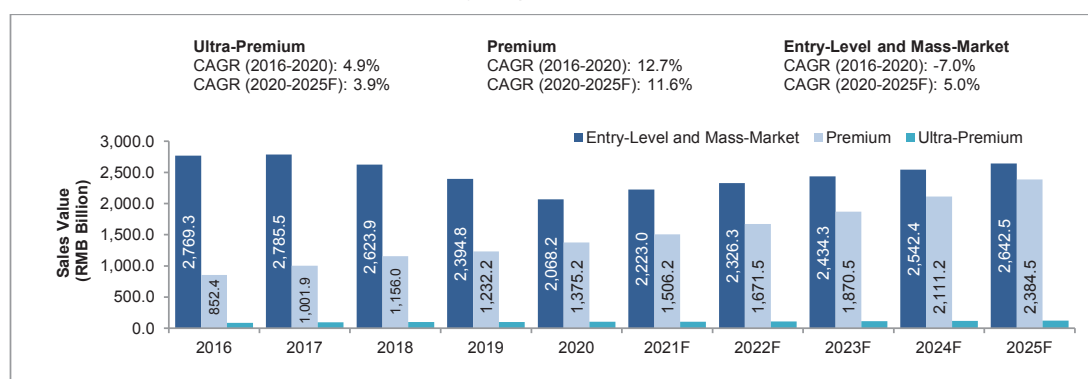


Source: CAAM (found at <http://www.caam.org.cn/tjsj>); forecast by Frost & Sullivan; CAGRs calculated by Frost & Sullivan

While new entry-level and mass-market automobile sales value fell by a negative CAGR of -7.0% from 2016 to 2020, in comparison, premium automobiles sales and ultra-premium automobiles sales value increased by a CAGR of 12.7% and 4.9% respectively for the same period. This growth trajectory is expected to continue in the Forecast Period with the premium and ultra-premium automobiles sales expected to grow at a CAGR of 11.6% and 3.9% respectively, while the entry-level and mass market automobile sales are expected to register a rebound from the historical negative CAGR, to a positive CAGR of 5.0% for the Forecast Period.

Considering the combined premium and ultra-premium automobiles sales segments in terms of value and as a percentage of all new automobile sales in the PRC, Frost & Sullivan forecasts it to increase from 41.7% to 48.7% in the Forecast Period. Charts 2-8 and 2-9 below depict the sales trends over the historical and Forecast Period(s).

Chart 2-8: New Automobile Sales Value by Segment, PRC, 2016-2025F



Source: CAAM (found at <http://www.caam.org.cn/tjsj>); forecast by Frost & Sullivan; CAGRs calculated by Frost & Sullivan

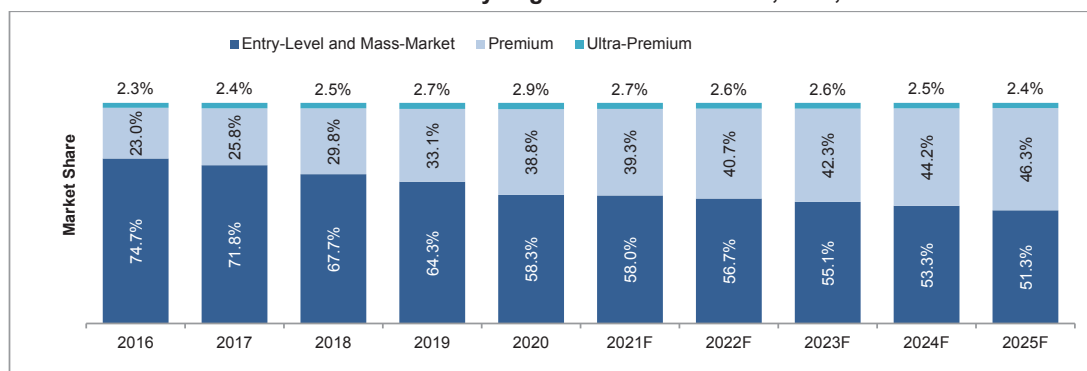
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Chart 2-9: New Automobile Market Share by Segment in Value Terms, PRC, 2016-2025F



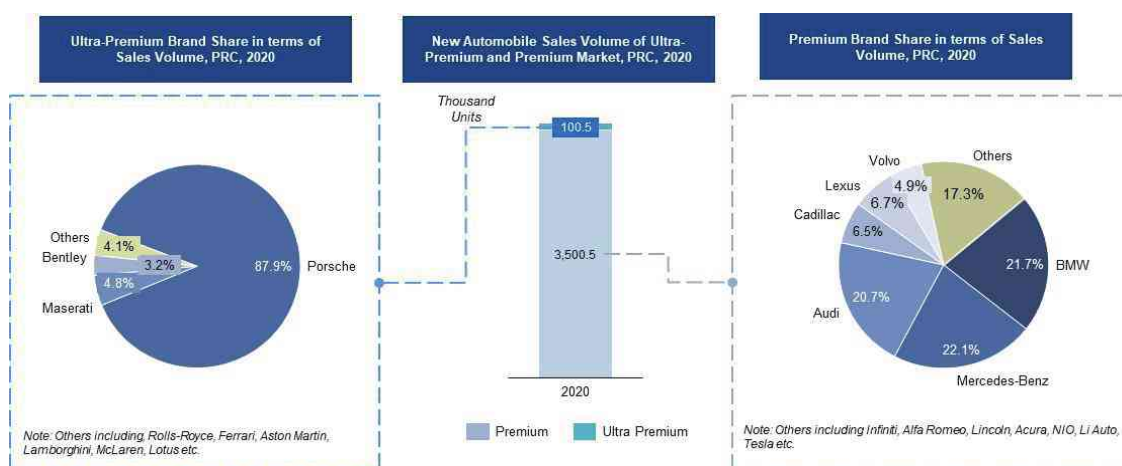
Source: CAAM (found at <http://www.caam.org.cn/tjsj>); forecast by Frost & Sullivan; CAGRs calculated by Frost & Sullivan

2.3.2 PREMIUM AND ULTRA-PREMIUM MARKET SHARE

Porsche was the undisputed market leader amongst ultra-premium brands in the PRC in 2020, with new Porsche automobiles sales accounting for 87.9% of all new ultra-premium automobile sales in 2020. Maserati was a distant second with new Maserati automobiles sales accounting for 4.8% of all new ultra-premium automobile sales in 2020. These were the top brands in 2016 as well.

On the other hand, BMW, Mercedes-Benz, and Audi were the top brands in the premium automobile market in the PRC in 2020, with new BMW, Mercedes-Benz, and Audi automobiles sales accounting for a combined 64.5% of new premium automobile sales in 2020, followed by Lexus, Cadillac, and Volvo automobiles with a combined 18.1% of new premium automobile sales in 2020. BMW was the second-place premium brand in both 2016 and 2020 while Audi lost 5 percentage points during this time, falling from first place to third.

Chart 2-10: Market Share of Premium and Ultra-Premium Automobile Brands, PRC, 2020



Source: CAAM (found at <http://www.caam.org.cn/tjsj>); forecast by Frost & Sullivan; CAGRs calculated by Frost & Sullivan

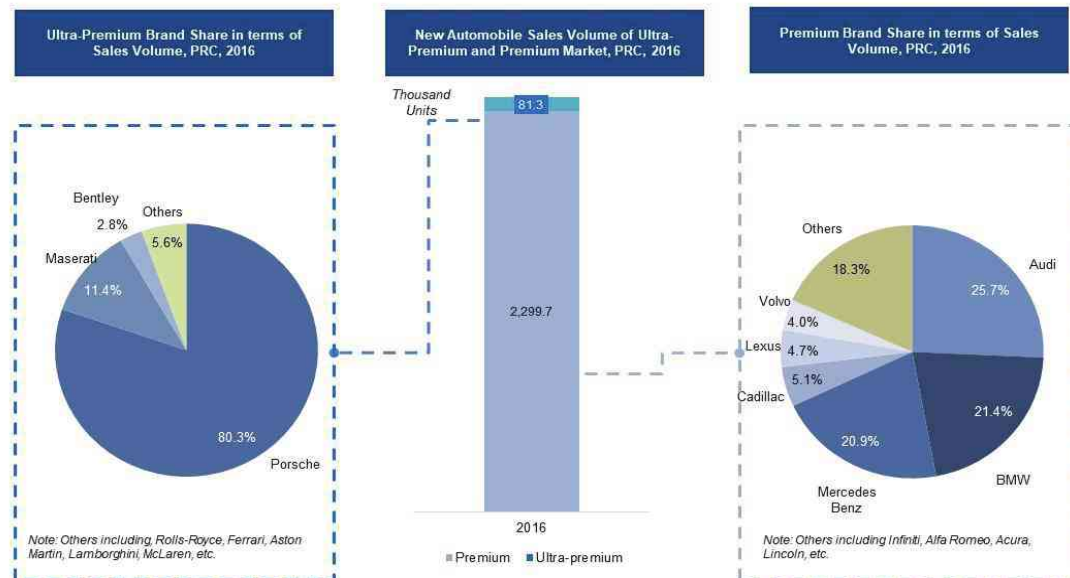
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Chart 2-11: Market Share of Premium and Ultra-Premium Automobile Brands, PRC, 2016



Source: CAAM (found at <http://www.caam.org.cn/tjsj>); forecast by Frost & Sullivan; CAGRs calculated by Frost & Sullivan

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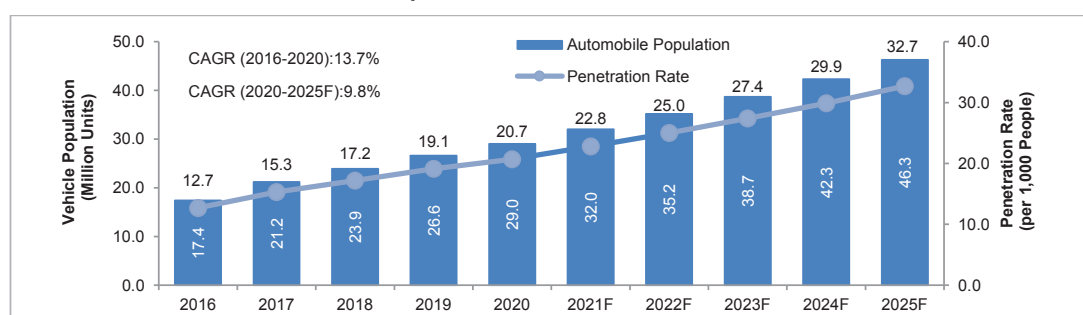
2.4 PREMIUM AND ULTRA-PREMIUM AUTOMOBILE POPULATION AND PENETRATION RATE

The premium automobile ownership of the automobile population increased from 17.4 million vehicles in 2016 to 29.0 million vehicles in 2020, representing a CAGR of 13.7% during the period. Frost & Sullivan forecasts a CAGR of 9.8% in premium automobile ownership reaching a premium automobile population of 46.3 million vehicles in 2025, as depicted in chart 2-12 below.

The ultra-premium automobile ownership of the automobile population is expected to exceed 1 million vehicles for the first time in the PRC in 2021, as indicated by chart 2-13 below, and to reach 1.4 million vehicles in 2025.

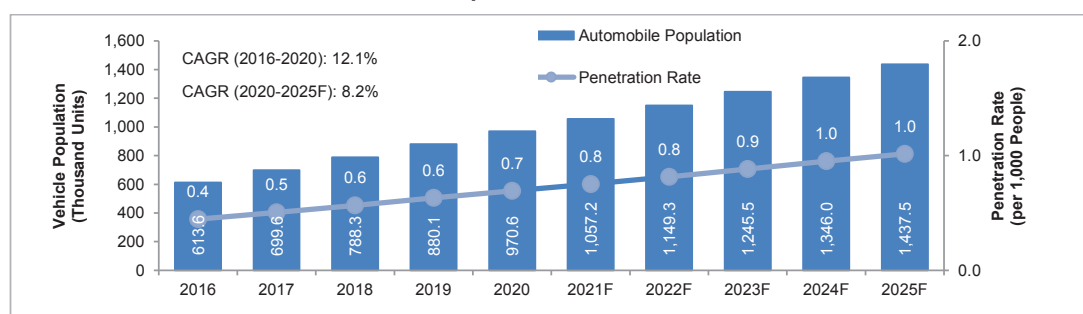
The penetration rate is expected to increase from 20.7 vehicles per 1,000 people in 2020 to 32.7 vehicles per 1,000 people in 2025 for premium automobiles while the same is expected to grow from 0.7 vehicles per 1,000 people to 1 vehicle per 1,000 people for the ultra-premium automobiles over the same period.

Chart 2-12: Premium Automobile Population and Penetration Rate, PRC, 2016-2025F



Source: CAAM (found at <http://www.caam.org.cn/tjsj>); forecast by Frost & Sullivan; CAGRs calculated by Frost & Sullivan

Chart 2-13: Ultra-Premium Automobile Population and Penetration Rate, PRC, 2016-2025F



Source: CAAM (found at <http://www.caam.org.cn/tjsj>); forecast by Frost & Sullivan; CAGRs calculated by Frost & Sullivan

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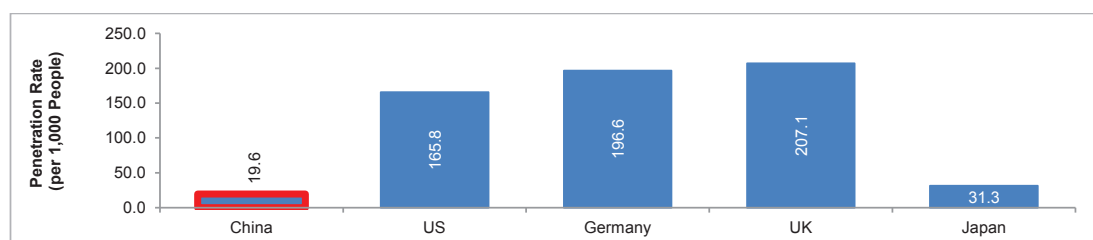
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2.4.1 PENETRATION RATE COMPARISON

The premium and ultra-premium automobile penetration rate in the PRC is still far lower than that of the United States, Germany, and the United Kingdom. Chart 2-14 below illustrates the 2019 penetration rate, which is the latest year available. The PRC's penetration rate of approximately 19.6 vehicles per 1,000 people was closest to that of Japan, at 31.3 vehicles per 1,000 people. Frost & Sullivan is of the opinion that the low PRC penetration rate is indicative of substantial growth potential for premium and ultra-premium automobile brands.

Chart 2-14: Premium and Ultra-Premium Automobile Penetration Rates, Selected Countries, 2019



Source: OICA; World Bank; Frost & Sullivan

2.5 PRC AUTOMOTIVE INDUSTRY PROSPECTS

The growing higher-income population in the PRC will continue to have a positive effect on premium and ultra-premium vehicle sales, which is reflected in the segments' continued growth despite the downward trend in overall vehicle sales in the past few years and the impact of the COVID-19 pandemic in 2020. Some of the demand has come from middle-income/non-premium car owners who have sought an aspirational brand for their second or third car.

The PRC is now the largest automotive market in the world. The industry has established an integrated, localized supply chain that allows OEMs to source almost all raw materials and parts locally to avoid import tariffs; so that the resulting lower production costs can be passed on to the consumer in the form of a lower retail price.

Leading premium brands BMW, Mercedes-Benz, and Audi are strengthening their presence in the country in terms of both production facilities and sales network coverage. BMW, for example, started a production expansion project at its Tiexi plant in Liaoning province in April 2020², aiming to make it the largest BMW production base worldwide. The investment in the BMW Brilliance plant, which is a joint venture of BMW Group and Brilliance China Automotive Holdings, amounts to about RMB 23.2 billion. Such economies of scale resulting from localized production are especially likely to benefit middle-income consumers' transition to premium automobiles in the long-run.

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² Information from BMW Brilliance website (found at <http://www.bmw-brilliance.cn/cn/zh/news/news/2020-4-01.html>)

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3 PRC AUTOMOBILE DEALERSHIPS

The automotive industry value chain, shown in chart 3-1 below, begins with vehicle and parts manufacturers that supply to dealerships, brand-owned stores, and e-commerce platforms. The consumer looks to these dealerships, brand-owned stores, and e-commerce platforms not only for purchases but also pre-sale consulting and after-sale services. Dealerships have become the dominant retail platform for automobile sales in the PRC after the promulgation of the *Implementation Measures for the Administration of Automobile Brand Sales* (汽車品牌銷售管理實施辦法) by the Ministry of Commerce (MOFCOM) in February 2005. The measures stipulated that all automobile dealers must obtain permission from an automobile manufacturer before retailing its brands, which in effect phased out most other retail platforms.

Automobile dealers in the PRC are usually classified as primary or secondary dealers. Primary dealers are typically operators of dealerships and are required to form a strategic partnership with automobile suppliers so as to (i) obtain direct authorisation for sale of automobiles in a designated territory; and (ii) ensure a stable supply of automobiles from the relevant suppliers. Secondary dealers' are characterised by a comparatively smaller initial investment and operational scale, and only provide sales (usually procuring automobiles from primary dealers) and after-sales services, but do not possess authorisation from automobile brands.

Chart 3-1: PRC Automotive Industry Value Chain



Source: Frost & Sullivan

4S/5S Dealerships

The term “4S” stands for “sales, spare parts, services, and survey.” 4S dealerships are one-stop shops offering automobile sales, repairs, accessories, and customer feedback to OEMs (including purchase and service preferences) that help shape their portfolios. 5S dealerships add “sustainability” to the mix, meaning the use of technology and building materials that conserve energy and other resources, often in line with an OEM’s corporate initiatives.

4S/5S dealerships are the highest-level and most important automobile distribution model in the PRC, accounting for more than 90% of new automobile sales each year. They are OEM authorized and have an average area of about 10,000 square metres. The establishment of a single 4S/5S dealership usually costs tens of millions of RMB, with high standards of construction and decoration as the facility itself essentially serves as a brand ambassador.

Brand-owned Stores

Brand-owned stores are directly operated by an OEM and serve as a primary marketing tool. They are usually located in downtown areas and have a relatively small area of around 1,000 square metres.

E-Commerce

Automobile e-commerce has become more popular in the PRC in recent years in line with the development of the larger e-commerce industry. BMW and Alibaba signed a memorandum of understanding for a strategic partnership in Beijing in October 2020 to jointly launch a digital sales and service business that will be a first among premium auto brands, engaging dealers to create a seamless, end-to-end, online-to-offline experience. The platform also is expected to guide potential customers on online financial services to help them choose the most suitable packages and terms.

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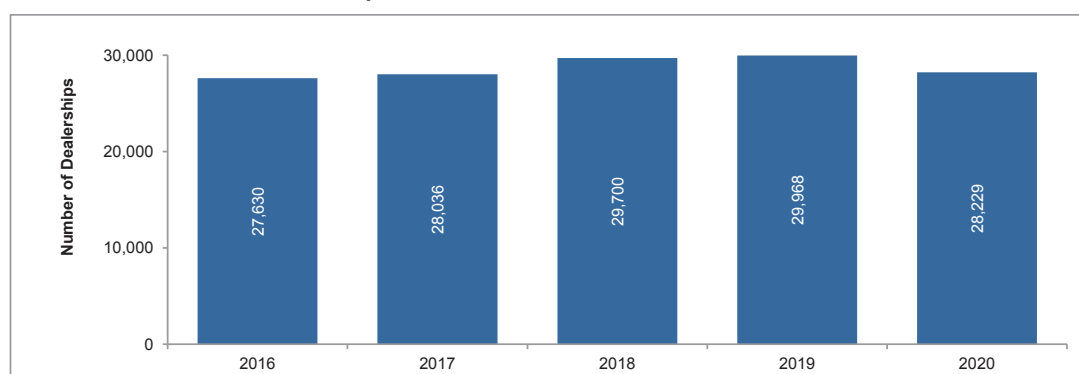
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3.1 DEALERSHIP MARKET OVERVIEW

The economic repercussions of the COVID-19 pandemic caused a number of dealerships in the PRC to permanently close because of poor sales performance and high operating costs. According to data published by the China Automobile Dealers Association ("CADA"), 3,920 dealerships closed in 2020; 61.0% of these sold entry-level and mass-market domestic brands while only 5.0% of these were premium brand dealerships, indicating increased resilience by premium brand dealerships against prevailing market conditions. Only 2,181 new dealerships opened in 2020³, putting the total number of dealerships for the year at 28,229. Chart 3-2 shows the full-year number of dealerships in the PRC since 2016.

Chart 3-2: Automotive Dealerships, PRC, 2016-2020

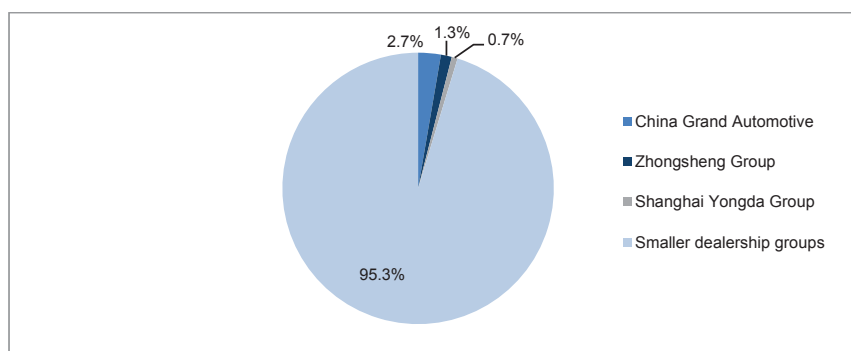


Source: CADA (found at <http://www.cada.cn/>); calculated by Frost & Sullivan

3.2 KEY PLAYERS AND COMPETITIVE LANDSCAPE

The PRC dealership landscape is highly fragmented, as illustrated in Chart 3-3 below. The top 3 players' combined 1,327 dealerships in 2020 accounted for only 4.7% of all dealerships in the country. China Grand Automotive ranked first with 762 dealerships, followed by Zhongsheng Group with 373 dealerships, and Shanghai Yongda Group with 192 dealerships.

Chart 3-3: Dealership Group Ownership, PRC, 2020



Source: CADA and company annual reports, 2020 (found at <http://www.cada.cn/>); calculated by Frost & Sullivan

³ Data from CADA (found at http://www.cada.cn/Trends/info_91_8289.html)

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China Grand Automotive and Zhongsheng Group also are the revenue leaders amongst dealerships in 2020. With revenue of RMB 4.2 billion in 2020, TCA, which operates 4S/5S dealerships in the GBA and is one of the key dealers of BMW automobiles, was among the top 100 dealership groups in the PRC, ranking at 93rd.

Chart 3-4: Selected Dealership Groups in Terms of Revenue, PRC, 2020

Rank	Company	Place of Incorporation	Revenue (RMB Billion)
1	China Grand Automotive	Dalian	157.3
2	Zhongsheng Group Holdings	Dalian	148.3
...	...	...	...
93	TCA	Shenzhen	4.2
94	Wuhan Jianyin Huasheng Group	Wuhan	4.2

Source: CADA (found at <https://mp.weixin.qq.com/s/1aYxsHmCASbbIRXyMokW3g>); data edited by Frost & Sullivan

3.3 BMW DEALERSHIPS

As of February 2021 (the most recent data available), a total of 103 BMW dealership groups and 636 BMW locations were operational in the PRC. Of these, 567 are 4S/5S dealerships and the remainder are mainly service centres or city showrooms.

BMW divides the PRC into five zones: North, West, East, South, and South-East. As of February 2021, 128 BMW dealerships (22.6%) were in the southern region and 147 (25.9%) were in the western region. In the GBA (excluding Hong Kong and Macao) specifically, there were 49 BMW dealerships in operation.

In 2020, the BMW brand sold 761,100 new automobiles in the PRC—an average of 1,342 vehicles per dealership. TCA's sales per dealership were well above the national average, at 2,516 vehicles per dealership. Chart 3-5 below illustrates the details.

Chart 3-5: BMW Dealership Network, PRC, as of February 2021

Number of BMW Dealership Groups	Number of BMW Dealership Locations	Number of BMW 4S/5S Stores	Average Sales per BMW Dealership (2020)	Average Sales per TCA BMW Dealership (2020)
103	636	567	1,342	2,516

Source: BMW Group (found at <https://www.bmw.com.cn/zh/fastlane/dealer-locator.html>); data edited by Frost & Sullivan

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3.4 BMW DEALERSHIPS IN THE GBA

In 2020, Toro Motor, Guangdong Yuebao Auto, and Zhongsheng Group operated the most 4S/5S stores in the GBA (excluding Hong Kong and Macao). TCA, with 3 BMW 4S/5S stores, tied for third place in the region with China Yongda Automobile Services and China Meidong Auto. Chart 3-6 below provides more detailed rankings.

Chart 3-6: Dealership Group Ranking by Number of 4S/5S Stores, GBA, 2020

Rank	Company	Place of Incorporation	Number of BMW 4S/5S Stores in GBA (excluding Hong Kong and Macao)
1	Toro Motor	Guizhou	5
1	Guangdong Yuebao Auto	Guangzhou	5
2	Zhongsheng Group Holdings	Dalian	4
3	TCA	Shenzhen	3
3	China Yongda Automobile Services	Shanghai	3
3	China Meidong Auto	Dongguan	3
4	Sime Darby Motors	Hong Kong	2
5	Harmony Group	Zhengzhou	1
5	China ZhengTong Auto Services	Shanghai	1
5	China Grand Auto	Dalian	1
	Others		21
	Total		49

Source: Dealership group annual reports; dealership group websites; BMW website (found at <https://www.bmwgroup.com/en.html>); data edited by Frost & Sullivan

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TCA dealerships contributed to 11.3%, 9.4%, 14.5% and 38.1% of all BMW sales in Shenzhen, Guangzhou, in Chongqing and Foshan. Chart 3-7 below provides further breakdowns.

Chart 3-7: TCA Sales Volume Ranking, Selected GBA Cities, 2020

Shenzhen			
Rank	Company	Sales Volume	Market Share
1	Dealer A	5,177	20.8%
2	Dealer B	3,284	13.2%
3	Dealer C	3,239	13.0%
4	Dealer D	2,982	12.0%
5	TCA Shenzhen Dealership	2,817	11.3%
6	Dealer E	2,681	10.7%
	Others	4,764	19.1%
	Total BMW sales volume in Shenzhen	24,944	100%
Guangzhou			
Rank	Company	Sales Volume	Market Share
1	Dealer F	3,675	16.6%
2	Dealer G	2,897	13.1%
3	Dealer H	2,746	12.4%
4	Dealer I	2,693	12.2%
5	TCA Guangzhou Dealership	2,084	9.4%
6	Dealer J	2,057	9.3%
	Others	6,006	27.1%
	Total BMW sales volume in Guangzhou	22,158	100%

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Chongqing			
Rank	Company	Sales Volume	Market Share
1	Dealer K	3,221	20.7%
2	Dealer L	3,219	20.7%
3	TCA Chongqing Dealership	2,256	14.5%
	Others	6,890	44.0%
	Total BMW sales volume in Chongqing	15,586	100%
Foshan			
Rank	Company Name	Sales Volume	Market Share
1	TCA Foshan Dealership	3,328	38.1%
2	Dealer K	3,224	36.9%
	Others	2,180	25%
	Total BMW sales volume in Foshan	8,732	100%

Source: BMW Group; data edited by Frost & Sullivan

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3.5 DEALERSHIP BUSINESS MODELS

Authorized 4S and 5S car dealerships generate profits through four main business segments: new automobile sales, after-sales services, ancillary services and pre-owned automobile sales.

3.5.1 NEW AUTOMOBILE SALES

New automobile sales are the most important revenue generator and a fundamental growth pillar for a dealership, and typically contribute towards 85% of the overall dealership revenue. New automobile sales through dealerships account for more than 90% of all new automobiles sold in the PRC each year. Please refer to Section 2 for further details.

3.5.2 AFTER-SALES SERVICES

After-sales services refer to any service provided after a customer has purchased an automobile, including repairs and maintenance, which mainly relate to the regular replacement of consumables such as lubricants and parts such as brake pads and spark plugs, that are subject to wear and tear. Dealerships in the premium segment also typically provide wash and detailing services.

After-sales services contribute an industry average of 10% of overall dealership revenue but can account for almost 50% of the gross profit. Frost & Sullivan is of the opinion that dealerships that offer efficient after-sales services are more likely to retain customers, thereby improving sales and profitability in the long-run. Please refer to Section 3.6 for further details.

3.5.3 ANCILLARY SERVICES

Ancillary services are other value-added services that a dealership provides to customers, including financial services such as provision of car insurance and automobile loans, warranty extensions, and mobility services such as car rentals. Ancillary services can provide new and sustainable revenue streams and profits. Customers of premium and ultra-premium brand dealerships are more willing to pay for ancillary services, than buyers of entry-level or mass-market automobiles.

3.5.4 PRE-OWNED AUTOMOBILE SALES

A pre-owned automobile, also referred to as a second-hand car, is a vehicle that has previously had one or more retail owners. As the car parc continues to grow in the PRC, pre-owned automobiles are becoming an increasingly important component of the dealership business model. Dealerships generally have a better reputation than independent pre-owned vehicle stores or individual sellers as they carry with them the association with the automobile OEM brand itself, which fosters a higher level of trust from customers, and also provide higher-quality and trustworthy one-stop services such as pre-sale evaluation, authentication, and detailed quality inspection, with an expectation of consistent standards applied across all dealerships as opposed to inconsistent standards in the case of independent pre-owned vehicle stores or individual sellers. More importantly, the whole process is transparent and traceable, which more effectively facilitates the sale process between sellers and buyers. Please refer to Section 3.7 for further details.

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3.6 AFTER-SALES SERVICES

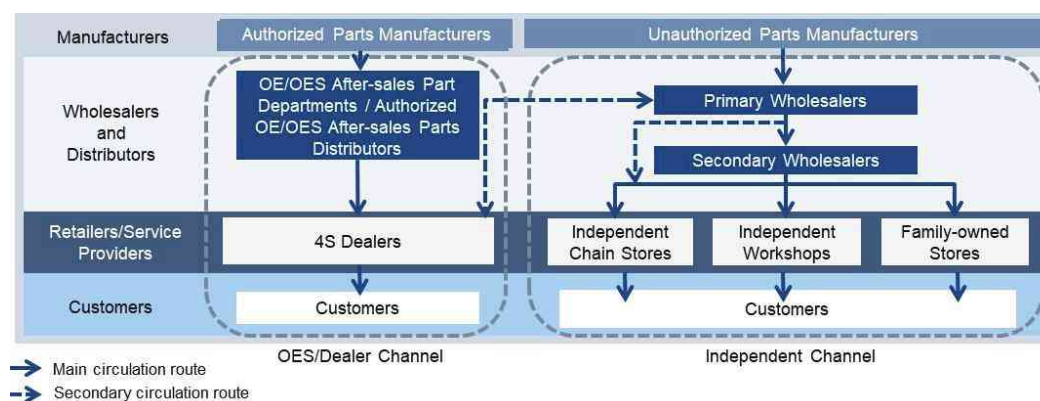
After-sales services refers to all products and services related to automobile usage after a sale, including provision and replacement of spare parts, accessories, replacement tyres and lubricants, and services such as car detailing, repair, maintenance, and modification. Services can either be do-it-yourself (DIY) or do-it-for-me (DIFM), and DIFM services are further divided into those provided by OEM-authorized 4S/5S dealerships or original equipment service shops (the OES segment), and those provided by independent aftermarket (IAM) high-street workshops (the IAM segment). TCA is a BMW-authorized dealership group that operates 4S/5S dealerships in the PRC. The after-sales services provided by TCA constitute DIFM service and further fall under the OES segment.

3.6.1 VALUE CHAIN AND BUSINESS MODEL

After-sales parts flow through two channels: the OES/dealer channel (from the automaker or cooperative parts supplier to 4S/5S dealerships and on to customers); and the IAM channel (from third-party manufacturers to wholesalers to retailers⁴ to customers). Chart 3-8 below illustrates the flows in more detail.

Parts produced by authorized manufacturers are commonly called OE parts (being branded by automobile manufacturers such as BMW) or OES parts (branded by tier 1 or tier 2 suppliers such as Bosch, ZF Friedrichshafen AG, and Valeo). Unauthorized parts manufacturers are usually smaller operations with minimal or no guarantee of product quality. Customers can legally only purchase OE parts in 4S/5S dealerships. OES parts can be sold via both the OES channel and the IAM channel, while unauthorized parts are only sold via the IAM channel.

Chart 3-8: After-sales Service Value Chain in the PRC



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⁴ Comprising independent chain stores, independent workshops, and family-owned stores

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Most automobiles that are less than 5 years old would usually be covered by the typical 3-year factory warranty⁵ and would therefore typically be sent to 4S/5S dealerships for maintenance and repair services. On the other hand, chain stores, independent workshops, or family-owned stores tend to service older, out-of-warranty automobiles because of the lower fees for standard services. Chart 3-9 below compares each provider type. Consumers generally prefer 4S/5S dealerships for complex powertrain repairs because they employ professional, experienced technicians and offer authorized and authenticated parts.

Chart 3-9: After-sales Service Provider Comparison

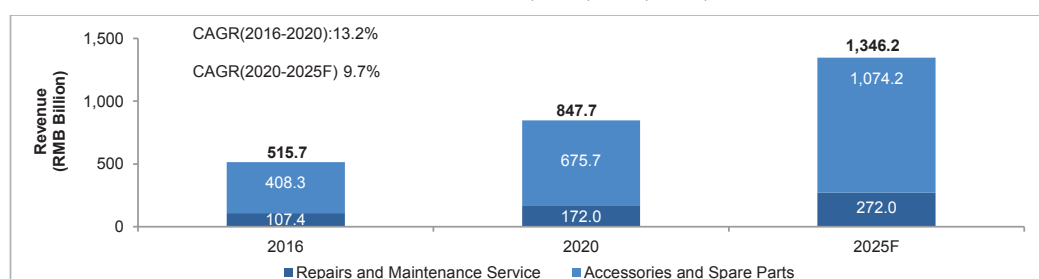


Source: Frost & Sullivan

3.6.2 MARKET REVENUE

The after-sales services market revenue grew from RMB 515.7 billion in 2016 to RMB 847.7 billion in 2020, at a CAGR of 13.2% for the said period. Frost & Sullivan believes that revenue will reach 1,346.2 billion in 2025, representing a CAGR of 9.7% for the Forecast Period, as the PRC's automobile population continues to grow. Accessories and spare parts contribute the vast majority of revenue for the after-sales services segment, as chart 3-10 below indicates.

Chart 3-10: Automobile After-sales Service Revenue, PRC, 2016, 2020, and 2025F



Source: Frost & Sullivan

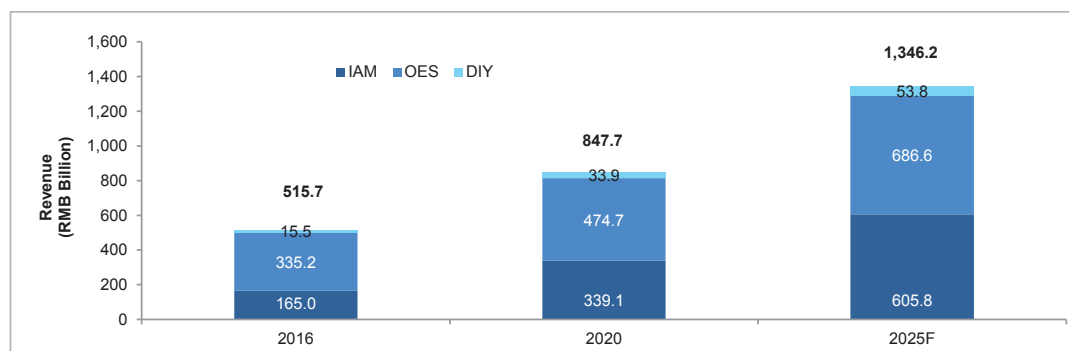
⁵ Data for warranty period from Autohome (found at <https://www.autohome.com.cn/>)

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In 2020, the OES segment accounted for or RMB 474.7 billion or 56% of overall market revenue for the after-sales services segment. It continues to dominate the after-sales services segment because of its higher standards for product and service quality, as well as warranties for new automobiles that result in higher ticket sizes (referring to higher average revenue per customer per maintenance/repair service) than in the IAM segment. Chart 3-11 below provides further details.

Chart 3-11: Automobile After-sales Service Provider Revenue, PRC, 2016, 2020 and 2025F

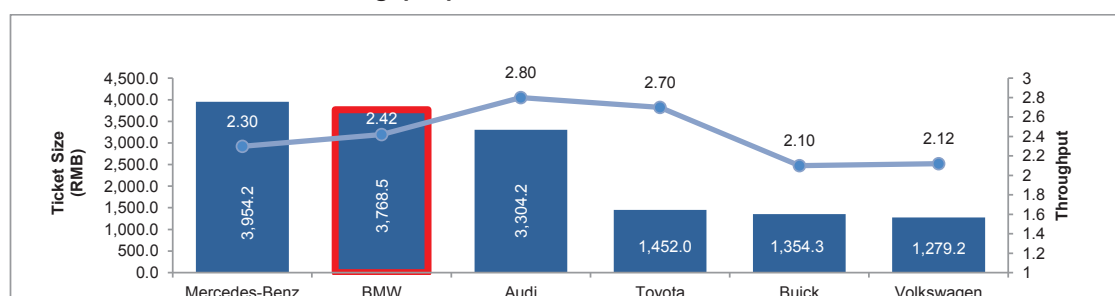


Source: Primary interviews; data calculated by Frost & Sullivan

3.6.3 TICKET SIZE AND THROUGHPUT

Premium car brands have a significantly higher ticket size per throughput as compared to entry-level or mass-market brands. For instance, the ticket size per throughput of the BMW brand was approximately RMB 3,768.5 in 2020, second only to the Mercedes-Benz brand at RMB 3,954.2. On average, BMW owners service their automobile 2.42 times per year, which is higher than the average for non-premium brands. The ticket size per throughput of after-sales service at TCA dealerships was RMB 4,388 in 2020, which was above the average performance in respect of all BMW dealerships' performance for the year.

Chart 3-12: Ticket Size and Throughput per Year of Selected Brands, PRC, 2020



Source: Primary research; data edited by Frost & Sullivan

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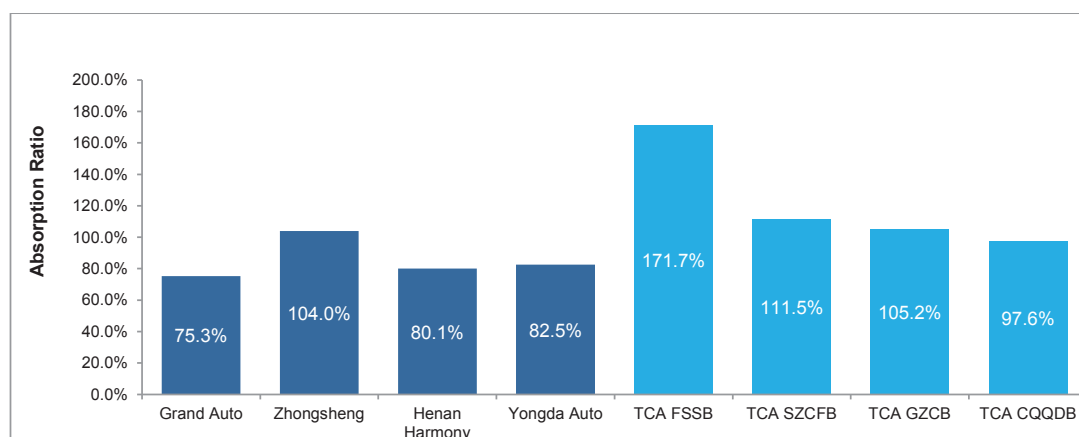
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3.6.4 ABSORPTION RATIOS

Absorption ratio refers to the ratio of the after-sales services gross profit to a dealer's operating cost. This indicator reflects the coverage level of after-sales business profit to the company's total expenses. The higher the absorption ratio, the stronger the dealer's ability to resist risks. Chart 3-13 below shows that the absorption ratios of TCA's BMW dealerships in Foshan, Shenzhen, and Guangzhou are significantly higher than industry-leading players Grand Auto, Zhongsheng, and Yongda Auto, representing the strong profitability of TCA's after-sales services.

Chart 3-13: Absorption Ratios of Selected Dealership Groups, PRC, 2020



Source: Expert interview; company annual reports; Frost & Sullivan

Note: TCA FSSB = Foshan Shenbao; TCA SZCFB = Shenzhen Chuangfengbao; TCA GZCB = Guangzhou Changbao; TCA CQQDB = Chongqing Qingdebao

3.6.5 BMW AUTOMOBILES IN THE AFTER-SALES SERVICE MARKET

3.6.5.1 INTRODUCTION

The BMW brand entered the PRC in 1994 and established its' first representative office in Beijing, selling cars through imports in the first decade. In 2003, BMW entered a joint venture with Brilliance Auto and established BMW Brilliance Automotive Ltd., an automobile manufacturing company headquartered in Shenyang. Its principal activity is the production, distribution, and sale of BMW passenger cars in mainland China.⁶ In October 2018, BMW announced that it would increase its stake from 50% to 75%, potentially making BMW the first foreign automaker that takes control of its joint venture company in the PRC.

In 2020, BMW delivered 761,100 cars in the PRC, recording a 7.6% year-on-year growth even as sales volume in the overall automobile market declined for the year⁷. With a long-term contract extension for the BMW Brilliance joint venture and extensive investments for further expansion of production capacity, the company anticipates dynamic growth in the world's largest automobile market.

The number of BMWs in operation in the PRC grew from about 2.48 million in 2016 to 4.63 million in 2020, registering a CAGR of 16.9% over the period as chart 3.14 below shows. According to industry experts, as of 2020, the average BMW is on the road for 12 to 15 years, indicating a tremendous opportunity for after-sales services.

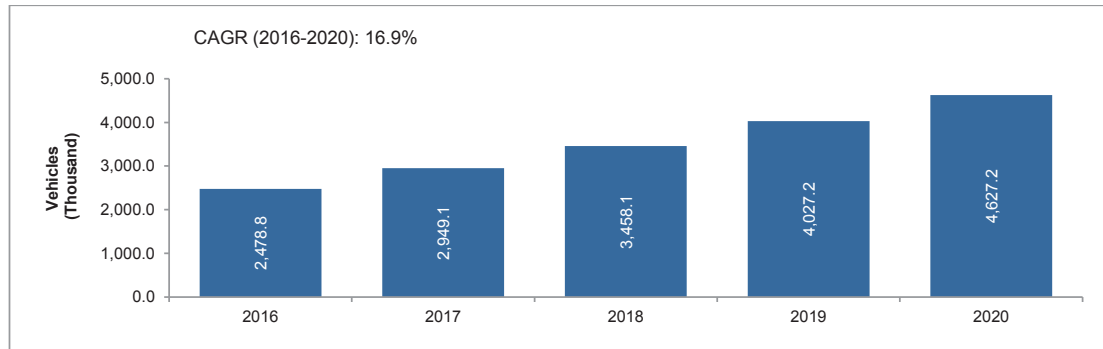
⁶ BMW China is a wholly owned subsidiary of BMW Group and mainly operates the BMW imported car business in China. According to company sources, TCA sources from both BMW Brilliance and BMW China.

⁷ Data from BMW annual report (found at https://www.bmwgroup.com/content/dam/grpw/websites/bmwgroup_com/ir/downloads/en/2021/bericht/BMW-Group-Bericht-2020-EN.pdf)

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Chart 3-14: Number of BMWs in Operation, PRC, 2016-2020

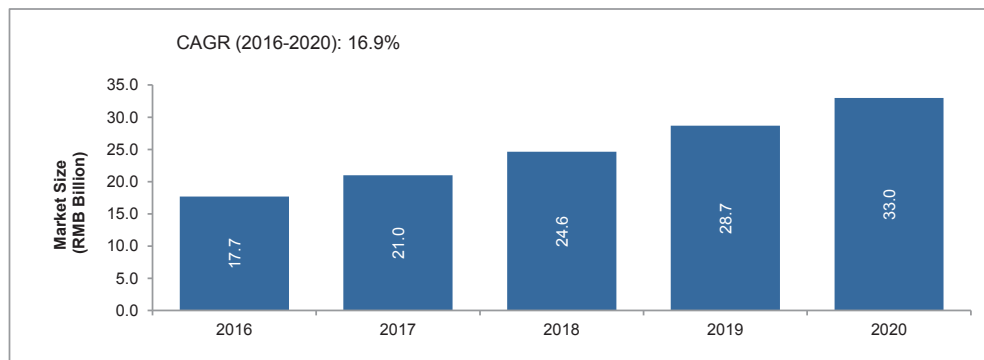


Source: CAAM (found at <http://www.caam.org.cn/tjsj/>); General Administration of Customs of China (GACC) (found at <http://english.customs.gov.cn/>); BMW press release (found at <https://www.bmwgroup.com/en.html>); data edited by Frost & Sullivan

3.6.5.2 ADDRESSABLE MARKET FOR MAINTENANCE

Based on the average BMW after-sales service ticket size, the average throughput per year, and the total number of BMWs on the road, Frost & Sullivan estimates that in 2020, the total addressable market for BMW maintenance had reached RMB 33.0 billion, representing a CAGR of 16.9% from 2016 to 2020. Chart 3-15 below breaks down the data over the 5-year historical period.

Chart 3-15: Total Addressable Market for BMW Maintenance, PRC, 2016-2020



Source: Calculated by Frost & Sullivan

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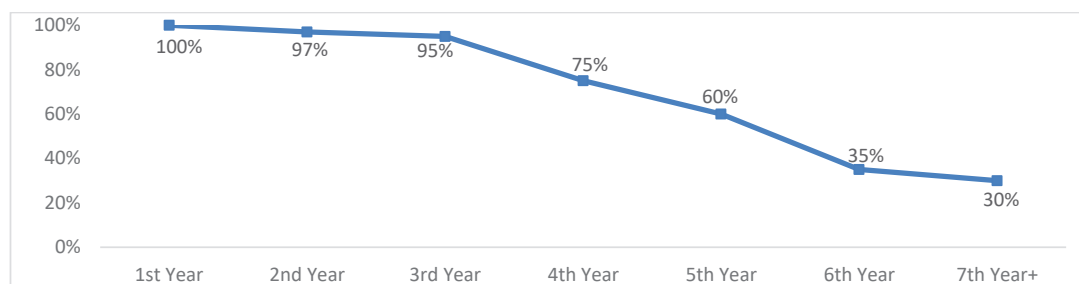
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3.6.5.3 BMW SERVICE RETENTION RATES

BMW offers a 3-year warranty for its new automobiles in the PRC. At least 95% of BMW owners return to dealership stores for repairs and maintenance within the warranty period, but this dips to 75% in the fourth year after purchase. By the seventh year, at which point most customers prefer the IAM channel for repairs and maintenance, it stands at only 30%.

Chart 3-16: BMW Service Retention Rates, PRC, 2020



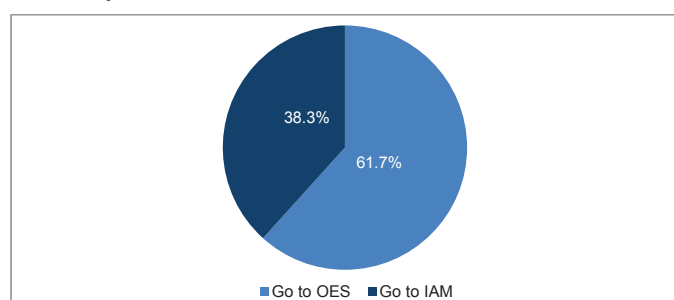
Source: Primary interviews; Frost & Sullivan

3.6.6 DEALERSHIPS VERSUS THIRD-PARTY REPAIR SHOPS

In 2020, 61.7% of BMW owners in the PRC returned to original dealerships for repairs, with the remainder using the IAM channel, as depicted in chart 3-17 below. Several factors contribute to the success of BMW dealerships in attracting existing customers to return to the original dealerships for repairs.

- BMW's sales volume has surged: It took BMW almost 20 years to achieve 400,000 sales per year in the PRC, but only another 5 years to reach 700,000. A high sales volume is indicative of a lower average age of a BMW vehicle (an average BMW is only about 4 years old compared with the average of 5 years for all automobiles), indicating that a significant share of BMW cars are still under warranty.
- As a premium brand with a high retail price, BMW owners consider their cars to be valuable assets and normally return to dealerships that can offer original, high-quality parts and more trustworthy service skills.
- BMW car owners are usually high-net-worth individuals, who tend to be more willing to pay a premium for a better service experience.

Chart 3-17: BMW Owner Repair Preferences, PRC, 2020



Source: Primary interviews with industry experts; car owner survey conducted by Frost & Sullivan in 2020; data edited by Frost & Sullivan

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3.7 PRE-OWNED AUTOMOBILE MARKET

The PRC's pre-owned automobile market has experienced significant growth in the past 5 years on account of a combination of favourable government policies, the overall growth of the automobile population, and increasing purchasing power of customers resulting from higher incomes. Participants are often individual agents or broker companies, which have lower levels of consumer trust but a higher market share than authorised dealerships. In the initial stages of development, nationwide pre-owned vehicle trading was not fully supported or regulated. Although a limited number of laws and policies existed for transactions, most served as guidelines without specific constraints on market operations. For instance, the policy *Measures for the Administration of the Circulation of Second-hand Vehicles*⁸, introduced by the Ministry of Commerce in 2005, provides that second-hand car appraisals and evaluation agencies should be handled in accordance with stated procedures without further specific guidelines on what this means. The overall lack of a regulatory framework puts buyers at greater risk (e.g., because of the lack of feasible insurance or warranty options at the time of purchase).

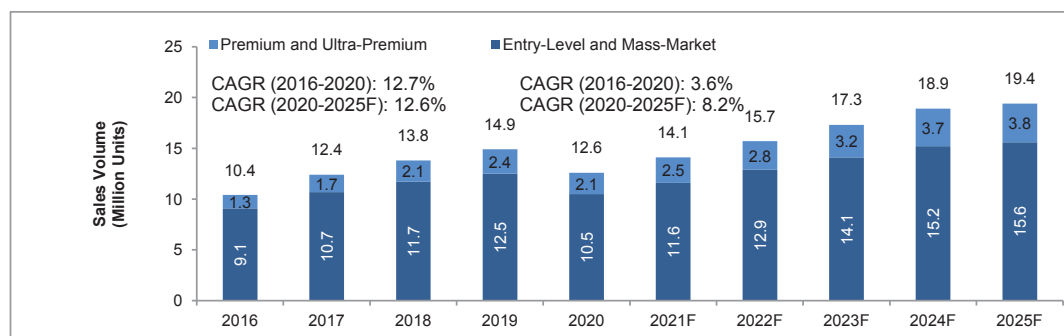
Frost & Sullivan expects local and central governments to introduce more policies to foster a healthy market environment. For instance, the PRC Ministry of E-commerce has established amendments to govern life cycles and registrations of pre-owned automobiles sold across city borders and provinces. Along with the pilot scheme of parallel import of pre-owned vehicles, these policies enable selected used car dealers to bid to sell imported cars. This is likely to benefit sales of pre-owned premium and ultra-premium car brands, which are an attractive option for aspirational yet price-conscious consumers.

Large and well-established dealerships are gradually entering the pre-owned market because of the relaxation of policy constraints for car dealership groups regarding pre-owned vehicle trading. In 2020, the Ministry of Finance and the General Administration of Taxation jointly issued the *Announcement on the Value Added Tax Policy on Used Car Distribution*⁹ policy, which stated that from 2020 to the end of 2023, taxation reductions for taxpayers engaged in used car distribution will be lowered from 2% to 0.5%. This is viewed as a positive sign for car dealerships because these tax reductions further reduce variable costs associated with each pre-owned car transaction.

3.7.1 MARKET SIZE

Better testing and verification technologies, standards for vehicle valuation, and favorable government policies have expanded the circulation of pre-owned automobiles. Sales volume for pre-owned automobiles increased from 10.4 million in 2016 to 12.6 million in 2020, representing a CAGR of 4.9% for the period. Despite the pandemic-related decline in 2020 and 2021, Frost & Sullivan forecasts that sales for pre-owned automobiles will reach 19.4 million in 2025 representing a CAGR of 9.0% over the Forecast Period. Chart 3-18 below provides details. (Please also refer to Section 2.3 for additional details on pre-owned automobiles.)

Chart 3-18: Pre-owned Vehicle Sales Volume, PRC, 2016-2025F



Source: China Automobile Dealers Association (found at <http://cada.cn/>); forecast by Frost & Sullivan; CAGRs calculated by Frost & Sullivan

⁸ Data from MOFCOM (found at <http://www.mofcom.gov.cn/article/swfq/swfqbh/200508/20050800336593.shtml>)

⁹ PRC Ministry of Finance, "Announcement on the Value Added Tax Policy on Used Car Distribution" (found at http://www.gov.cn/zhengce/zhengceku/2020-04/09/content_5500719.htm), dated 8 April 2020

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3.7.2 DEVELOPMENTS TO ADDRESS CONSUMER PAIN POINTS

During a new automobile purchase at a dealership store, information about vehicle condition, place of origin, and market price is comparably more transparent. Dealerships also repair known safety defects when a manufacturer issues a recall action. Pre-owned automobile trading and transactions, however, are associated with a high incidence of fraud and a general lack of trust between buyers and sellers because most businesses have traditionally been local, unregulated agencies that did not maintain clear standards or processes for assessing vehicle condition. Government policies are currently addressing these problems, and online platforms are further changing the playing field.

E-commerce activity involving pre-owned cars is currently booming in the PRC. Customers can browse detailed automobile information on websites and obtain general market information before negotiating a price online or offline. The easy accessibility of information boosts consumer confidence and market development. Since late 2017, the government has been dedicated to establishing a database of pre-owned automobiles in the market: a national system will help regulators supervise the industry and ensure the transparency of information.

The automobile financing industry also is evolving. Consumers who once paid for an automobile in full are now more likely to opt for financing to purchase their dream cars. Flexible options for pre-owned financing are now available and contributing to this market's growth, although the used car financing industry in the PRC remains small compared with other countries.

3.8 RISK AND CHALLENGES FOR DEALERSHIPS

3.8.1 PROFIT MARGIN FLUCTUATIONS

Dealerships' large inventories and the weakened demand for automobiles in 2020 caused their gross margin for new car sales to decline to only 1.3%, which was a stark decrease from the average level of 5.5% in 2017. Premium dealerships showed better performance of about 5% in 2020 but also battled headwinds. Industry experts opine that there is considerable emphasis to seek new profit points in after-sales and ancillary services, or used car sales.

3.8.2 DIGITAL TRANSFORMATION

A majority of dealerships still mainly operate their businesses offline and reach customers through phone calls or SMS, but these modes are inefficient and make it difficult for them to precisely understand customers' needs. Internet technologies, Big Data analytics, and other digital tools such as virtual or augmented reality showrooms will help dealerships focus on the entire customer experience journey. For example, most dealerships face a high churn rate of customers whose vehicles are out of warranty. Digital tools such as SaaS CRM¹⁰ and WeChat official accounts/mini-programs enable closer connections between stores and customers through high-frequency communication, response to queries about daily car use, and automatic maintenance reminders and scheduling. Digital transformation, however, is not a fast or easy process: it requires a deep understanding of digital operations and tools, long-term investments, and patience for tangible benefits.

3.8.3 IAM COMPETITION

In the after-sales business, the IAM channel currently has a smaller share than the dealer/OES channel, but robust IAM growth is putting more pressure on OES players. The increasing average age of automobiles in operation in the PRC means that more are out of warranty and go to IAM providers to take advantage of lower service fees and cheaper spare parts. At the same time, IAM players are cooperating with internet giants such as Tencent and Alibaba to improve their service efficiency and quality. Leading IAMs Tuhu (途虎) and Qiche Chaoren (汽车超人) have been expanding rapidly and gaining larger market shares. Overall, dealerships still dominate the after-sales business because of a much higher standard for service and product quality. Frost & Sullivan is of the opinion that dealerships must enrich their service and product portfolio to maintain that competitive edge.

¹⁰ A SaaS CRM is a ready-set-go customer relationship management platform on the cloud that helps businesses of all sizes manage customer interactions, track leads, drive sales, manage sales pipelines, and stay organized from one place.

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3.8.4 REAL ESTATE COSTS

Growing populations in tier 1 and tier 2 cities combined with a shortage of land have, for years, driven real estate prices up in the PRC, making it difficult for dealerships to control operating costs, which affects profitability.

3.9 DEALERSHIP INDUSTRY GROWTH PROSPECTS

Market forces indicate slower growth for the dealership industry in the PRC for the Forecast Period compared with the historical period of 2016 to 2020, although positive outlooks exist. The sales volume for new premium and ultra-premium automobiles increased 9.1% year-on-year in 2020 despite the 11.1% slide in the overall market brought on by the COVID-19 pandemic. Driven by higher household incomes and the growing number of high-net-worth individuals, demand for premium and ultra-premium automobiles will allow these dealerships to continue to thrive. Guangdong Province, which is part of the GBA, is home to the most high-net-worth individuals in the PRC, making it an especially lucrative market. Premium and ultra-premium dealerships also have an inherent competitive advantage over entry-level and mass-market stores in the ability to monetise after-sales and pre-owned sales opportunities.

BMW is among the premium manufacturers that have declared ambitious plans to go electric in the near future. Supportive government policies in the PRC are also likely to add momentum to NEV sales, especially battery electric vehicles (BEVs). For dealerships, the quickly expanding scale of the NEV industry presents an attractive growth point if they position themselves now for new car sales and after-sales service. The potential for long-term, sustainable growth is explored in more detail in Section 4.

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4 AUTOMATION, CONNECTIVITY, ELECTRIFICATION, AND SHARED MOBILITY

4.1 OVERVIEW

“Automated, Connected, Electrified, and Shared” (“ACES”) is a common acronym that indicates a transformation in the automotive industry as vehicles become automated, connected, electrified, and shared. This includes the use of advanced driver assistance systems (“ADAS”) that move the industry closer to the ultimate goal of Level 5 autonomy (full driving automation that does not require human attention); innovative powertrains that replace the conventional internal combustion engine (“ICE”); and shared mobility, or on-demand and short-term access to any mode of personal transportation via models including pay-per-use, sharing of operational expenses, and fractional ownership.

4.1.1 AUTONOMY AND CONNECTIVITY

Autonomous driving and connectivity are an integrated concept in the PRC, and epitomised by the introduction of the intelligent connected vehicle (ICV) that is equipped with automated driving functions such as adaptive cruise control or lane-departure warnings, and with connectivity features including wireless communication modules. Driven by strong government stimulus policies (e.g., the *Technology Roadmap of Intelligent Connected Vehicle 2.0* [智能网联汽车路线图 2.0] issued in 2020)¹¹, the PRC has become a global ICV development hub. Local technological giants such as Baidu, Alibaba, Tencent, and Huawei have invested heavily in this area, and automotive OEMs include the development of ICVs in their high-level strategies as they compete for a leading role in the industry transformation. In 2020, more than 50% of the newly sold automobiles in the PRC were ICVs. Frost & Sullivan expects this number to increase to 90% by 2025.

ICV technology is having a profound effect on dealerships, giving them deeper insights about which models are most commonly test driven and which new functions are most popular so they can formulate targeted marketing campaigns to attract more potential customers. With the customers’ approval, dealerships can download or otherwise access vehicle operational data including engine and battery status and diagnostic information from the infotainment system to proactively recommend service intervals in order to prevent malfunctions and limit excessive wear and tear. Access to customers’ vehicle data will give dealerships a competitive edge over IAM service providers.

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¹¹ The PRC Central Government (found at http://www.gov.cn/xinwen/2020-11/19/content_5562464.htm), dated 19 November 2020.

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4.1.2 ELECTRIFICATION

The PRC has become the world's largest electric vehicle (EV) market, contributing to more than 50% of global sales volume in 2020¹². Stimulus policies for the EV industry are likely to continue to propel its growth in the Forecast Period. BYD, Nio, Volkswagen, BMW, and Mercedes-Benz have launched a series of EV models, and additional models are in the OEM's pipelines. Being the fast-growing market means that dealerships must embrace the trend (such as by offering EVs alongside conventional vehicles and building their training sales and service teams) or risk being left behind. Chart 4-1 below explains the difference among common EV types.

Chart 4-1: Common EV Types

Segmentation	Definition	Representative Model
BEV	A BEV generally refers to a pure EV in which only the battery provides the energy supply and only the electromotor provides power to drive the vehicle forward. This type of vehicle can achieve zero emissions in operation.	 BMW iX
PHEV	A PHEV combines a gasoline or diesel engine with an electric motor and a large battery that can be recharged by plugging it into an electrical outlet or EV charging station. Conventional hybrid automobiles have an electric motor and battery, but derive all their power from gasoline or diesel.	 BMW 530e

Source: Company websites; Frost & Sullivan

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¹² Data from CAAM

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4.1.3 OVERVIEW OF THE EV INDUSTRY IN PRC AND KEY TRENDS

The Development Plan for the New Energy Vehicle Industry (2021-2035) (《新能源汽车产业发展规划[2021-2035 年]》) issued by the State Council of the PRC in late 2020 is the top-level strategy for industry growth. The PRC has established an integrated EV supply chain covering raw materials including cobalt, lithium, and rare-earth metals, as well as battery packs and electric motors. The efforts have attracted global players to the PRC; Tesla's Gigafactory in Shanghai is the first wholly foreign-owned automotive plant in the country; Volkswagen, BMW, and Mercedes-Benz have all established local EV production lines (BMW manufactures the iX3 model in Shenyang).

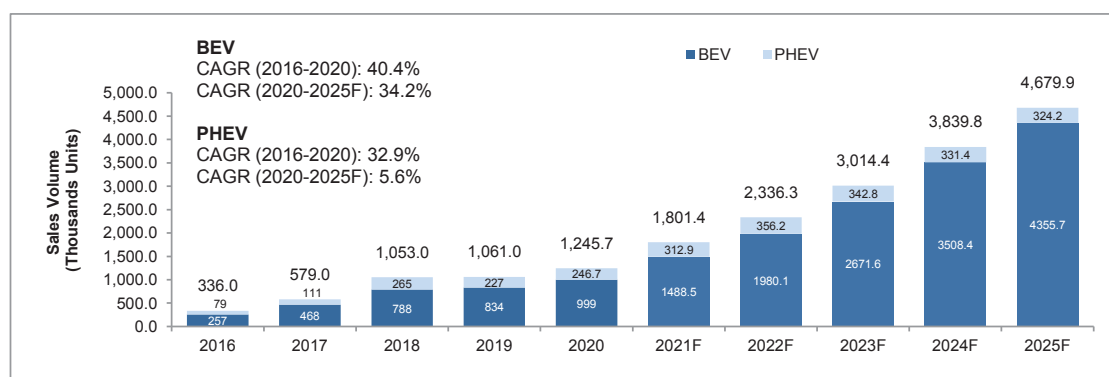
Government subsidies and favourable industrial investment policies have contributed to the EV industry's robust growth since 2016, as shown in Chart 4-2 below. As BEVs' larger battery capacities allow manufacturers to acquire more lucrative financial subsidies from the government, local manufacturers BAIC, BYD, and Geely launched a wide series of models, contributing to a total sales volume of 999,000 in 2020 and a 40.4% CAGR from 2016 to 2020. BEVs were also called out in the 2021-2035 NEV development plan's mainstream technology roadmap. Frost & Sullivan forecasts that BEVs are likely to maintain their growth momentum, with sales reaching 4.3 million units in 2025.

In comparison, PHEV technology has not been as mainstream in the PRC because of a growing number of restrictions on ICE technologies, although BMW and Volkswagen launched some PHEV models through joint ventures. In 2020, the sales volume in the PHEV segment of 246,700 vehicles was only about 25% that of BEVs.

Beijing, Shanghai, Shenzhen, Guangzhou, and Hangzhou are among the cities that make it difficult for owners to get a license plate for an ICE model. In Shanghai, for example, owners are able to pay a premium price to get a licence plate through an auction; in Beijing, there is a license lottery.

An EV, however, can be easily registered and owners get a specialised (green) plate. The *Provisions on the Administration of Investments in the Automotive Industry* (《汽车产业投资管理规定》) issued at the end of 2018 prohibits the construction of fuel vehicle investment projects, including new independent enterprises and relocation of existing enterprises (as a whole) to other provinces. In February 2021, Shanghai announced that newly sold PHEV models will no longer have the privilege of exemption from license restriction beginning Jan. 1, 2023. This is likely to further restrain sales, which Frost & Sullivan projects to increase at a slower rate than BEVs, and is expected to reach only 324,200 vehicles in 2025.

Chart 4-2: EV Sales Volume, PRC, 2016-2025F



Source: CAAM; Frost & Sullivan

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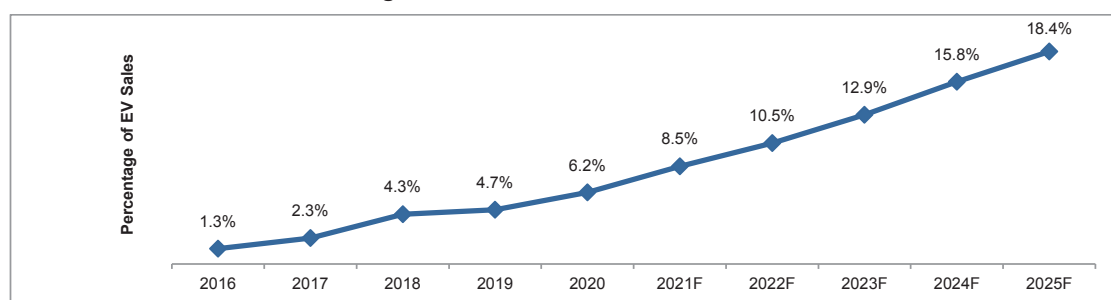
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EVs accounted for 6.2% of all new automobile sales in the PRC in 2020, or slightly more than 1 in 20 vehicles. Frost & Sullivan forecasts that nearly 1 in 5 new vehicles purchased in 2025 is likely to be an EV. Chart 4-3 below shows the expected growth trajectory in the historical and over the Forecast Period.

Chart 4-3: EV Sales as a Percentage of All New Automobile Sales, PRC, 2016-2025F

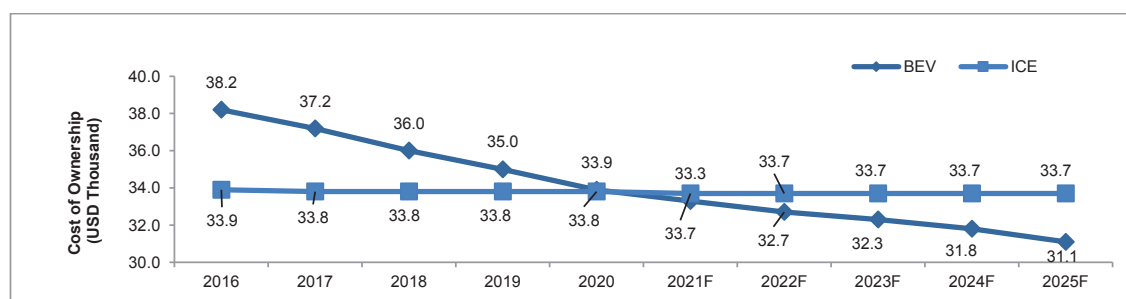


Source: CAAM; Frost & Sullivan

4.1.4 COST OF OWNERSHIP

As the cost of producing battery packs and establishing charging infrastructure declines, so does the EV cost of ownership (including insurance, maintenance, depreciation, repairs, taxes and fees, financing, and fuel). Frost & Sullivan estimates that the overall cost of ownership of EV and ICE models have become comparable sometime in late 2020 or early 2021, as depicted in chart 4-4 below. The repair and maintenance frequency of a PHEV is similar to that of a traditional ICE model. Both require regular engine oil and oil filter changes, normally every 6 months or 5,000 kilometres. OEMs recommend that BEV models receive an inspection of their battery pack, electric motor, electric control system, chassis, tyres, and air conditioner once a year or every 10,000 kilometres.

Chart 4-4: Comparison of Cost of Ownership of EV and ICE Models*, 2016-2025F



*Key assumptions for ICE models: Slightly decreasing selling price to attract customers due to market stagnancy (models for analysis include top selling VW Lavalda, VW Magotan, VW Tiguan, VW Golf, VW Passat, Honda Civic, Honda XRV, Toyota Camry, Toyota Corolla, BMW 525, BMW 325, Mercedes Benz E200L, Mercedes Benz GLC, Audi Q5, and Audi A4 allroad). Key assumptions for EV models: decreasing battery price and increasing residual life over a 6-year period; incentives in the United States, Europe, and China; decreasing purchase subsidy in China; (models for analysis include top selling BYD Qin, Geely Emgrand EV, BYD Tang EV, Roewe RX5, Tesla Model X/S/3, Jaguar I-Pace, NIO ES8, and Nissan Leaf).

Source: Frost & Sullivan

4.1.5 SHARED MOBILITY

Shared mobility gross transaction value in the PRC surpassed RMB300 billion in 2020. Leading players Didi, Hello, and EV card experienced robust growth over the past several years by providing mobility services including ride hailing, ride sharing, and car leasing as cities continue to grapple with traffic congestion. Frost & Sullivan opines that this presents an opportunity for dealerships that are willing to provide car rentals or other types of mobility services.

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4.2 BMW ACES POSITIONING

4.2.1 MODEL PIPELINE

BMW, Volkswagen, and Mercedes-Benz are planning EV model launches through 2025. Chart 4-5 below provides details.

Chart 4-5: EV Pipeline of Selected Brands, 2021-2025

Brand	2021	2022	2023	2024	2025	Comments
Volkswagen	ID.5 (BEV) ID.ROOMZZ (BEV)	ID. Space Vizzion (BEV) ID. Vizzion (BEV)	e-up! (BEV) ID.6 (BEV)	-	-	Volkswagen will launch 27 EV models based on its MEB platform, by 2022.
BMW	i3 (BEV) iX(BEV)	i7 (BEV) i4 (BEV)	iX1 (BEV)	i5 (BEV)	-	BMW's EV strategy in China: • Build 360,000 EV charging sites in 2021 • Launch 12 all-electric BMW and Mini models by 2023 • Realise 25% of sales from all-electric vehicles by 2023 • - Reduce carbon footprint of the supply network by 80%
Mercedes-Benz	EQA (BEV) EQE (BEV) EQS (BEV)	EQB (BEV) EQE SUV (BEV)	-	-	-	Mercedes-Benz plans for at least 10 EQ EVs by 2022.

Source: Company websites; Frost & Sullivan

Similar to Volkswagen's MEB¹³ platform and Mercedes-Benz's EVA¹⁴ and MMA¹⁵ platforms, BMW has announced the planned launch of its *Neue Klasse* platform starting in 2025¹⁶. It includes new IT and software architecture, and new electric drivetrains and batteries. Although it is not EV-dedicated, it is highly flexible to fit ICE, hybrid, fuel cell, and BEV models. The platform is likely to minimise complexity along the production line, replacing both of BMW's current architectures (the platform for compact vehicles such as the Mini Clubman, BMW 2 Series, and BMW X1, and the platform for larger models such as the 5 Series, 7 Series, X5, and X7). BMW's ambition is to be a leader in ACES trends. In 2020, the group announced an investment of 30 billion euros (more than RMB 232 billion) by 2025 for development of EV and autonomous driving technologies.

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¹³ The MEB platform (German: *Modularer E-Antriebs-Baukasten*; English: modular electric-drive toolkit) is a modular car platform for electric cars developed by the Volkswagen Group and its subsidiaries.

¹⁴ Electric Vehicle Architecture (EVA) is an EV production platform designed for large cars, including saloons and SUVs.

¹⁵ Mercedes-Benz Modular Architecture (MMA) is a production platform designed for compact and medium-sized cars.

¹⁶ <https://www.press.bmwgroup.com/global/article/detail/T0327929EN/a-new-era-a-new-class-bmw-group-steps-up-technology-offensive-with-comprehensive-realignment-%E2%80%93-uncompromisingly-electric-digital-and-circular?language=en>

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4.2.2 MODEL COMPARISON

BMW launched its battery electric SUV automobile model iX3 in 2020. Chart 4-6 below offers a comparison with other EV models.

Chart 4-6: Comparison of Selected EV Models in the PRC, 2020

	BMW iX3	Mercedes-Benz EQC	Audi e-tron	Tesla Model Y	Nio ES6
Launch Year	2020	2019	2019	2014	2020
MSRP (RMB)	399,900-439,900	499,900-622,800	692,800-828,600	578,800-768,000	358,000-526,000
Electric Motor	Current-excited synchronous motor	AC asynchronous motor	AC asynchronous motor	Front: permanent magnet synchronous motor; rear: AC asynchronous motor	Permanent magnet synchronous motor
Acceleration Time from 0 to 100km/h (s)	6.8	5.1	5.7	2.8-4.6	5.6
Maximum Torque (N·m)	400	730	664	755-1,140	610
Maximum Power (kW)	210	300	300	395-577	320
NEDC Driving Range (km)	500	415	470	694	600
Charging Time	7.5h (AC Charging) 0.75h (DC Charging)	12h (AC Charging) 0.75h (DC Charging)	8.5h (AC Charging) 0.67h (DC Charging)	10h (AC Charging) 1h (DC Charging)	14.5h (AC Charging) 1h (DC Charging)
Capacity of Battery (kWh)	74	79.2	95	100	100
Battery Type	Ternary Lithium Battery	Ternary Lithium Battery	Ternary Lithium Battery	Ternary Lithium Battery	Ternary Lithium Battery
Autonomous Driving	Level 2	Level 2	Level 2	Level 2+	Level 2+
Length/Width/Height (mm)	4,746/1,891/1,683	4,774/1,923/1,622	4,901/1,935/1,628	4,979/1,964/1,445	4,850/1,965/1,758

Source: Company websites; Autohome; Frost & Sullivan

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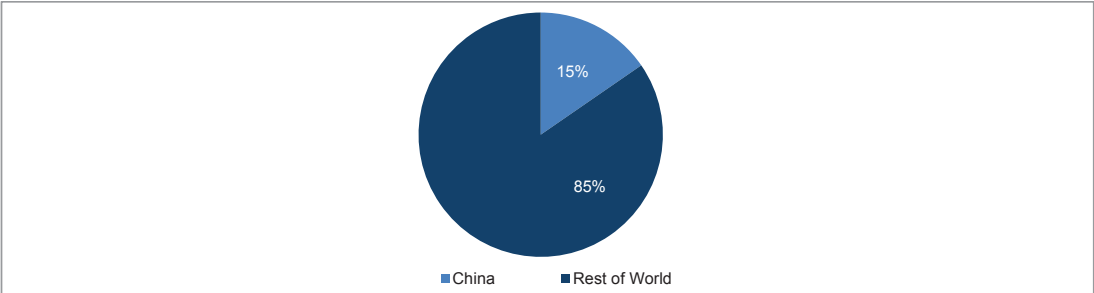
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4.2.3 OVERVIEW OF BMW’S EV BUSINESS IN 2020

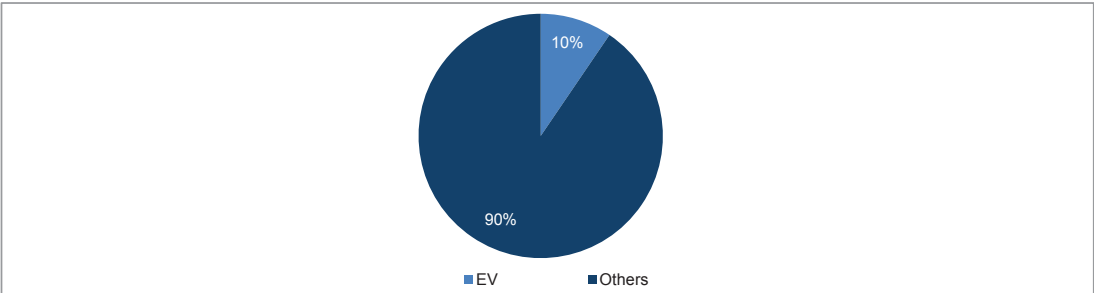
Nearly 15% of BMW’s EV sales were from China in 2020 and EVs accounted for 10% of its total automobile sales in the same year.

Chart 4-7: BMW’s EV Sales Volume, Global, 2020



Source: CAAM; BMW Group; calculated by Frost & Sullivan

Chart 4-8: BMW’s EV Sales Penetration, Global, 2020



Source: CAAM; BMW Group; calculated by Frost & Sullivan

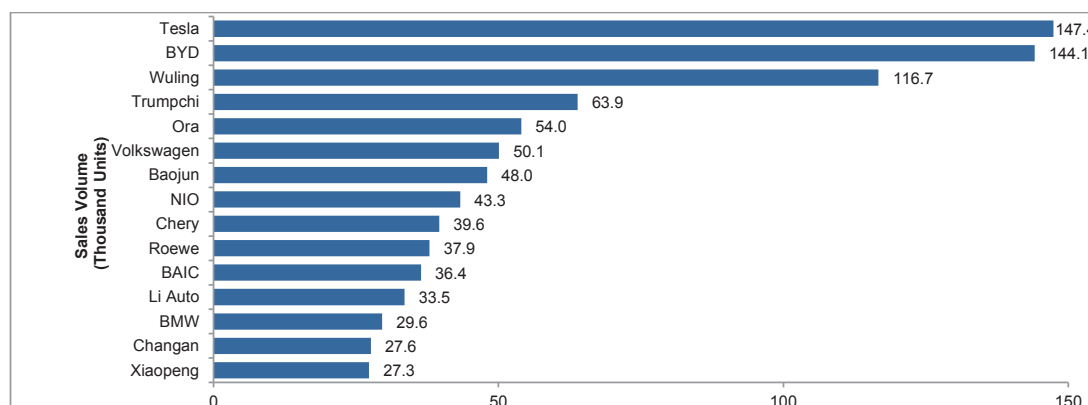
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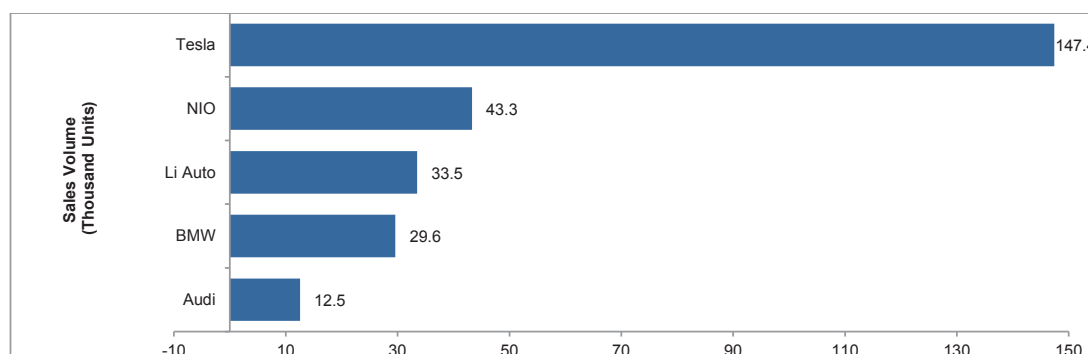
EV market competition was fierce in the PRC in 2020. Sales volume of local players BYD and Wuling both surpassed 100,000 units, with BYD coming very close to Tesla's volumes. In respect of premium EV market sales volume, Tesla came out first and BMW ranked fourth. Chart 4-9 below shows the positions of the top 15 brands in all vehicle segments, and chart 4-10 below further focuses on the top premium brands.

Chart 4-9: EV Brand Sales Volume, PRC, 2020



Source: CAAM; calculated by Frost & Sullivan

Chart 4-10: Premium EV Brand Sales Volume, PRC, 2020



Source: CAAM; calculated by Frost & Sullivan

4.3 TCA POSITIONING

GBA cities Shenzhen and Guangzhou both have ambitious plans to promote ACES. In March 2021, Shenzhen introduced the *Regulation on the Administration of Intelligent and Connected Vehicles of Shenzhen* (《深圳经济特区智能网联汽车管理条例(征求意见稿)》), which is the first formal regulation in the PRC to promote orderly and sustainable development of ICVs. The city also announced that it would have 1 million NEVs on road as of 2025, and that the penetration rate of combined EV sales would reach 60% of all new car sales between 2021 and 2025.

TCA is one of the leading BMW dealership groups in the GBA with operations in both Shenzhen and Guangzhou. TCA can leverage BMW's good brand reputation and strategic initiatives regarding ACES to conform to local governments' strategic planning and strengthen its own competitive edge. For example, TCA now offers BMW's NEV models, including the PHEV version of the 5 Series and the iX3, and can provide necessary after-sales services such as charging stations. From the perspectives of both the BMW brand and GBA, TCA is now in a leading position to capitalize on ACES trends.

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			accuracy of the contents of the relevant information."
CHART 1-5	National Bureau of Statistics of China International Monetary Fund	National data, found in (https://data.stats.gov.cn/); data for U.S., Japan, Germany, France, and U.K. from IMF WEO, (Version Apr. 2021); CAGRs calculated by Frost & Sullivan	National Bureau of Statistics China has not provided its consent, for purposes of Section 249 of the SFA, to the inclusion of the information cited and attributed to it in this document and therefore is not liable for such information under Sections 253 and 254 of the SFA. While the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent have taken reasonable actions to ensure that the information is reproduced in its proper form and context and that the information is extracted accurately and fairly, none of the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent or any other party has conducted an independent review of this information or verified the accuracy of the contents of the relevant information."
CHART 1-6	National Bureau of Statistics of China	National data, found in (https://data.stats.gov.cn/); Forecast from 2021 onwards by Frost & Sullivan; CAGRs calculated by Frost & Sullivan	National Bureau of Statistics China has not provided its consent, for purposes of Section 249 of the SFA, to the inclusion of the information cited and attributed to it in this document and therefore is not liable for such information under Sections 253 and 254 of the SFA. While the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent have taken reasonable actions to ensure that the information is reproduced in its proper form and context and that the information is extracted accurately and fairly, none of the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent or any other party has conducted an independent review of this information or verified the accuracy of the contents of the relevant information."
CHART 1-7	National Bureau of Statistics of China	National data, found in (https://data.stats.gov.cn/); Forecast from 2021 onwards by Frost & Sullivan; CAGRs calculated by Frost & Sullivan	National Bureau of Statistics China has not provided its consent, for purposes of Section 249 of the SFA, to the inclusion of the information cited and attributed to it in this document and therefore is not liable for such information under Sections 253 and 254 of the SFA. While the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent have taken reasonable actions to ensure that the information is reproduced in its proper form and context and that the information is extracted accurately and fairly, none of the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent or any other party has conducted an independent review of this information or verified the accuracy of the contents of the relevant information."
CHART 1-8	China Merchants Bank	China Merchants Bank (found at http://english.cmbchina.com/); forecast by Frost & Sullivan; CAGRs calculated by Frost & Sullivan	China Merchants Bank has not provided its consent, for purposes of Section 249 of the SFA, to the inclusion of the information cited and attributed to it in this document and therefore is not liable for such information under Sections 253 and 254 of the SFA. While the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent have taken reasonable actions to ensure that the information is reproduced in its proper form and context and that the information is extracted accurately and fairly, none of the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent or any other party has conducted an independent review of this information or verified the accuracy of the contents of the relevant information."
CHART	National Bureau of Statistics of China;	Source: National Bureau of Statistics (found at	National Bureau of Statistics China has not provided its consent, for purposes of Section 249 of

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1-9	Hong Kong Census and Statistics Department	https://data.stats.gov.cn/ ; Hong Kong Census and Statistics Department (found at https://www.censtatd.gov.hk/en/sear.ch.html); forecast by Frost & Sullivan; CAGRs calculated by Frost & Sullivan	the SFA, to the inclusion of the information cited and attributed to it in this document and therefore is not liable for such information under Sections 253 and 254 of the SFA. While the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent have taken reasonable actions to ensure that the information is reproduced in its proper form and context and that the information is extracted accurately and fairly, none of the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent or any other party has conducted an independent review of this information or verified the accuracy of the contents of the relevant information." Hong Kong Census and Statistics Department has not provided its consent, for purposes of Section 249 of the SFA, to the inclusion of the information cited and attributed to it in this document and therefore is not liable for such information under Sections 253 and 254 of the SFA. While the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent have taken reasonable actions to ensure that the information is reproduced in its proper form and context and that the information is extracted accurately and fairly, none of the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent or any other party has conducted an independent review of this information or verified the accuracy of the contents of the relevant information."
CHART 1-10	National Bureau of Statistics Hong Kong Census and Statistics Department	Regional data, 2016-2020, found in (https://data.stats.gov.cn/); Data for Hong Kong from Hong Kong Census and Statistics Department, Hong Kong in Figures, 2016-2020, found in (https://www.censtatd.gov.hk/en/sear.ch.html); Forecast from 2021 onwards by Frost & Sullivan; CAGRs calculated by Frost & Sullivan	National Bureau of Statistics China has not provided its consent, for purposes of Section 249 of the SFA, to the inclusion of the information cited and attributed to it in this document and therefore is not liable for such information under Sections 253 and 254 of the SFA. While the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent have taken reasonable actions to ensure that the information is reproduced in its proper form and context and that the information is extracted accurately and fairly, none of the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent or any other party has conducted an independent review of this information or verified the accuracy of the contents of the relevant information." Hong Kong Census and Statistics Department has not provided its consent, for purposes of Section 249 of the SFA, to the inclusion of the information cited and attributed to it in this document and therefore is not liable for such information under Sections 253 and 254 of the SFA. While the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent have taken reasonable actions to ensure that the information is reproduced in its proper form and context and that the information is extracted accurately and fairly, none of the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent or any other party has conducted an independent review of this information or verified the accuracy of the contents of the relevant information."
CHART 1-10	National Bureau of Statistics Hong Kong Census and Statistics Department	National data, found in (https://data.stats.gov.cn/); Regional data, 2016-2020, found in (https://data.stats.gov.cn/); Data for Hong Kong from Hong Kong	National Bureau of Statistics China has not provided its consent, for purposes of Section 249 of the SFA, to the inclusion of the information cited and attributed to it in this document and therefore is not

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	<i>Department</i>	<i>Census and Statistics Department, Hong Kong in Figures, 2016-2020, found in (https://www.censtatd.gov.hk/en/se-arch.html); Forecast from 2021 onwards by Frost & Sullivan; CAGRs calculated by Frost & Sullivan</i>	liable for such information under Sections 253 and 254 of the SFA. While the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent have taken reasonable actions to ensure that the information is reproduced in its proper form and context and that the information is extracted accurately and fairly, none of the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent or any other party has conducted an independent review of this information or verified the accuracy of the contents of the relevant information." Hong Kong Census and Statistics Department has not provided its consent, for purposes of Section 249 of the SFA, to the inclusion of the information cited and attributed to it in this document and therefore is not liable for such information under Sections 253 and 254 of the SFA. While the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent have taken reasonable actions to ensure that the information is reproduced in its proper form and context and that the information is extracted accurately and fairly, none of the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent or any other party has conducted an independent review of this information or verified the accuracy of the contents of the relevant information."
CHART 1-11	<i>National Bureau of Statistics Hong Kong Census and Statistics Department</i>	<i>National data, found in (https://data.stats.gov.cn/); Regional data, 2016-2020, found in (https://data.stats.gov.cn/); Data for Hong Kong from Hong Kong Census and Statistics Department, Hong Kong in Figures, 2016-2020, found in (https://www.censtatd.gov.hk/en/se-arch.html); Forecast from 2021 onwards by Frost & Sullivan; CAGRs calculated by Frost & Sullivan</i>	National Bureau of Statistics China has not provided its consent, for purposes of Section 249 of the SFA, to the inclusion of the information cited and attributed to it in this document and therefore is not liable for such information under Sections 253 and 254 of the SFA. While the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent have taken reasonable actions to ensure that the information is reproduced in its proper form and context and that the information is extracted accurately and fairly, none of the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent or any other party has conducted an independent review of this information or verified the accuracy of the contents of the relevant information." Hong Kong Census and Statistics Department has not provided its consent, for purposes of Section 249 of the SFA, to the inclusion of the information cited and attributed to it in this document and therefore is not liable for such information under Sections 253 and 254 of the SFA. While the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent have taken reasonable actions to ensure that the information is reproduced in its proper form and context and that the information is extracted accurately and fairly, none of the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent or any other party has conducted an independent review of this information or verified the accuracy of the contents of the relevant information."
CHART 1-12	<i>National Bureau of Statistics</i>	<i>Regional data, 2016-2020, found in (https://data.stats.gov.cn/); Forecast from 2021 onwards by Frost & Sullivan; CAGRs calculated by Frost & Sullivan</i>	National Bureau of Statistics China has not provided its consent, for purposes of Section 249 of the SFA, to the inclusion of the information cited and attributed to it in this document and therefore is not liable for such information under Sections 253 and 254 of the SFA. While the Company, the Issue

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CHART 1-13	National Bureau of Statistics	Regional data, 2016-2020, found in (https://data.stats.gov.cn/); Forecast from 2021 onwards by Frost & Sullivan; CAGRs calculated by Frost & Sullivan	National Bureau of Statistics China has not provided its consent, for purposes of Section 249 of the SFA, to the inclusion of the information cited and attributed to it in this document and therefore is not liable for such information under Sections 253 and 254 of the SFA. While the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent have taken reasonable actions to ensure that the information is reproduced in its proper form and context and that the information is extracted accurately and fairly, none of the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent or any other party has conducted an independent review of this information or verified the accuracy of the contents of the relevant information."
CHART 1-14	National Bureau of Statistics	Regional data, 2016-2020, found in (https://data.stats.gov.cn/); Forecast from 2021 onwards by Frost & Sullivan; CAGRs calculated by Frost & Sullivan	National Bureau of Statistics China has not provided its consent, for purposes of Section 249 of the SFA, to the inclusion of the information cited and attributed to it in this document and therefore is not liable for such information under Sections 253 and 254 of the SFA. While the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent have taken reasonable actions to ensure that the information is reproduced in its proper form and context and that the information is extracted accurately and fairly, none of the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent or any other party has conducted an independent review of this information or verified the accuracy of the contents of the relevant information."
CHART 1-15	China Merchant Bank	National data, found in (http://english.cmbchina.com/)	China Merchant Bank has not provided its consent, for purposes of Section 249 of the SFA, to the inclusion of the information cited and attributed to it in this document and therefore is not liable for such information under Sections 253 and 254 of the SFA. While the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent have taken reasonable actions to ensure that the information is reproduced in its proper form and context and that the information is extracted accurately and fairly, none of the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent or any other party has conducted an independent review of this information or verified the accuracy of the contents of the relevant information."
CHART 2-1	Autohome	Data for car retail price from Autohome (https://www.autohome.com.cn/), edited by Frost & Sullivan	Autohome has not provided its consent, for purposes of Section 249 of the SFA, to the inclusion of the information cited and attributed to it in this document and therefore is not liable for such information under Sections 253 and 254 of the SFA. While the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent have taken reasonable actions to ensure that the information is reproduced in its proper form and context and that the information is extracted accurately and fairly, none of

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			the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent or any other party has conducted an independent review of this information or verified the accuracy of the contents of the relevant information."
CHART 2-2	China Association of Automobile Manufacturers International Monetary Fund	Data for China from China Association of Automobile Manufacturers ("CAAM"), statistics, 2016-2020, found in (http://www.caam.org.cn/tjsj); Data for China from International Monetary Fund ("IMF"), Data, 2016-2020, found in (https://www.imf.org/en/Data); Forecast from 2021 onwards by Frost & Sullivan; CAGRs calculated by Frost & Sullivan	China Association of Automobile Manufacturers has not provided its consent, for purposes of Section 249 of the SFA, to the inclusion of the information cited and attributed to it in this document and therefore is not liable for such information under Sections 253 and 254 of the SFA. While the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent have taken reasonable actions to ensure that the information is reproduced in its proper form and context and that the information is extracted accurately and fairly, none of the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent or any other party has conducted an independent review of this information or verified the accuracy of the contents of the relevant information. International Monetary Fund has not provided its consent, for purposes of Section 249 of the SFA, to the inclusion of the information cited and attributed to it in this document and therefore is not liable for such information under Sections 253 and 254 of the SFA. While the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent have taken reasonable actions to ensure that the information is reproduced in its proper form and context and that the information is extracted accurately and fairly, none of the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent or any other party has conducted an independent review of this information or verified the accuracy of the contents of the relevant information.
CHART 2-3	International Organization of Motor Vehicle Manufacturers World Bank Frost & Sullivan	Statistics, found in (http://www.caam.org.cn/tjsj), Data for US, Germany, UK, Japan from International Organization of Motor Vehicle Manufacturers, found in (https://www.oica.net/)	International Organization of Motor Vehicle Manufacturers has not provided its consent, for purposes of Section 249 of the SFA, to the inclusion of the information cited and attributed to it in this document and therefore is not liable for such information under Sections 253 and 254 of the SFA. While the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent have taken reasonable actions to ensure that the information is reproduced in its proper form and context and that the information is extracted accurately and fairly, none of the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent or any other party has conducted an independent review of this information or verified the accuracy of the contents of the relevant information. World Bank has not provided its consent, for purposes of Section 249 of the SFA, to the inclusion of the information cited and attributed to it in this document and therefore is not liable for such information under Sections 253 and 254 of the SFA. While the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent have taken reasonable actions to ensure that the information is reproduced in its proper form and context and that the information is extracted

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CHART 2-4	China Automobile Dealers Association; China Association of Automobile Manufacturers	China Automobile Dealers Association (found at http://cada.cn/); CAAM (found at http://www.caam.org.cn/tjsj); forecast by Frost & Sullivan; CAGRs calculated by Frost & Sullivan	China Association of Automobile Manufacturers has not provided its consent, for purposes of Section 249 of the SFA, to the inclusion of the information cited and attributed to it in this document and therefore is not liable for such information under Sections 253 and 254 of the SFA. While the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent have taken reasonable actions to ensure that the information is reproduced in its proper form and context and that the information is extracted accurately and fairly, none of the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent or any other party has conducted an independent review of this information or verified the accuracy of the contents of the relevant information. China Automobile Dealers Association has not provided its consent, for purposes of Section 249 of the SFA, to the inclusion of the information cited and attributed to it in this document and therefore is not liable for such information under Sections 253 and 254 of the SFA. While the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent have taken reasonable actions to ensure that the information is reproduced in its proper form and context and that the information is extracted accurately and fairly, none of the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent or any other party has conducted an independent review of this information or verified the accuracy of the contents of the relevant information.
CHART 2-5	China Automobile Dealers Association; China Association of Automobile Manufacturers	China Automobile Dealers Association (found at http://cada.cn/); CAAM (found at http://www.caam.org.cn/tjsj); forecast by Frost & Sullivan; CAGRs calculated by Frost & Sullivan	China Association of Automobile Manufacturers has not provided its consent, for purposes of Section 249 of the SFA, to the inclusion of the information cited and attributed to it in this document and therefore is not liable for such information under Sections 253 and 254 of the SFA. While the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent have taken reasonable actions to ensure that the information is reproduced in its proper form and context and that the information is extracted accurately and fairly, none of the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent or any other party has conducted an independent review of this information or verified the accuracy of the contents of the relevant information. China Automobile Dealers Association has not provided its consent, for purposes of Section 249 of the SFA, to the inclusion of the information cited and attributed to it in this document and therefore is not liable for such information under Sections 253 and 254 of the SFA. While the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent have taken reasonable actions to ensure that the information is reproduced in its proper form and context and that the information is extracted

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CHART 2-5	China Automobile Dealers Association	Data from China Automobile Dealers Association, found in (http://cada.cn/); and from CAAM, statistics, 2016-2020, found in (http://www.caam.org.cn/tjsj), Forecast from 2021 onwards by Frost & Sullivan; CAGRs calculated by Frost & Sullivan	China Association of Automobile Manufacturers has not provided its consent, for purposes of Section 249 of the SFA, to the inclusion of the information cited and attributed to it in this document and therefore is not liable for such information under Sections 253 and 254 of the SFA. While the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent have taken reasonable actions to ensure that the information is reproduced in its proper form and context and that the information is extracted accurately and fairly, none of the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent or any other party has conducted an independent review of this information or verified the accuracy of the contents of the relevant information.
CHART 2-6	China Association of Automobile Manufacturers	Data for China from CAAM, statistics, 2016-2020, found in (http://www.caam.org.cn/tjsj); Forecast from 2021 onwards by Frost & Sullivan; CAGRs calculated by Frost & Sullivan	China Association of Automobile Manufacturers has not provided its consent, for purposes of Section 249 of the SFA, to the inclusion of the information cited and attributed to it in this document and therefore is not liable for such information under Sections 253 and 254 of the SFA. While the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent have taken reasonable actions to ensure that the information is reproduced in its proper form and context and that the information is extracted accurately and fairly, none of the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent or any other party has conducted an independent review of this information or verified the accuracy of the contents of the relevant information.
CHART 2-7	China Association of Automobile Manufacturers	Data for China from CAAM, statistics, 2016-2020, found in (http://www.caam.org.cn/tjsj); Forecast from 2021 onwards by Frost & Sullivan; CAGRs calculated by Frost & Sullivan	China Association of Automobile Manufacturers has not provided its consent, for purposes of Section 249 of the SFA, to the inclusion of the information cited and attributed to it in this document and therefore is not liable for such information under Sections 253 and 254 of the SFA. While the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent have taken reasonable actions to ensure that the information is reproduced in its proper form and context and that the information is extracted accurately and fairly, none of the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent or any other party has conducted an independent review of this information or verified the accuracy of the contents of the relevant information.
CHART 2-8	China Association of Automobile Manufacturers	Data for China from CAAM, statistics, 2016-2020, found in (http://www.caam.org.cn/tjsj); Forecast from 2021 onwards by Frost & Sullivan; CAGRs calculated by Frost & Sullivan	China Association of Automobile Manufacturers has not provided its consent, for purposes of Section 249 of the SFA, to the inclusion of the information cited and attributed to it in this document and therefore is not liable for such information under Sections 253 and 254 of the SFA. While the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent have taken reasonable actions to ensure that the information is reproduced in its proper form and context and that the information is extracted accurately and fairly, none of

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CHART 2-9	China Association of Automobile Manufacturers	Statistics, 2016-2020, found in (http://www.caam.org.cn/tjsj); Forecast from 2021 onwards by Frost & Sullivan; CAGRs calculated by Frost & Sullivan	China Association of Automobile Manufacturers has not provided its consent, for purposes of Section 249 of the SFA, to the inclusion of the information cited and attributed to it in this document and therefore is not liable for such information under Sections 253 and 254 of the SFA. While the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent have taken reasonable actions to ensure that the information is reproduced in its proper form and context and that the information is extracted accurately and fairly, none of the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent or any other party has conducted an independent review of this information or verified the accuracy of the contents of the relevant information.
CHART 2-10	China Association of Automobile Manufacturers	Statistics, 2016-2020, found in (http://www.caam.org.cn/tjsj); Share calculated by Frost & Sullivan	China Association of Automobile Manufacturers has not provided its consent, for purposes of Section 249 of the SFA, to the inclusion of the information cited and attributed to it in this document and therefore is not liable for such information under Sections 253 and 254 of the SFA. While the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent have taken reasonable actions to ensure that the information is reproduced in its proper form and context and that the information is extracted accurately and fairly, none of the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent or any other party has conducted an independent review of this information or verified the accuracy of the contents of the relevant information.
CHART 2-11	China Association of Automobile Manufacturers	Statistics, 2016-2020, found in (http://www.caam.org.cn/tjsj); Share calculated by Frost & Sullivan	China Association of Automobile Manufacturers has not provided its consent, for purposes of Section 249 of the SFA, to the inclusion of the information cited and attributed to it in this document and therefore is not liable for such information under Sections 253 and 254 of the SFA. While the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent have taken reasonable actions to ensure that the information is reproduced in its proper form and context and that the information is extracted accurately and fairly, none of the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent or any other party has conducted an independent review of this information or verified the accuracy of the contents of the relevant information.
CHART 2-12	China Association of Automobile Manufacturers	Statistics, 2016-2020, found in (http://www.caam.org.cn/tjsj); Forecast from 2021 onwards by Frost & Sullivan; CAGRs calculated by Frost & Sullivan	China Association of Automobile Manufacturers has not provided its consent, for purposes of Section 249 of the SFA, to the inclusion of the information cited and attributed to it in this document and therefore is not liable for such information under Sections 253 and 254 of the SFA. While the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent have taken reasonable actions to ensure that the information is reproduced in its proper form and context and that the information is extracted accurately and fairly, none of the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent or any other party has conducted an independent review of this information or verified the accuracy of the contents of the relevant information.

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CHART 2-13	China Association of Automobile Manufacturers	Statistics, 2016-2020, found in (http://www.caam.org.cn/tjsj); Forecast from 2021 onwards by Frost & Sullivan; CAGRs calculated by Frost & Sullivan	China Association of Automobile Manufacturers has not provided its consent, for purposes of Section 249 of the SFA, to the inclusion of the information cited and attributed to it in this document and therefore is not liable for such information under Sections 253 and 254 of the SFA. While the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent have taken reasonable actions to ensure that the information is reproduced in its proper form and context and that the information is extracted accurately and fairly, none of the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent or any other party has conducted an independent review of this information or verified the accuracy of the contents of the relevant information.
CHART 2-14	International Organization of Motor Vehicle Manufacturers World Bank Frost & Sullivan	Statistics, found in (http://www.caam.org.cn/tjsj), Data for US, Germany, UK, Japan from International Organization of Motor Vehicle Manufacturers, found in (https://www.oica.net/)	International Organization of Motor Vehicle Manufacturers has not provided its consent, for purposes of Section 249 of the SFA, to the inclusion of the information cited and attributed to it in this document and therefore is not liable for such information under Sections 253 and 254 of the SFA. While the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent have taken reasonable actions to ensure that the information is reproduced in its proper form and context and that the information is extracted accurately and fairly, none of the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent or any other party has conducted an independent review of this information or verified the accuracy of the contents of the relevant information. World Bank has not provided its consent, for purposes of Section 249 of the SFA, to the inclusion of the information cited and attributed to it in this document and therefore is not liable for such information under Sections 253 and 254 of the SFA. While the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent have taken reasonable actions to ensure that the information is reproduced in its proper form and context and that the information is extracted accurately and fairly, none of the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent or any other party has conducted an independent review of this information or verified the accuracy of the contents of the relevant information.
CHART 3-2	China Automobile Dealers Association	Statistics, 2016-2020, found in (http://cada.cn/); Forecast from 2021 onwards by Frost & Sullivan	China Automobile Dealers Association has not provided its consent, for purposes of Section 249 of the SFA, to the inclusion of the information cited and attributed to it in this document and therefore is not liable for such information under Sections 253 and 254 of the SFA. While the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent have taken reasonable actions to ensure that the information is reproduced in its proper form and context and that the information is extracted accurately and fairly, none of the Company, the Issue

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			Manager and Full Sponsor and the Underwriter and Placement Agent or any other party has conducted an independent review of this information or verified the accuracy of the contents of the relevant information.
CHART 3-3	China Automobile Dealers Association	Statistics, 2020, found in (http://cada.cn/); Company data, found in (http://www.chinagrandauto.com/cn/network.php?p_id=0&c_id=0&b_id=78 ; https://www.zs-group.com.cn/ ; http://www.ydauto.com.cn/cns/index.html), Shar calculated by Frost & Sullivan	China Automobile Dealers Association has not provided its consent, for purposes of Section 249 of the SFA, to the inclusion of the information cited and attributed to it in this document and therefore is not liable for such information under Sections 253 and 254 of the SFA. While the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent have taken reasonable actions to ensure that the information is reproduced in its proper form and context and that the information is extracted accurately and fairly, none of the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent or any other party has conducted an independent review of this information or verified the accuracy of the contents of the relevant information.
CHART 3-4	China Automobile Dealers Association	Statistics, 2020, found in (https://mp.weixin.qq.com/s/1aYxsHmCASbbIRXyMokW3g), edited by Frost & Sullivan	China Automobile Dealers Association has not provided its consent, for purposes of Section 249 of the SFA, to the inclusion of the information cited and attributed to it in this document and therefore is not liable for such information under Sections 253 and 254 of the SFA. While the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent have taken reasonable actions to ensure that the information is reproduced in its proper form and context and that the information is extracted accurately and fairly, none of the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent or any other party has conducted an independent review of this information or verified the accuracy of the contents of the relevant information.
CHART 3-5	BMW Group	Company data, found in (https://www.bmw.com.cn/zh/fastlane/dealer-locator.html), data edited by Frost & Sullivan	BMW Group has not provided its consent, for purposes of Section 249 of the SFA, to the inclusion of the information cited and attributed to it in this document and therefore is not liable for such information under Sections 253 and 254 of the SFA. While the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent have taken reasonable actions to ensure that the information is reproduced in its proper form and context and that the information is extracted accurately and fairly, none of the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent or any other party has conducted an independent review of this information or verified the accuracy of the contents of the relevant information.
CHART 3-6	Competitors Website	Company data, for: Toro Motor, found in (http://www.toromotor.com/), Guangdong Yuebao Auto, found in (http://www.yuebao.bmw.com.cn/cn/zh/dealers/yuebao/index.html) Zhongsheng Group Holdings, found in (https://www.zs-group.com.cn/c/www/dealers.jhtml) China Yongda Automobile, found in (http://www.ydauto.com.cn/cns/yd_page_jxwl.html)	Each of Toro Motor, Guangdong Yuebao Auto, Zhongsheng Group Holdings, China Yongda Automobile, China Meidong Auto, Sime Darby Motors, Harmony Group, China Zhengtong Auto Services, China Grand Auto , has not provided its consent, for purposes of Section 249 of the SFA, to the inclusion of the information cited and attributed to it in this document and therefore is not liable for such information under Sections 253 and 254 of the SFA. While the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent have taken reasonable actions to ensure that the information is reproduced in its proper form and context and that the information is extracted accurately and fairly, none of the Company, the Issue

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		<i>China Meidong Auto, found in (http://www.meidongauto.com/zh/dealer-network)</i> <i>Sime Darby Motors, found in (http://www.simedarbymotors.com/our-network)</i> <i>Harmony Group, found in (http://www.hexieauto.com/brand#brand-12)</i> <i>China Zhengtong Auto Services, found in (http://www.zhengtongauto.com/brand_luxury.html)</i> <i>China Grand Auto, found in (http://www.chinagrandauto.com/cn/network.php?p_id=0&c_id=0&b_id=78)</i>	Manager and Full Sponsor and the Underwriter and Placement Agent or any other party has conducted an independent review of this information or verified the accuracy of the contents of the relevant information.
CHART 3-7	BMW Group	<i>Company data, found in (https://www.bmw.com.cn/zh/fastlane/dealer-locator.html), data edited by Frost & Sullivan</i>	BMW Group has not provided its consent, for purposes of Section 249 of the SFA, to the inclusion of the information cited and attributed to it in this document and therefore is not liable for such information under Sections 253 and 254 of the SFA. While the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent have taken reasonable actions to ensure that the information is reproduced in its proper form and context and that the information is extracted accurately and fairly, none of the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent or any other party has conducted an independent review of this information or verified the accuracy of the contents of the relevant information.
CHART 3-13	China Automobile Dealers Association Company Website	<i>Statistics, 2020, found in (http://cada.cn/); Company data, found in (http://www.chinagrandauto.com/cn/network.php?p_id=0&c_id=0&b_id=78; https://www.zs-group.com.cn/; http://www.ydauto.com.cn/cns/index.html; http://www.hexieauto.com/), Calculated by Frost & Sullivan</i>	China Automobile Dealers Association has not provided its consent, for purposes of Section 249 of the SFA, to the inclusion of the information cited and attributed to it in this document and therefore is not liable for such information under Sections 253 and 254 of the SFA. While the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent have taken reasonable actions to ensure that the information is reproduced in its proper form and context and that the information is extracted accurately and fairly, none of the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent or any other party has conducted an independent review of this information or verified the accuracy of the contents of the relevant information.
CHART 3-14	China Association of Automobile Manufacturers, General Administration of Customs of China, BMW Group	<i>Statistics, 2016-2020, found in (http://www.caam.org.cn/tjsj; http://english.customs.gov.cn/; https://www.bmwgroup.com/en.html), edited by Frost & Sullivan; CAGRs calculated by Frost & Sullivan</i>	China Automobile Dealers Association has not provided its consent, for purposes of Section 249 of the SFA, to the inclusion of the information cited and attributed to it in this document and therefore is not liable for such information under Sections 253 and 254 of the SFA. While the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent have taken reasonable actions to ensure that the information is reproduced in its proper form and context and that the information is extracted accurately and fairly, none of the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent or any other party has conducted an independent review of this information or verified the

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			accuracy of the contents of the relevant information. General Administration of Customs of China has not provided its consent, for purposes of Section 249 of the SFA, to the inclusion of the information cited and attributed to it in this document and therefore is not liable for such information under Sections 253 and 254 of the SFA. While the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent have taken reasonable actions to ensure that the information is reproduced in its proper form and context and that the information is extracted accurately and fairly, none of the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent or any other party has conducted an independent review of this information or verified the accuracy of the contents of the relevant information. BMW Group has not provided its consent, for purposes of Section 249 of the SFA, to the inclusion of the information cited and attributed to it in this document and therefore is not liable for such information under Sections 253 and 254 of the SFA. While the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent have taken reasonable actions to ensure that the information is reproduced in its proper form and context and that the information is extracted accurately and fairly, none of the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent or any other party has conducted an independent review of this information or verified the accuracy of the contents of the relevant information.
CHART 3-18	China Automobile Dealers Association	Statistics, 2016-2020, found in (http://cada.cn/); Forecast from 2021 onwards by Frost & Sullivan; CAGRs calculated by Frost & Sullivan	China Automobile Dealers Association has not provided its consent, for purposes of Section 249 of the SFA, to the inclusion of the information cited and attributed to it in this document and therefore is not liable for such information under Sections 253 and 254 of the SFA. While the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent have taken reasonable actions to ensure that the information is reproduced in its proper form and context and that the information is extracted accurately and fairly, none of the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent or any other party has conducted an independent review of this information or verified the accuracy of the contents of the relevant information.
CHART 4-1	Volkswagen Website BMW Website Mercedes Benz Website	Public information, found in (https://www.volkswagenag.com/); https://www.bmwgroup.com/en.html ; https://www.mercedes-benz.com/en/), edited by Frost & Sullivan	Volkswagen has not provided its consent, for purposes of Section 249 of the SFA, to the inclusion of the information cited and attributed to it in this document and therefore is not liable for such information under Sections 253 and 254 of the SFA. While the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent have taken reasonable actions to ensure that the information is reproduced in its proper form and context and that the information is extracted accurately and fairly, none of the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent or any other party has conducted an independent review of this information or verified the accuracy of the contents of the relevant information.

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			BMW has not provided its consent, for purposes of Section 249 of the SFA, to the inclusion of the information cited and attributed to it in this document and therefore is not liable for such information under Sections 253 and 254 of the SFA. While the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent have taken reasonable actions to ensure that the information is reproduced in its proper form and context and that the information is extracted accurately and fairly, none of the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent or any other party has conducted an independent review of this information or verified the accuracy of the contents of the relevant information. Mercedes Benz has not provided its consent, for purposes of Section 249 of the SFA, to the inclusion of the information cited and attributed to it in this document and therefore is not liable for such information under Sections 253 and 254 of the SFA. While the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent have taken reasonable actions to ensure that the information is reproduced in its proper form and context and that the information is extracted accurately and fairly, none of the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent or any other party has conducted an independent review of this information or verified the accuracy of the contents of the relevant information.
CHART 4-2	China Association of Automobile Manufacturers	Statistics, 2020, found in (http://www.caam.org.cn/tjsj); edited by Frost & Sullivan; share calculated by Frost & Sullivan	China Association of Automobile Manufacturers, has not provided its consent, for purposes of Section 249 of the SFA, to the inclusion of the information cited and attributed to it in this document and therefore is not liable for such information under Sections 253 and 254 of the SFA. While the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent have taken reasonable actions to ensure that the information is reproduced in its proper form and context and that the information is extracted accurately and fairly, none of the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent or any other party has conducted an independent review of this information or verified the accuracy of the contents of the relevant information.
CHART 4-3	China Association of Automobile Manufacturers,	Statistics, 2020, found in (http://www.caam.org.cn/tjsj ; https://www.bmwgroup.com/en.html), edited by Frost & Sullivan; share calculated by Frost & Sullivan	China Association of Automobile Manufacturers, has not provided its consent, for purposes of Section 249 of the SFA, to the inclusion of the information cited and attributed to it in this document and therefore is not liable for such information under Sections 253 and 254 of the SFA. While the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent have taken reasonable actions to ensure that the information is reproduced in its proper form and context and that the information is extracted accurately and fairly, none of the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent or any other party has conducted an independent review of this information or verified the accuracy of the

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			contents of the relevant information.
CHART 4-4	Frost & Sullivan	Frost & Sullivan Analysis	N/A
CHART 4-5	Volkswagen Website BMW Website Mercedes Benz Website	Public information, found in (https://www.volkswagenag.com/ ; https://www.bmwgroup.com/en.html ; https://www.mercedes-benz.com/en/ ;	Volkswagen has not provided its consent, for purposes of Section 249 of the SFA, to the inclusion of the information cited and attributed to it in this document and therefore is not liable for such information under Sections 253 and 254 of the SFA. While the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent have taken reasonable actions to ensure that the information is reproduced in its proper form and context and that the information is extracted accurately and fairly, none of the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent or any other party has conducted an independent review of this information or verified the accuracy of the contents of the relevant information. BMW has not provided its consent, for purposes of Section 249 of the SFA, to the inclusion of the information cited and attributed to it in this document and therefore is not liable for such information under Sections 253 and 254 of the SFA. While the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent have taken reasonable actions to ensure that the information is reproduced in its proper form and context and that the information is extracted accurately and fairly, none of the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent or any other party has conducted an independent review of this information or verified the accuracy of the contents of the relevant information. Mercedes Benz has not provided its consent, for purposes of Section 249 of the SFA, to the inclusion of the information cited and attributed to it in this document and therefore is not liable for such information under Sections 253 and 254 of the SFA. While the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent have taken reasonable actions to ensure that the information is reproduced in its proper form and context and that the information is extracted accurately and fairly, none of the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent or any other party has conducted an independent review of this information or verified the accuracy of the contents of the relevant information.
CHART 4-6	Volkswagen Website BMW Website Mercedes Benz Website Tesla Website Nio Website Autohome	Public information, found in (https://www.volkswagenag.com/ ; https://www.bmwgroup.com/en.html ; https://www.mercedes-benz.com/en/ ; https://www.tesla.com/ ; https://www.nio.com/ ; https://www.autohome.com.cn/), edited by Frost & Sullivan	Volkswagen has not provided its consent, for purposes of Section 249 of the SFA, to the inclusion of the information cited and attributed to it in this document and therefore is not liable for such information under Sections 253 and 254 of the SFA. While the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent have taken reasonable actions to ensure that the information is reproduced in its proper form and context and that the information is extracted accurately and fairly, none of the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent or any other party has conducted an

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			independent review of this information or verified the accuracy of the contents of the relevant information. BMW has not provided its consent, for purposes of Section 249 of the SFA, to the inclusion of the information cited and attributed to it in this document and therefore is not liable for such information under Sections 253 and 254 of the SFA. While the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent have taken reasonable actions to ensure that the information is reproduced in its proper form and context and that the information is extracted accurately and fairly, none of the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent or any other party has conducted an independent review of this information or verified the accuracy of the contents of the relevant information. Mercedes Benz has not provided its consent, for purposes of Section 249 of the SFA, to the inclusion of the information cited and attributed to it in this document and therefore is not liable for such information under Sections 253 and 254 of the SFA. While the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent have taken reasonable actions to ensure that the information is reproduced in its proper form and context and that the information is extracted accurately and fairly, none of the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent or any other party has conducted an independent review of this information or verified the accuracy of the contents of the relevant information. Tesla has not provided its consent, for purposes of Section 249 of the SFA, to the inclusion of the information cited and attributed to it in this document and therefore is not liable for such information under Sections 253 and 254 of the SFA. While the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent have taken reasonable actions to ensure that the information is reproduced in its proper form and context and that the information is extracted accurately and fairly, none of the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent or any other party has conducted an independent review of this information or verified the accuracy of the contents of the relevant information. Nio has not provided its consent, for purposes of Section 249 of the SFA, to the inclusion of the information cited and attributed to it in this document and therefore is not liable for such information under Sections 253 and 254 of the SFA. While the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent have taken reasonable actions to ensure that the information is reproduced in its proper form and context and that the information is extracted accurately and fairly, none of the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent or any other party has conducted an independent review of

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			this information or verified the accuracy of the contents of the relevant information. Autohome has not provided its consent, for purposes of Section 249 of the SFA, to the inclusion of the information cited and attributed to it in this document and therefore is not liable for such information under Sections 253 and 254 of the SFA. While the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent have taken reasonable actions to ensure that the information is reproduced in its proper form and context and that the information is extracted accurately and fairly, none of the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent or any other party has conducted an independent review of this information or verified the accuracy of the contents of the relevant information.
CHART 4-7	China Association of Automobile Manufacturers BMW Website	Statistics, 2020, found in (http://www.caam.org.cn/tjsj), calculated by Frost & Sullivan https://www.bmwgroup.com/en.html	China Association of Automobile Manufacturers, has not provided its consent, for purposes of Section 249 of the SFA, to the inclusion of the information cited and attributed to it in this document and therefore is not liable for such information under Sections 253 and 254 of the SFA. While the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent have taken reasonable actions to ensure that the information is reproduced in its proper form and context and that the information is extracted accurately and fairly, none of the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent or any other party has conducted an independent review of this information or verified the accuracy of the contents of the relevant information. BMW has not provided its consent, for purposes of Section 249 of the SFA, to the inclusion of the information cited and attributed to it in this document and therefore is not liable for such information under Sections 253 and 254 of the SFA. While the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent have taken reasonable actions to ensure that the information is reproduced in its proper form and context and that the information is extracted accurately and fairly, none of the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent or any other party has conducted an independent review of this information or verified the accuracy of the contents of the relevant information.
CHART 4-8	China Association of Automobile Manufacturers BMW Website	Statistics, 2020, found in (http://www.caam.org.cn/tjsj), calculated by Frost & Sullivan https://www.bmwgroup.com/en.html	China Association of Automobile Manufacturers, has not provided its consent, for purposes of Section 249 of the SFA, to the inclusion of the information cited and attributed to it in this document and therefore is not liable for such information under Sections 253 and 254 of the SFA. While the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent have taken reasonable actions to ensure that the information is reproduced in its proper form and context and that the information is extracted accurately and fairly, none of the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent or any other party has conducted an independent review of this information or verified the accuracy of the contents of the relevant information.

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			other party has conducted an independent review of this information or verified the accuracy of the contents of the relevant information. BMW has not provided its consent, for purposes of Section 249 of the SFA, to the inclusion of the information cited and attributed to it in this document and therefore is not liable for such information under Sections 253 and 254 of the SFA. While the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent have taken reasonable actions to ensure that the information is reproduced in its proper form and context and that the information is extracted accurately and fairly, none of the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent or any other party has conducted an independent review of this information or verified the accuracy of the contents of the relevant information.
CHART 4-9	China Association of Automobile Manufacturers	Statistics, 2020, found in (http://www.caam.org.cn/tjsj), calculated by Frost & Sullivan	China Association of Automobile Manufacturers, has not provided its consent, for purposes of Section 249 of the SFA, to the inclusion of the information cited and attributed to it in this document and therefore is not liable for such information under Sections 253 and 254 of the SFA. While the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent have taken reasonable actions to ensure that the information is reproduced in its proper form and context and that the information is extracted accurately and fairly, none of the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent or any other party has conducted an independent review of this information or verified the accuracy of the contents of the relevant information.
CHART 4-10	China Association of Automobile Manufacturers	Statistics 2016-2020, found in (http://cada.cn/); and from CAAM, found in (http://www.caam.org.cn/tjsj), Forecast from 2021 onwards by Frost & Sullivan; CAGRs calculated by Frost & Sullivan	China Association of Automobile Manufacturers has not provided its consent, for purposes of Section 249 of the SFA, to the inclusion of the information cited and attributed to it in this document and therefore is not liable for such information under Sections 253 and 254 of the SFA. While the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent have taken reasonable actions to ensure that the information is reproduced in its proper form and context and that the information is extracted accurately and fairly, none of the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent or any other party has conducted an independent review of this information or verified the accuracy of the contents of the relevant information.

Footnotes sourcing

Footnote number	Source	Sourcing format	SFA disclaimer
1	CPC Central Committee and the State Council	Public information, found in (http://www.gov.cn/zhengce/2019-02/18/content_5366593.htm#1), dated 2 February 2019	CPC Central Committee and the State Council has not provided its consent, for purposes of Section 249 of the SFA, to the inclusion of the information cited and attributed to it in this document and therefore is not liable for such information under Sections 253 and

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			254 of the SFA. While the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent have taken reasonable actions to ensure that the information is reproduced in its proper form and context and that the information is extracted accurately and fairly, none of the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent or any other party has conducted an independent review of this information or verified the accuracy of the contents of the relevant information
2	BMW Brilliance	Public information, found in (http://www.bmw-brilliance.cn/cn/zh/news/news/2020-4-01.html)	BMW has not provided its consent, for purposes of Section 249 of the SFA, to the inclusion of the information cited and attributed to it in this document and therefore is not liable for such information under Sections 253 and 254 of the SFA. While the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent have taken reasonable actions to ensure that the information is reproduced in its proper form and context and that the information is extracted accurately and fairly, none of the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent or any other party has conducted an independent review of this information or verified the accuracy of the contents of the relevant information
3	China Automobile Dealers Association	Public information, found in (http://www.cada.cn/Trends/info_91_8289.html)	China Automobile Dealers Association has not provided its consent, for purposes of Section 249 of the SFA, to the inclusion of the information cited and attributed to it in this document and therefore is not liable for such information under Sections 253 and 254 of the SFA. While the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent have taken reasonable actions to ensure that the information is reproduced in its proper form and context and that the information is extracted accurately and fairly, none of the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent or any other party has conducted an independent review of this information or verified the accuracy of the contents of the relevant information.
5	Autohome	Public information, found in (https://www.autohome.com.cn/)	Autohome has not provided its consent, for purposes of Section 249 of the SFA, to the inclusion of the information cited and attributed to it in this document and therefore is not liable for such information under Sections 253 and 254 of the SFA. While the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent have taken reasonable actions to ensure that the information is reproduced in its proper form and context and that the information is extracted accurately and fairly, none of the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent or any other party has conducted an independent review of this information or verified the accuracy of the contents of the relevant information.
7	BMW Group	Public information, found in (https://www.bmwgroup.com/content/dam/grpw/websites/bmwgroup_com/ir/downloads/en/2021/bericht/BMW-Group-Bericht-2020-EN.pdf)	BMW has not provided its consent, for purposes of Section 249 of the SFA, to the inclusion of the information cited and attributed to it in this document and therefore is not liable for such information under Sections 253 and 254 of the SFA. While the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent have taken

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8	<i>The Ministry of Commerce of the People's Republic of China</i>	<i>Public information, found in (http://www.mofcom.gov.cn/article/swfg/swfgbh/200508/20050800336593.shtml)</i>	The Ministry of Commerce of the People's Republic of China has not provided its consent, for purposes of Section 249 of the SFA, to the inclusion of the information cited and attributed to it in this document and therefore is not liable for such information under Sections 253 and 254 of the SFA. While the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent have taken reasonable actions to ensure that the information is reproduced in its proper form and context and that the information is extracted accurately and fairly, none of the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent or any other party has conducted an independent review of this information or verified the accuracy of the contents of the relevant information
9	<i>The Ministry of Finance of the People's Republic of China</i>	<i>Public information, found in (http://www.gov.cn/zhengce/zhengceku/2020-04/09/content_5500719.htm)</i>	<i>The Ministry of Finance of the People's Republic of China</i> has not provided its consent, for purposes of Section 249 of the SFA, to the inclusion of the information cited and attributed to it in this document and therefore is not liable for such information under Sections 253 and 254 of the SFA. While the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent have taken reasonable actions to ensure that the information is reproduced in its proper form and context and that the information is extracted accurately and fairly, none of the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent or any other party has conducted an independent review of this information or verified the accuracy of the contents of the relevant information
11	<i>The PRC State Council</i>	<i>Public information, found in (http://www.gov.cn/xinwen/2020-11/19/content_5562464.htm)</i>	<i>The PRC State Council</i> has not provided its consent, for purposes of Section 249 of the SFA, to the inclusion of the information cited and attributed to it in this document and therefore is not liable for such information under Sections 253 and 254 of the SFA. While the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent have taken reasonable actions to ensure that the information is reproduced in its proper form and context and that the information is extracted accurately and fairly, none of the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent or any other party has conducted an independent review of this information or verified the accuracy of the contents of the relevant information
12	<i>China Association of Automobile Manufacturers</i>	<i>Statistics 2020, from CAAM, found in (http://www.caam.org.cn/tjsj)</i>	<i>China Association of Automobile Manufacturers</i> , has not provided its consent, for purposes of Section 249 of the SFA, to the inclusion of the information cited and attributed to it in this document and therefore is not liable for such information under Sections 253 and 254 of the SFA. While the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent have taken reasonable actions to ensure that the information is reproduced in its proper

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APPENDIX D – INDEPENDENT MARKET RESEARCH REPORT OF THE INDEPENDENT MARKET RESEARCH CONSULTANT

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			form and context and that the information is extracted accurately and fairly, none of the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent or any other party has conducted an independent review of this information or verified the accuracy of the contents of the relevant information
16	BMW Group	Public information, found in (https://www.press.bmwgroup.com/global/article/detail/T0327929EN/a-new-era-a-new-class:-bmw-group-steps-up-technology-offensive-with-comprehensive-realignment-%E2%80%93-uncompromisingly-electric-digital-and-circular?language=en)	BMW has not provided its consent, for purposes of Section 249 of the SFA, to the inclusion of the information cited and attributed to it in this document and therefore is not liable for such information under Sections 253 and 254 of the SFA. While the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent have taken reasonable actions to ensure that the information is reproduced in its proper form and context and that the information is extracted accurately and fairly, none of the Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent or any other party has conducted an independent review of this information or verified the accuracy of the contents of the relevant information

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APPENDIX E – TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

You are invited to apply and subscribe for and/or purchase the Invitation Shares at the Invitation Price for each Invitation Share subject to the following terms and conditions set out below and in the relevant printed application forms to be used for the purpose of this Invitation and which forms part of the Offer Document (the “**Application Forms**” or, as the case may be the Electronic Applications (as defined herein):

1. **YOUR APPLICATION MUST BE MADE IN LOTS OF 100 INVITATION SHARES OR INTEGRAL MULTIPLES THEREOF SUBJECT TO A MINIMUM OF 1,000 INVITATION SHARES. YOUR APPLICATION FOR ANY OTHER NUMBER OF INVITATION SHARES WILL BE REJECTED.**
2. Your application for Offer Shares may be made by way of printed **WHITE** Offer Shares Application Forms or by way of Electronic Applications through ATMs belonging to the Participating Banks (“**ATM Electronic Applications**”) or through Internet Banking (“**IB**”) websites of the relevant Participating Banks (“**Internet Electronic Applications**”), or through the mobile banking (“**mBanking**”) interface of DBS Bank and UOB (“**mBanking Applications**”), which together with ATM Electronic Applications and Internet Electronic Applications, shall be referred to as “**Electronic Applications**”).

Your application for the Placement Shares may only be made by way of printed **BLUE** Placement Shares Application Forms or such other form of application as the Issue Manager and Full Sponsor and the Underwriter and Placement Agent may deem appropriate.

YOU MAY NOT USE CPF FUNDS TO APPLY FOR THE INVITATION SHARES.

3. **You (not being an approved nominee company) are allowed to submit only one (1) application in your own name for the Offer Shares or the Placement Shares. If you submit an application for Offer Shares by way of an Offer Shares Application Form, you MAY NOT submit another application for Offer Shares by way of an Electronic Application and *vice versa*. Such separate applications shall be deemed to be multiple applications and may be rejected at the discretion of our Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent.**

If you submit an application for Offer Shares by way of an ATM Electronic Application, you MAY NOT submit another application for Offer Shares by way of an Internet Electronic Application or a mBanking Application and *vice versa*. Such separate applications shall be deemed to be multiple applications and may be rejected at the discretion of our Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent.

If you, being other than an approved nominee company, have submitted an application for Offer Shares in your own name, you should not submit any other application for Offer Shares, whether by way of an Offer Shares Application Form or by way of an Electronic Application, for any other person. Such separate applications shall be deemed to be multiple applications and may be rejected at the discretion of our Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent.

APPENDIX E – TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

If you have made an application for Placement Shares, and you have also made a separate application for the Offer Shares, either by way of a **WHITE** Offer Shares Application Form or by way of an Electronic Application and *vice versa*, our Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent shall have the discretion to either (i) reject both of such separate applications; or (ii) accept any one or both of such separate applications.

Conversely, if you have made an application for Offer Shares either by way of an Electronic Application or by way of a **WHITE** Offer Shares Application Form, and you have also made a separate application for Placement Shares, our Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent shall have the discretion to either (i) reject both of such separate applications; or (ii) accept any one or both of such separate applications. Such separate applications shall be deemed to be a multiple application and may be rejected at the discretion of our Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent.

Joint and multiple applications for the Invitation Shares may be rejected at the discretion of our Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent. If you submit or procure submissions of multiple share applications for Offer Shares, Placement Shares or both Offer Shares and Placement Shares, you may be deemed to have committed an offence under the Penal Code, Chapter 224 of Singapore and the SFA, and your applications may be referred to the relevant authorities for investigation. Multiple applications or those appearing to be or suspected of being multiple applications may be rejected at the discretion of our Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent.

4. We will not accept applications from any person under the age of 18 years, undischarged bankrupts, sole-proprietorships, partnerships, or non-corporate bodies, joint Securities Account holders of CDP and from applicants whose addresses (as furnished in their Application Forms or, in the case of Electronic Applications, contained in the records of the relevant Participating Banks, as the case may be) bear post office box numbers. No person acting or purporting to act on behalf of a deceased person is allowed to apply under the Securities Account with CDP in the name of the deceased at the time of the application.
5. We will not recognise the existence of a trust. Any application by a trustee or trustees must therefore be made in his/her/their own name(s) and without qualification or, where the application is made by way of an Application Form by a nominee, in the name(s) of an approved nominee company or companies after complying with paragraph 6 below.
6. **WE WILL NOT ACCEPT APPLICATIONS FROM NOMINEES EXCEPT THOSE MADE BY APPROVED NOMINEE COMPANIES ONLY.** Approved nominee companies are defined as banks, merchant banks, finance companies, insurance companies, licensed securities dealers in Singapore and nominee companies controlled by them. Applications made by persons acting as nominees other than approved nominee companies shall be rejected.

APPENDIX E – TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

7. **IF YOU ARE NOT AN APPROVED NOMINEE COMPANY, YOU MUST MAINTAIN A SECURITIES ACCOUNT WITH CDP IN YOUR OWN NAME AT THE TIME OF YOUR APPLICATION.** If you do not have an existing Securities Account with CDP in your own name at the time of your application, your application will be rejected (if you apply by way of an Application Form), or you will not be able to complete your Electronic Application (if you apply by way of an Electronic Application). If you have an existing Securities Account with CDP but fail to provide your Securities Account number or provide an incorrect Securities Account number in Section B of the Application Form or in your Electronic Application, as the case may be, your application is liable to be rejected. Subject to paragraph 8 below, your application shall be rejected if your particulars such as name, NRIC/passport number, nationality and permanent residence status provided in your Application Form or in the case of an Electronic Application, contained in records of the relevant Participating Bank at the time of your Electronic Application, as the case may be, differ from those particulars in your Securities Account as maintained with CDP. If you possess more than one (1) individual direct Securities Account with CDP, your application shall be rejected.
8. **If your address as stated in the Application Form or, in the case of an Electronic Application, contained in the records of the relevant Participating Bank, as the case may be, is different from the address registered with CDP, you must inform CDP of your updated address promptly, failing which the notification letter on successful allotment and other correspondence from CDP will be sent to your address last registered with CDP.**
9. **Our Company, in consultation with the Issue Manager and Full Sponsor and the Underwriter and Placement Agent, reserves the right to reject any application which does not conform strictly to the instructions set out in the Application Form and in this Offer Document or which does not comply with the instructions for Electronic Applications or with the terms and conditions of this Offer Document or, in the case of an application by way of an Application Form, which is illegible, incomplete, incorrectly completed or which is accompanied by an improperly drawn remittance or improper form of remittance.**

Our Company further reserves the right to treat as valid any applications not completed or submitted or effected in all respects in accordance with the instructions set out in the Application Forms or the instructions for Electronic Applications or the terms and conditions of this Offer Document, and also to present for payment or other processes all remittances at any time after receipt and to have full access to all information relating to, or deriving from, such remittances or the processing thereof.

Without prejudice to the rights of our Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent, as agents of our Company, have been authorised to accept, for and on behalf of our Company, such other forms of application as the Issue Manager and Full Sponsor and the Underwriter and Placement Agent deem appropriate.

10. **Our Company reserves the right to reject or to accept, in whole or in part, or to scale down or to ballot any application, without assigning any reason therefor, and no enquiry and/or correspondence on the decision with regards hereto will be entertained. This right applies to applications made by way of Application Forms and by way of Electronic Applications. In deciding the basis of allotment, which shall be at our discretion, due consideration will be**

APPENDIX E – TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

given to the desirability of allotting the Invitation Shares to a reasonable number of applicants with a view to establishing an adequate market for the Shares.

11. Share certificates will be registered in the name of CDP and will be forwarded only to CDP. It is expected that CDP will send to you, at your own risk, within 15 Market Days after the close of the Application List, and subject to the submission of valid applications and payment for the Invitation Shares, a statement of account stating that your Securities Account has been credited with the number of Invitation Shares allotted and/or allocated to you, if your application is successful. This will be the only acknowledgement of application monies received and is not an acknowledgement by our Company. You irrevocably authorise CDP to complete and sign on your behalf, as transferee or renounee, any instrument of transfer and/or other documents required for the issue and/or transfer of the Invitation Shares allotted and/or allocated to you. This authorisation applies to applications made by way of Application Forms and by way of Electronic Applications.
- 11A. In the event that our Company lodges a supplementary or replacement offer document (“**Relevant Document**”) pursuant to the SFA or any applicable legislation in force from time to time prior to the close of the Invitation, and the Invitation Shares have not been issued and/or transferred, we will (as required by law and subject to the SFA), at our sole and absolute discretion, either:
- (a) within two (2) days (excluding any Saturday, Sunday or public holiday) from the date of the lodgement of the Relevant Document, give you notice in writing of how to obtain, or arrange to receive, a copy of the same and provide you with an option to withdraw your application and take all reasonable steps to make available within a reasonable period the Relevant Document to you if you have indicated that you wish to obtain, or have arranged to receive, a copy of the Relevant Document;
 - (b) within seven (7) days of the lodgement of the Relevant Document give you a copy of the Relevant Document and provide you with an option to withdraw your application; or
 - (c) deem your application as withdrawn and cancelled and shall, within seven (7) days from the date of lodgement of the Relevant Document, return all monies paid in respect of any application, without interest or any share of revenue or benefit arising therefrom.

Where you have notified us within 14 days from the date of lodgement of the Relevant Document of your wish to exercise your option under Paragraph 11A (a) and (b) above to withdraw your application, we shall pay to you all monies paid by you on account of your application for the Invitation Shares without interest or any share of revenue or other benefit arising therefrom and at your own risk, within seven (7) days from the receipt of such notification.

- 11B. In the event that at the time of the lodgement of the Relevant Document, the Invitation Shares have already been issued and/or transferred but trading has not commenced, we will (as required by law and subject to the SFA), at our sole and absolute discretion, either:
- (a) within two (2) days (excluding Saturday, Sunday or public holiday) from the date of the lodgement of the Relevant Document, give you notice in writing of how to obtain, or arrange to receive, a copy of the same and provide you with an option to return to our Company the Invitation Shares which you do not wish to retain title in and take all

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reasonable steps to make available within a reasonable period the Relevant Document to you if you have indicated that you wish to obtain, or have arranged to receive, a copy of the Relevant Document;

- (b) within seven (7) days from the lodgement of the Relevant Document give you a copy of the Relevant Document and provide you with an option to return the Invitation Shares which you do not wish to retain title in; or
- (c) in the case of the Invitation Shares, subject to compliance with the Cayman Islands Companies Act and our Articles of Association, we shall buy back the Invitation Shares at the Invitation Price and cancel such Invitation Shares upon repurchase, as the issue of the Invitation Shares is required by the SFA to be treated as void, within seven (7) days from the date of lodgement of the supplementary or replacement offer document and you shall not have any claim against our Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent.

Any applicant who wishes to exercise his option under paragraph 11B (a) and (b) above to return the Invitation Shares issued and/or transferred to him shall, within 14 days from the date of lodgement of the Relevant Document, notify us of this and return all documents, if any, purporting to be evidence of title of those Invitation Shares, whereupon we shall, subject to compliance with the Cayman Islands Companies Act and the Articles of Association of our Company, within seven (7) days from the receipt of such notification and documents, purchase the applicant's Invitation Shares at the Invitation Price and pay to him all monies paid by him for the Invitation Shares without interest or any share of revenue or other benefit arising therefrom and at his own risk, and those Invitation Shares shall be cancelled upon repurchase by our Company.

Additional terms and instructions applicable upon the lodgement of the Relevant Document, including instructions on how you can exercise the option to withdraw your application or return the Invitation Shares allotted and/or allocated to you, may be found in such Relevant Document.

12. In the event of an under-subscription for Offer Shares as at the close of the Application List, that number of Offer Shares under-subscribed shall be made available to satisfy applications for the Placement Shares to the extent that there is an over-subscription for Placement Shares as at the close of the Application List.

In the event of an under-subscription for Placement Shares as at the close of the Application List, that number of Placement Shares under-subscribed shall be made available to satisfy applications for Offer Shares to the extent that there is an over-subscription for Offer Shares as at the close of the Application List.

In the event of an over-subscription for Offer Shares as at the close of the Application List and Placement Shares are fully subscribed or over-subscribed as at the close of the Application List, the successful applications for Offer Shares will be determined by ballot or otherwise as determined by our Directors after consultation with the Issue Manager and Full Sponsor and the Underwriter and Placement Agent and approved by the SGX-ST.

In all the above instances, the basis of allotment of the Invitation Shares as may be decided by our Directors in ensuring a reasonable spread of shareholders of our Company, shall be

APPENDIX E – TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

made public as soon as practicable via an announcement through the SGX-ST and through an advertisement in a generally circulating daily press.

13. You irrevocably authorise CDP to disclose the outcome of your application, including the number of Invitation Shares allotted and/or allocated to you pursuant to your application, to us, the Issue Manager and Full Sponsor, the Underwriter and Placement Agent and any other parties so authorised by the foregoing persons. CDP shall not be liable for any delays, failures, or inaccuracies in the recording, storage or transmission of delivery of data relating to Electronic Applications.
14. Any reference to “you” or the “applicant” in this section shall include an individual, a corporation, an approved nominee and trustee applying for the Offer Shares by way of an Offer Shares Application Form or by way of an Electronic Application and a person applying for the Placement Shares through the Underwriter and Placement Agent by way of a Placement Shares Application Form.
15. By completing and delivering an Application Form or by making and completing an Electronic Application by (in the case of an ATM Electronic Application) pressing the “Enter” or “OK” or “Confirm” or “Yes” or any other relevant key on the ATM (as the case may be) or by (in the case of an Internet Electronic Application or mBanking Application) clicking “Submit” or “Continue” or “Yes” or “Confirm” or any other relevant button on the IB website screen of the relevant Participating Banks or the mBanking interface of DBS Bank and UOB (as the case may be) in accordance with the provisions of this Offer Document, you:
 - (a) irrevocably offer, agree and undertake to subscribe for and/or purchase the number of Invitation Shares specified in your application (or such smaller number for which the application is accepted) at the Invitation Price for each Invitation Share and agree that you will accept such Invitation Shares as may be allotted and/or allocated to you, in each case on the terms of, and subject to the conditions set out in this Offer Document and the Memorandum and Articles of Association of our Company;
 - (b) agree that, in the event of any inconsistency between the terms and conditions for application set out in this Offer Document and those set out in the IB websites or ATMs of the relevant Participating Banks or the mBanking interface of DBS Bank and UOB, the terms and conditions set out in this Offer Document shall prevail;
 - (c) agree that the aggregate Invitation Price for the Invitation Shares applied for is due and payable to our Company upon application;
 - (d) warrant the truth and accuracy of the information contained, and representations and declarations made, in your application, and acknowledge and agree that such information, representations and declarations will be relied on by our Company in determining whether to accept your application and/or whether to allot and/or allocate any Invitation Shares to you;
 - (e) (i) consent to the collection, use, processing and disclosure of your name, NRIC/passport number or company registration number, address, nationality, permanent resident status, CDP Securities Account number, share application details (including share application amount), the outcome of your application (including the number of Invitation Shares allocated to you pursuant to your application) and

APPENDIX E – TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

other personal data (“**Personal Data**”) by the Share Registrar and Share Transfer Agent, CDP, SCCS, SGX-ST, the Participating Banks, our Company, the Issue Manager and Full Sponsor, the Underwriter and Placement Agent and/or other authorised operators (the “**Relevant Parties**”) for the purpose of facilitating your application for the Invitation Shares, and in order for the Relevant Parties to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the “**Purposes**”) and warrant that such Personal Data is true, accurate and correct;

- (ii) warrant that where you, as an approved nominee company, disclose the Personal Data of the beneficial owner(s) to the Relevant Parties, you have obtained the prior consent of such beneficial owner(s) for the collection, use, processing and disclosure by the Relevant Parties of the Personal Data of such beneficial owner(s) for the Purposes;
 - (iii) agree that the Relevant Parties may do anything or disclose any Personal Data or matters without notice to you if the Issue Manager and Full Sponsor and the Underwriter and Placement Agent considers them to be required or desirable in respect of any applicable policy, law, regulation, government entity, regulatory authority or similar body; and
 - (iv) agree that you will indemnify the Relevant Parties in respect of any penalties, liabilities, claims, demands, losses and damages as a result of your breach of warranties. You also agree that the Relevant Parties shall be entitled to enforce this indemnity (collectively, the “**Personal Data Privacy Terms**”); and
 - (f) agree and warrant that, if the laws of any jurisdictions outside Singapore are applicable to your application, you have complied with all such laws and none of our Company, the Issue Manager and Full Sponsor nor the Underwriter and Placement Agent will infringe any such laws as a result of the acceptance of your application.
16. Our acceptance of applications will be conditional upon, *inter alia*, our Company being satisfied that:
- (a) permission has been granted by the SGX-ST to deal in and for quotation for all our existing Shares and the Invitation Shares on Catalist;
 - (b) the Management and Sponsorship Agreement and the Underwriting and Placement Agreement referred to in the section entitled “Plan of Distribution – Management, Underwriting and Placement Arrangements” of this Offer Document have become unconditional and have not been terminated or cancelled prior to such date as our Company may determine; and
 - (c) the SGX-ST, acting as agent on behalf of the Authority, has not served a stop order (“**Stop Order**”) which directs that no or no further shares to which this Offer Document relates be allotted and/or allocated or issued and/or transferred.

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17. In the event that a Stop Order in respect of the Invitation Shares is served by the SGX-ST, acting as agent on behalf of the Authority or other competent authority, and
- (a) in the case where the Invitation Shares have not been issued and/or transferred, all applications shall be deemed to have been withdrawn and cancelled and our Company shall refund all monies paid on account of your application of the Invitation Shares (without interest or any share of revenue or other benefit arising therefrom and at your own risk) to you within 14 days of the date of the Stop Order; or
 - (b) in the case where the Invitation Shares have already been issued and/or transferred but trading has not commenced and the issue and/or transfer of the Invitation Shares is required by the SFA to be deemed to be void, our Company shall, subject to compliance with the Cayman Islands Companies Act and our Articles of Association, within 14 days from the date of the Stop Order, purchase your Invitation Shares at the Invitation Price and pay to you all monies you have paid on account of your application for the Invitation Shares (without interest or any share of revenue or other benefit arising therefrom and at your own risk).

This shall not apply where only an interim Stop Order has been served.

If we are required by applicable Singapore laws to cancel issued or transferred Invitation Shares and repay application monies to applicants (including instances where a Stop Order is issued), subject to compliance with the Cayman Islands Companies Act and our Articles of Association, our Company will purchase the Invitation Shares at the Invitation Price.

18. In the event that an interim Stop Order in respect of the Invitation Shares is served by the SGX-ST, acting as agent on behalf of the Authority, or other competent authority, no Invitation Shares shall be issued and/or transferred to you during the time when the interim Stop Order is in force.
19. The SGX-ST, acting as agent on behalf of the Authority or other competent authority, is not able to serve a Stop Order in respect of the Invitation Shares if the Invitation Shares have been issued and/or transferred, listed on a securities exchange and trading in the Invitation Shares has commenced. In the event of any changes in the closure of the Application List or the time period during which the Invitation is open, we will publicly announce the same through a SGXNET announcement to be posted on the internet at the SGX-ST website, <http://www.sgx.com> and through a paid advertisement in a local English newspaper.
20. Our Company will not hold any application in reserve.
21. Our Company will not allot and/or allocate Shares on the basis of this Offer Document later than six (6) months after the date of registration of this Offer Document by the SGX-ST, acting as agent on behalf of the Authority.
22. Additional terms and conditions for applications by way of Application Forms are set out on pages E-8 to E-13 of this Offer Document.
23. Additional terms and conditions for applications by way of Electronic Applications are set out on pages E-13 to E-26 of this Offer Document.

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ADDITIONAL TERMS AND CONDITIONS FOR APPLICATIONS USING APPLICATION FORMS

Applications by way of an Application Form shall be made on, and subject to, the terms and conditions of this Offer Document including but not limited to the terms and conditions appearing below as well as those set out in the section entitled “Terms, Conditions and Procedures for Application and Acceptance” of this Offer Document, as well as the Memorandum and Articles of Association of our Company.

1. Your application for the Offer Shares must be made using the **WHITE** Application Forms and **WHITE** envelopes “A” and “B” for Offer Shares, the **BLUE** Application Forms for Placement Shares, accompanying and forming part of this Offer Document.
2. We draw your attention to the detailed instructions contained in the respective Application Forms and this Offer Document for the completion of the Application Forms which must be carefully followed. **Our Company, in consultation with the Issue Manager and Full Sponsor and the Underwriter and Placement Agent reserves the right to reject applications which do not conform strictly to the instructions set out in the Application Forms and this Offer Document or to the terms and conditions of this Offer Document or which are illegible, incomplete, incorrectly completed or which are accompanied by improperly drawn remittances or improper form of remittance.**
3. Your Application Forms must be completed in English. Please type or write clearly in ink using **BLOCK LETTERS**.
4. All spaces in the Application Forms except those under the heading “FOR OFFICIAL USE ONLY” must be completed and the words “NOT APPLICABLE” or “N.A.” should be written in any space that is not applicable.
5. Individuals, corporations, approved nominee companies and trustees must give their names in full. If you are an individual, you must make your application using your full names as it appears in your identity cards (if you have such an identification document) or in your passports and, in the case of a corporation, in your full name as registered with a competent authority. If you are a non- individual, you must complete the Application Form under the hand of an official who must state the name and capacity in which he signs the Application Form. If you are a corporation completing the Application Form, you are required to affix your Common Seal (if any) in accordance with your Memorandum and Articles of Association or equivalent constitutive documents of the corporation. If you are a corporate applicant and your application is successful, a copy of your Memorandum and Articles of Association or equivalent constitutive documents must be lodged with our Company’s Share Registrar and Share Transfer Agent. Our Company reserve the right to require you to produce documentary proof of identification for verification purposes.
6.
 - (a) You must complete Sections A and B and sign page 1 of the Application Form.
 - (b) You are required to delete either paragraph 7(a) or 7(b) on page 1 of the Application Form. Where paragraph 7(a) is deleted, you must also complete Section C of the Application Form with particulars of the beneficial owner(s).
 - (c) If you fail to make the required declaration in paragraph 7(a) or 7(b), as the case may be, on page 1 of the Application Form, your application is liable to be rejected.

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7. You (whether you are an individual or corporate applicant, whether incorporated or unincorporated and wherever incorporated or constituted) will be required to declare whether you are a citizen or permanent resident of Singapore or a corporation in which citizens or permanent residents of Singapore or any body corporate constituted under any statute of Singapore having an interest in the aggregate of more than 50.0% of the issued share capital of or interests in such corporations.

If you are an approved nominee company, you are required to declare whether the beneficial owner of the Invitation Shares is a citizen or permanent resident of Singapore or a corporation, whether incorporated or unincorporated and wherever incorporated or constituted, in which citizens or permanent residents of Singapore or any body corporate whether incorporated or unincorporated and wherever incorporated or constituted under any statute of Singapore have an interest in the aggregate of more than 50.0% of the issued share capital of or interests in such corporation.

Your application must be accompanied by a remittance in Singapore currency for the full amount payable, in respect of the number of Invitation Shares applied for, in the form of a BANKER'S DRAFT or CASHIER'S ORDER drawn on a bank in Singapore, made out in favour of "TRANS-CHINA SHARE ISSUE ACCOUNT" crossed "A/C PAYEE ONLY", and with your name and address written clearly on the reverse side. **Applications not accompanied by any payment or accompanied by any other form of payment will not be accepted.** We will reject remittances bearing "NOT TRANSFERABLE" or "NON TRANSFERABLE" crossings. No acknowledgement or receipt will be issued by our Company or the Sponsor for applications and application monies received.

8. Monies paid in respect of unsuccessful applications are expected to be returned (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post within 24 hours of balloting of applications at your own risk. Where your application is rejected or accepted in part only, the full amount or the balance of the application monies, as the case may be, will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post at your own risk within 14 days after the close of the Application List, provided that the remittance accompanying such application which has been presented for payment or other processes has been honoured and application monies have been received in the designated share issue account. In the event that the Invitation does not proceed for any reason, the full amount of the application monies received will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post at your own risk within five (5) Market Days of the termination of the Invitation. In the event that the Invitation is cancelled by us following the issuance of a Stop Order by the SGX-ST, acting as agent on behalf of the Authority, the application monies received will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post at your own risk within 14 days from the date of the Stop Order.
9. Capitalised terms used in the Application Forms and defined in this Offer Document shall bear the meanings assigned to them in this Offer Document.

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10. You irrevocably agree and acknowledge that your application is subject to risks of fires, acts of God and other events beyond the control of the Participating Banks, our Company, our Directors, the Issue Manager and Full Sponsor, the Underwriter and Placement Agent and/or any other party involved in the Invitation, and if, in any such event, our Company, the Issue Manager and Full Sponsor, the Underwriter and Placement Agent and/or the relevant Participating Bank do not receive your Application Form, you shall have no claim whatsoever against our Company, the Issue Manager and Full Sponsor, the Underwriter and Placement Agent, the relevant Participating Bank and/or any other party involved in the Invitation for the Invitation Shares applied for or for any compensation, loss or damage.
11. By completing and delivering the Application Form, you agree that:
- (i) in consideration of our Company having distributed the Application Form to you and agreeing to close the Application List at 12.00 noon on 9 November 2021 or such other time or date as our Company may, in consultation with the Issue Manager and Full Sponsor and the Underwriter and Placement Agent decide and by completing and delivering the Application Form:
 - (i) your application is irrevocable; and
 - (ii) your remittance will be honoured on first presentation and that any monies returnable may be held pending clearance of your payment without interest or any share of revenue or other benefit arising therefrom;
 - (ii) neither our Company, the Issue Manager and Full Sponsor, the Underwriter and Placement Agent nor any other party involved in the Invitation shall be liable for any delays, failures or inaccuracies in the recording, storage or in the transmission or delivery of data relating to your application to us or CDP due to breakdowns or failure of transmission, delivery or communication facilities or any risks referred to in paragraph 10 above or to any cause beyond their respective controls;
 - (iii) all applications, acceptances and contracts resulting therefrom under the Invitation shall be governed by and construed in accordance with the laws of Singapore and that you irrevocably submit to the non-exclusive jurisdiction of the Singapore courts;
 - (iv) in respect of the Invitation Shares for which your application has been received and not rejected, acceptance of your application shall be constituted by written notification and not otherwise, notwithstanding any remittance being presented for payment by or on behalf of our Company;
 - (v) you will not be entitled to exercise any remedy of rescission for misrepresentation at any time after acceptance of your application;
 - (vi) in making your application, reliance is placed solely on the information contained in this Offer Document and that none of our Company, the Issue Manager and Full Sponsor, the Underwriter and Placement Agent or any other person involved in the Invitation shall have any liability for any information not so contained;

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- (vii) you accept and agree to the Personal Data Privacy Terms set out in this Offer Document;
- (viii) for the purposes of facilitating your application, you consent to the collection, use, processing and disclosure, by or on behalf of our Company, of your Personal Data to the Relevant Parties in accordance with the Personal Data Privacy Terms; and
- (ix) you irrevocably agree and undertake to subscribe for and/or purchase the number of Invitation Shares applied for as stated in the Application Form or any smaller number of such Invitation Shares that may be allotted and/or allocated to you in respect of your application. In the event that our Company decide to allot and/or allocate a smaller number of Invitation Shares or not to allot and/or allocate any Invitation Shares to you, you agree to accept such decision as final.

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Applications for Offer Shares

1. Your application for Offer Shares **MUST** be made using the **WHITE** Offer Shares Application Forms and **WHITE** official envelopes “A” and “B”. **ONLY ONE (1) APPLICATION** should be enclosed in each envelope.
2. You must:
 - (a) enclose the **WHITE** Offer Shares Application Form, duly completed and signed, together with the correct remittance in accordance with the terms and conditions of this Offer Document in the **WHITE** envelope “A” provided;
 - (b) in the appropriate spaces on **WHITE** envelope “A”:
 - (i) write your name and address;
 - (ii) state the number of Offer Shares applied for;
 - (iii) tick the relevant box to indicate the form of payment; and
 - (iv) affix adequate Singapore postage;
 - (c) Seal the **WHITE** envelope “A”;
 - (d) write, in the special box provided on the larger **WHITE** envelope “B” addressed to **In.Corp Corporate Services Pte. Ltd., 30 Cecil Street, #19-08 Prudential Tower, Singapore 049712**, the number of Offer Shares for which the application is made; and
 - (e) insert **WHITE** envelope “A” into **WHITE** envelope “B”, seal **WHITE** envelope “B”, affix adequate Singapore postage on **WHITE** official envelope “B” (if despatching by ordinary post) and thereafter **DESPATCH BY ORDINARY POST OR DELIVER BY HAND** at your own risk to **In.Corp Corporate Services Pte. Ltd., 30 Cecil Street, #19-08 Prudential Tower, Singapore 049712**, to arrive by **12.00 noon on 9 November 2021 or such other time as our Company may, in consultation with the Issue Manager and Full Sponsor and the Underwriter and Placement Agent decide. Local Urgent Mail or Registered Post must NOT be used.** No acknowledgement of receipt will be issued for any application or remittance received.
3. Applications that are illegible, incomplete or incorrectly completed or accompanied by improperly drawn remittances or improper form of remittance or which are not honoured upon their first presentation are liable to be rejected.

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Applications for Placement Shares

1. Your application for Placement Shares **MUST** be made using the **BLUE** Placement Shares Application Forms. **ONLY ONE (1) APPLICATION** should be enclosed in each envelope.
2. The completed and signed **BLUE** Placement Shares Application Form and the correct remittance in full in respect of the number of Placement Shares applied for (in accordance with the terms and conditions of this Offer Document) with your name and address written clearly on the reverse side, must be enclosed and sealed in an envelope to be provided by you. You must affix adequate Singapore postage on the envelope (if despatching by ordinary post) and thereafter the sealed envelope must be **DESPATCHED BY ORDINARY POST OR DELIVERED BY HAND** at your own risk to **In.Corp Corporate Services Pte. Ltd., 30 Cecil Street, #19-08 Prudential Tower, Singapore 049712, to arrive by 12.00 noon on 9 November 2021 or such other time as our Company may, in consultation with the Issue Manager and Full Sponsor and the Underwriter and Placement Agent, decide. Local Urgent Mail or Registered Post must NOT be used.** No acknowledgement of receipt will be issued for any application or remittance received.
3. Applications that are illegible, incomplete or incorrectly completed or accompanied by improperly drawn remittances or improper form of remittance or which are not honoured upon their first presentation are liable to be rejected.

ADDITIONAL TERMS AND CONDITIONS FOR ELECTRONIC APPLICATIONS

The procedures for Electronic Applications are set out on the ATM screens (in the case of ATM Electronic Applications) and the IB website screens (in the case of Internet Electronic Applications) of the relevant Participating Banks and the mBanking interface of DBS Bank and UOB (in the case of mBanking Applications). For illustration purposes, the procedures for Electronic Applications through ATMs and the IB website of UOB are set out respectively in the “Steps for an ATM Electronic Application through ATMs of UOB”, the “Steps for an Internet Electronic Application through the IB website of UOB” and the “Steps for mBanking Applications through the UOB Mighty application” (collectively, the “**Steps**”) appearing on pages E-20 to E-26 of this Offer Document.

The Steps set out the actions that you must take at an ATM or the IB website of UOB to complete an Electronic Application. Please read carefully the terms of this Offer Document, the Steps and the terms and conditions for Electronic Applications set out below before making an Electronic Application. Any reference to “you” or the “applicant” in this section “Additional Terms and Conditions for Electronic Applications” and the Steps shall refer to you making an application for Offer Shares through an ATM or the IB website of a relevant Participating Bank.

You must have an existing bank account with and be an ATM cardholder of one (1) of the Participating Banks before you can make an Electronic Application at the ATMs. An ATM card issued by one (1) Participating Bank cannot be used to apply for Offer Shares at an ATM belonging to other Participating Banks. For an Internet Electronic Application, you must have an existing bank account with an IB User Identification (“**User ID**”) and a Personal Identification Number/Password (“**PIN**”) given by the relevant Participating Bank. The Steps set out the actions that you must take at ATMs or the IB website of UOB to complete an Electronic Application. The actions that you must take at the ATMs, the IB websites, or the mBanking interface of other Participating Banks are set out on the ATM screens or the IB website screens of the relevant Participating

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Banks or the mBanking interface of DBS Bank and UOB. Upon the completion of your ATM Electronic Application transaction, you will receive an ATM transaction slip (“**Transaction Record**”), confirming the details of your Electronic Application. Upon completion of your Internet Electronic Application through the IB website of the relevant Participating Bank or your mBanking Application through the mBanking interface of DBS Bank and UOB, there will be an on-screen confirmation (“**Confirmation Screen**”) of the application which can be printed for your record. The Transaction Record or your printed record of the Confirmation Screen is for your retention and should not be submitted with any Application Form.

You must ensure that you enter your own Securities Account number when using the ATM card issued to you in your own name. If you fail to use your own ATM card or if you do not key in your own Securities Account number, your application will be rejected. If you operate a joint bank account with any of the Participating Banks, you must ensure that you enter your own Securities Account number when using the ATM card issued to you in your own name. Using your own Securities Account number with an ATM card which is not issued to you in your own name will render your ATM Electronic Application liable to be rejected.

You must ensure, when making an Internet Electronic Application or a mBanking Application, that your mailing address for the account selected for the application is in Singapore and the application is being made in Singapore and you will be asked to declare accordingly. Otherwise your application is liable to be rejected. In connection with this, you will be asked to declare that you are in Singapore at the time when you make the application.

You shall make an Electronic Application in accordance with and subject to the terms and conditions of this Offer Document including but not limited to the terms and conditions appearing below and those set out in the section entitled “Terms, Conditions and Procedures for Application and Acceptance” of this Offer Document as well as the Memorandum and Articles of Association of our Company.

1. In connection with your Electronic Application for Offer Shares, you are required to confirm statements to the following effect in the course of activating your Electronic Application:
 - (a) **that you have received a copy of this Offer Document (in the case of ATM Electronic Applications only) and have read, understood and agreed to all the terms and conditions of application for Offer Shares and this Offer Document prior to effecting the Electronic Application and agree to be bound by the same;**
 - (b) **you accept and agree to the Personal Data Privacy Terms set out in this Offer Document;**
 - (c) **that, for the purposes of facilitating your application, you consent to the collection, use, processing and disclosure, by or on behalf of our Company, of your Personal Data from your records with the relevant Participating Bank to the Relevant Parties in accordance with the Personal Data Privacy Terms; and**
 - (d) **that this is your only application for Offer Shares and it is made in your own name and at your own risk.**

Your application will not be successfully completed and cannot be recorded as a completed transaction in the ATM, on the IB website screen or the mBanking interface unless you press

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the “Enter” or “Confirm” or “Yes” or “OK” or any other relevant key in the ATM or click “Confirm” or “OK” or “Submit” or “Continue” or “Yes” or any other relevant button on the IB website screen of the Participating Banks or the mBanking interface of DBS Bank and UOB.

By doing so, you shall be treated as signifying your confirmation of each of the above three (3) statements. In respect of statement 1(b) above, such confirmation, shall signify and shall be treated as your written permission, given in accordance with the relevant laws of Singapore including Section 47(2) of the Banking Act (Chapter 19) of Singapore to the disclosure by the relevant Participating Bank of the Relevant Particulars to the Relevant Parties.

2. **BY MAKING AN ELECTRONIC APPLICATION, YOU CONFIRM THAT YOU ARE NOT APPLYING FOR OFFER SHARES AS A NOMINEE OF ANY OTHER PERSON AND THAT ANY ELECTRONIC APPLICATION THAT YOU MAKE IS THE ONLY APPLICATION MADE BY YOU AS THE BENEFICIAL OWNER.**

YOU SHOULD MAKE ONLY ONE (1) ELECTRONIC APPLICATION FOR OFFER SHARES AND SHOULD NOT MAKE ANY OTHER APPLICATION FOR OFFER SHARES OR PLACEMENT SHARES, WHETHER AT THE ATMS OR THE IB WEBSITE OF ANY OF THE PARTICIPATING BANKS OR THE MBANKING INTERFACE OF DBS BANK AND UOB, AS THE CASE MAY BE, OR ON THE APPLICATION FORMS. IF YOU HAVE MADE AN APPLICATION FOR OFFER SHARES OR PLACEMENT SHARES ON AN APPLICATION FORM, YOU SHALL NOT MAKE AN ELECTRONIC APPLICATION FOR OFFER SHARES AND VICE VERSA.

3. You must have sufficient funds in your bank account with your Participating Bank at the time you make your Electronic Application at the ATM or the IB website or the mBanking interface of the relevant participating bank, failing which your Electronic Application will not be completed or accepted. Any Electronic Application which does not conform strictly to the instructions set out in this Offer Document or on the screens of the ATM or the IB website of the relevant Participating Bank or on the mBanking interface of DBS Bank and UOB through which your Electronic Application is being made shall be rejected.

You may make an ATM Electronic Application at the ATM of any Participating Bank, an Internet Electronic Application at the IB website of the relevant Participating Bank or an mBanking Application through the mBanking interface of DBS Bank and UOB for the Offer Shares using only cash by authorising such Participating Bank to deduct the full amount payable from your account with such Participating Bank.

4. You irrevocably agree and undertake to subscribe for and/or to accept the number of Offer Shares applied for as stated on the Transaction Record or the Confirmation Screen or any lesser number of Offer Shares that may be allotted and/or allocated to you in respect of your Electronic Application.

In the event that our Company decide to allot and/or allocate any lesser number of such Offer Shares or not to allot and/or allocate any Offer Shares to you, you agree to accept such decision as final. If your Electronic Application is successful, your confirmation (by your action of pressing the “Enter” or “Confirm” or “Yes” or “OK” or any other relevant key on the ATM or clicking “Confirm” or “OK” or “Submit” or “Continue” or “Yes” or any other relevant button on the IB website screen of the Participating Banks or the mBanking interface of DBS

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Bank and UOB) of the number of Offer Shares applied for shall signify and shall be treated as your acceptance of the number of Offer Shares that may be allotted and/or allocated to you and your agreement to be bound by the Memorandum and Articles of Association of our Company. You also irrevocably authorise CDP to complete and sign on your behalf as transferee or renounee any instrument of transfer and/or other documents required for the transfer of the Offer Shares that may be allotted and/or allocated to you.

5. **Our Company will not keep any applications in reserve.** Where your Electronic Application is unsuccessful, the full amount of the application monies will be refunded in Singapore currency (without interest or any share of revenue or other benefit arising therefrom) to you by being automatically credited to your account with your Participating Bank within 24 hours of balloting of the applications provided that the remittance in respect of such application which has been presented for payment or other processes have been honoured and the application monies have been received in the designated share issue account. **Trading on a “WHEN ISSUED” basis, if applicable, is expected to commence after such refund has been made.**

Where your Electronic Application is rejected or accepted in part only, the full amount or the balance of the application monies, as the case may be, will be refunded in Singapore currency (without interest or any share of revenue or other benefit arising therefrom) to you by being automatically credited to your account with your Participating Bank within 14 days after the close of the Application List provided that the remittance in respect of such application which has been presented for payment or other processes have been honoured and the application monies have been received in the designated share issue account.

Responsibility for timely refund of application monies arising from unsuccessful or partially successful Electronic Applications lies solely with the respective Participating Banks. Therefore, you are strongly advised to consult your Participating Bank as to the status of your Electronic Application and/or the refund of any monies to you from unsuccessful or partially successful Electronic Application, to determine the exact number of Offer Shares allotted and/or allocated to you before trading the Offer Shares on Catalist. You may also call CDP Phone at 6535 7511 to check the provisional results of your application by using your T-pin (issued by CDP upon your application for the service) and keying in the stock code (that will be made available together with the results of the allotment via an announcement through the SGX-ST and by advertisement in a generally circulating daily press). To sign up for the service, you may contact CDP customer service officers. Neither the SGX-ST, the CDP, the SCCS, the Participating Banks, our Company, the Issue Manager and Full Sponsor nor the Underwriter and Placement Agent assume any responsibility for any loss that may be incurred as a result of you having to cover any net sell positions or from buy-in procedures activated by the SGX-ST.

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6. If your Electronic Application is unsuccessful, no notification will be sent by the relevant Participating Banks.

If you make Electronic Applications through the ATMs or the IB websites of the following Participating Banks, you may check the provisional results of your Electronic Applications as follows:

Bank	Telephone	ATM/Internet	Operating Hours	Service Expected From
UOB	1800 222 2121	ATM – (“Other Transactions – IPO Results Enquiry”)/IB – https://pib.uob.com.sg/ Phone Banking/UOB Mighty mobile application ⁽¹⁾	24 hours a day	Evening of the balloting day
DBS/POSB	1800 339 6666 (for POSB account holders) 1800 111 1111 (for DBS account holders)	Internet Banking http://www.dbs.com ⁽²⁾	24 hours a day	Evening of the balloting day
OCBC	1800 363 3333	ATM/IB – https://www.ocbc.com/ Phone Banking ⁽³⁾	24 hours a day	Evening of the balloting day

Notes:

- (1) Applicants who have made Electronic Applications through UOB’s ATMs, IB website or mBanking interface by way of the UOB Mighty application may check the results of their Electronic Application through any of the channels listed in the table above.
- (2) Applicants who have made Internet Electronic Applications through the IB website of DBS Bank or mBanking Applications through the mBanking interface of DBS Bank may check the results of their applications through the same channels listed in the table above in relation to ATM Electronic Applications made at the ATMs of DBS Bank.
- (3) Applicants who have made Electronic Applications through the ATMs or the IB website of OCBC may check the results of their Electronic Applications through OCBC Personal Internet Banking, OCBC ATMs or OCBC Phone Banking services.

7. You irrevocably agree and acknowledge that your Electronic Application is subject to risks of electrical, electronic, technical and computer-related faults and breakdowns, fires, acts of God and other events beyond the control of the Participating Banks, our Company, the Issue Manager and Full Sponsor and the Underwriter and Placement Agent and if, in any such event, our Company, the Issue Manager and Full Sponsor, the Underwriter and Placement Agent and/or the relevant Participating Bank do not receive your Electronic Application, or data relating to your Electronic Application or the tape or any other devices containing such data is lost, corrupted or not otherwise accessible, whether wholly or partially for whatever reason, you shall be deemed not to have made an Electronic Application and you shall have no claim whatsoever against our Company, our Directors, the Issue Manager and Full Sponsor, the Underwriter and Placement Agent and/or the relevant Participating Bank for Offer Shares applied for or for any compensation, loss or damage.

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8. **Electronic Applications shall close at 12.00 noon on 9 November 2021 or such other time as our Company may, in consultation with the Issue Manager and Full Sponsor and the Underwriter and Placement Agent, decide.** Subject to the paragraph above, all Internet Electronic Applications and mBanking Applications are deemed to be received when it enters the designated information system of the relevant Participating Bank, that is, when there is an on-screen confirmation of the application.
9. You are deemed to have irrevocably requested and authorised our Company to:
 - (a) register the Offer Shares allotted and/or allocated to you in the name of CDP for deposit into your Securities Account;
 - (b) send the relevant Share certificate(s) to CDP;
 - (c) return or refund (without interest or any share of revenue or other benefit arising therefrom) the application monies, should your Electronic Application be unsuccessful, by automatically crediting your bank account with your Participating Bank with the relevant amount within 24 hours of the balloting of applications; and
 - (d) return or refund (without interest or any share of revenue or other benefit arising therefrom) the balance of the application monies should your Electronic Application be accepted in part only, by automatically crediting your bank account with your Participating Bank with the relevant amount within 14 days after the close of the Application List.
10. We do not recognise the existence of a trust. Any Electronic Application by a trustee must be made in your own name and without qualification. Our Company will reject any application by any person acting as nominee except those made by approved nominee companies only.
11. All your particulars in the records of your relevant Participating Bank at the time you make your Electronic Application shall be deemed to be true and correct and your relevant Participating Bank and the Relevant Parties shall be entitled to rely on the accuracy thereof. If there has been any change in your particulars after the time of the making of your Electronic Application, you shall promptly notify your relevant Participating Bank.
12. **You should ensure that your personal particulars as recorded by both CDP and the relevant Participating Bank are correct and identical, otherwise, your Electronic Application is liable to be rejected.** You should promptly inform CDP of any change in address, failing which the notification letter on successful allotment will be sent to your address last registered with CDP.
13. By making and completing an Electronic Application, you are deemed to have agreed that:
 - (a) in consideration of our Company making available the Electronic Application facility, through the Participating Banks as the agents of our Company, at the ATMs and IB websites of the relevant Participating Banks and the mBanking interface of DBS Bank and UOB (if any):
 - (i) your Electronic Application is irrevocable; and

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- (ii) your Electronic Application, our acceptance and the contract resulting therefrom under the Invitation shall be governed by and construed in accordance with the laws of Singapore and you irrevocably submit to the non-exclusive jurisdiction of the Singapore courts;
- (b) neither our Company, the Issue Manager and Full Sponsor, the Underwriter and Placement Agent, the Participating Banks nor CDP shall be liable for any delays, failures or inaccuracies in the recording, storage or in the transmission or delivery of data relating to your Electronic Application to our Company or CDP due to breakdowns or failure of transmission, delivery or communication facilities or any risks referred to in paragraph 7 above or to any cause beyond our respective controls;
- (c) in respect of Offer Shares for which your Electronic Application has been successfully completed and not rejected, acceptance of your Electronic Application shall be constituted by written notification by or on behalf of our Company and not otherwise, notwithstanding any payment received by or on behalf of our Company;
- (d) you will not be entitled to exercise any remedy of rescission or misrepresentation at any time after acceptance of your application; and
- (e) in making your application, reliance is placed solely on the information contained in this Offer Document and that none of our Company, the Issue Manager and Full Sponsor, the Underwriter and Placement Agent or any other person involved in the Invitation shall have any liability for any information not so contained.

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Steps for Electronic Applications through the ATMs, the IB website and the mBanking interface of UOB

The instructions for Electronic Applications will appear on the ATM screens, the IB website screens and the mBanking interface of the respective Participating Banks. For illustrative purposes, the steps for making an Electronic Application through ATMs, through the IB website or through the mBanking interface of UOB are shown below. Instructions for Electronic Applications appearing on the ATM screens, the IB website screens and the mBanking interface of the relevant Participating Banks (other than UOB) may differ from that represented below.

Steps for an ATM Electronic Application through ATMs of UOB

Owing to space constraints on UOB's ATM screens, the following terms will appear in abbreviated form:

"&"	:	AND
"CDP"	:	THE CENTRAL DEPOSITORY (PTE) LIMITED
"CPF"	:	THE CENTRAL PROVIDENT FUND
"NRIC" OR "IC"	:	NATIONAL REGISTRATION IDENTITY CARD
"PIN"	:	PERSONAL IDENTIFICATION NUMBER
"PR"	:	PERMANENT RESIDENT
"SCCS"	:	SECURITIES CLEARING & COMPUTER SERVICES (PTE) LIMITED
Step 1	:	Insert your personal Unicard, Uniplus card or UOB VISA/MASTER card and key in your personal identification number
Step 2	:	Select " CASHCARD/OTHER TRANS "
Step 3	:	Select " SECURITIES APPLICATION "
Step 4	:	Select the share counter which you wish to apply for

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Step 5 : Read and understand the following statements which will appear on the screen:

- **THIS OFFER OF SECURITIES (OR UNITS OF SECURITIES) WILL BE MADE IN, OR ACCOMPANIED BY, A COPY OF THE OFFER DOCUMENT/OFFER INFORMATION STATEMENT/DOCUMENT OR SUPPLEMENTARY DOCUMENTS. ANYONE WISHING TO ACQUIRE THESE SECURITIES (OR UNITS OF SECURITIES) WILL NEED TO MAKE AN APPLICATION IN THE MANNER SET OUT IN THE OFFER DOCUMENT/OFFER INFORMATION STATEMENT/DOCUMENT OR SUPPLEMENTARY DOCUMENTS.**

(Press **"ENTER"** to continue)

- **PLEASE CALL 1800 222 2121 IF YOU WOULD LIKE TO FIND OUT WHERE YOU CAN OBTAIN A COPY OF THE OFFER DOCUMENT/OFFER INFORMATION STATEMENT/DOCUMENT OR SUPPLEMENTARY DOCUMENT.**
- **WHERE APPLICABLE, A COPY OF THE OFFER DOCUMENT/OFFER INFORMATION STATEMENT/DOCUMENT OR SUPPLEMENTARY DOCUMENT HAS BEEN LODGED WITH AND/OR REGISTERED BY THE MONETARY AUTHORITY OF SINGAPORE WHO ASSUMES NO RESPONSIBILITY FOR THE CONTENTS OF THE OFFER DOCUMENT/OFFER INFORMATION STATEMENT/DOCUMENT OR SUPPLEMENTARY DOCUMENT.**

(Press **"ENTER"** to continue)

Step 6 : Read and understand the following terms which will appear on the screen:

- **YOU HAVE READ, UNDERSTOOD AND AGREED TO ALL TERMS OF THE OFFER DOCUMENT/OFFER INFORMATION STATEMENT/DOCUMENT/ SUPPLEMENTARY DOCUMENT AND THIS ELECTRONIC APPLICATION.**

(Press **"ENTER"** to continue)

- **YOU CONSENT TO DISCLOSE YOUR NAME, IC/PASSPORT, NATIONALITY, ADDRESS, APPLICATION AMOUNT, CPF INVESTMENT ACCOUNT NUMBER AND CDP ACCOUNT NUMBER FROM YOUR ACCOUNTS TO CDP, CPF, SCCS, SHARE REGISTRARS, SGX-ST AND ISSUER.**
- **THIS IS YOUR ONLY FIXED PRICE APPLICATION AND IS IN YOUR NAME AND AT YOUR RISK.**

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Step 7 : Screen will display:

NRIC/Passport No. XXXXXXXXXXXXX

IF YOUR NRIC/PASSPORT NUMBER IS INCORRECT, PLEASE CANCEL THE TRANSACTION AND NOTIFY THE BRANCH PERSONALLY.

(Press **"CANCEL"** or **"CONFIRM"**)

Step 8 : Select mode of payment i.e. "CASH ONLY". You will be prompted to select Cash Account type to debit (i.e., **"CURRENT ACCOUNT/I-ACCOUNT"**, **"CAMPUS ACCOUNT"** OR **"SAVINGS ACCOUNT/TX ACCOUNT"**). Should you have a few accounts linked to your ATM card, a list of linked account numbers will be displayed for you to select.

Step 9 : After you have selected the account, your CDP Securities Account number will be displayed for you to confirm or change (This screen with your CDP Securities Account number will be shown if your CDP Securities Account number is already stored in the ATM system of UOB). If this is the first time you are using UOB's ATM to apply for securities, your CDP Securities Account number will not be stored in the ATM system of UOB, and the following screen will be displayed for your input of your CDP Securities Account number.

Step 10 : Read and understand the following terms which will appear on the screen:

1. **YOU ARE REQUIRED TO ENTER YOUR CDP ACCOUNT NUMBER FOR YOUR FIRST IPO/SECURITIES APPLICATION. THIS ACCOUNT NUMBER WOULD BE DISPLAYED FOR FURTHER APPLICATIONS.**
2. **DO NOT APPLY FOR JOINT ACCOUNT HOLDER OR THIRD PARTIES.**
3. **PLEASE ENTER YOUR OWN CDP ACCOUNT NUMBER (12 DIGITS) & PRESS ENTER.**

If you wish to terminate the transaction, please press **"CANCEL"**.

Step 11 : Key in your CDP Securities Account number (12 digits) and select **"CONFIRM-YES"**.

Step 12 : Select your nationality status.

Step 13 : Key in the number of shares you wish to apply for and press the **"ENTER"** key.

Step 14 : Check the details of your Electronic Application on the screen and press **"ENTER"** key to confirm your Electronic Application.

Step 15 : Select **"NO"** if you do not wish to make any further transactions and remove the Transaction Record. You should keep the Transaction Record for your own reference only.

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Steps for an Internet Electronic Application through the IB website of UOB

Owing to space constraints on UOB's IB website screens, the following terms will appear in abbreviated form:

"CDP"	:	THE CENTRAL DEPOSITORY (PTE) LIMITED
"CPF"	:	THE CENTRAL PROVIDENT FUND
"NRIC" OR "IC"	:	NATIONAL REGISTRATION IDENTITY CARD
"PR"	:	PERMANENT RESIDENT
"SGD"	:	SINGAPORE DOLLARS
"SCCS"	:	SECURITIES CLEARING & COMPUTER SERVICES (PTE) LIMITED
"SGX"	:	SINGAPORE EXCHANGE SECURITIES TRADING LIMITED

Step 1	:	Connect to UOB at http://www.uobgroup.com .
Step 2	:	Locate the "UOB Online Services Login" icon on the top right-hand side of the Home Page.
Step 3	:	Point on "UOB Online Services Login" icon and at the drop list select "UOB Personal Internet Banking".
Step 4	:	Enter your Username and Password and click " Submit ".
Step 5	:	Click on " Proceed " under the Full Access Mode.
Step 6	:	You will receive a SMS One-Time Password. Enter the SMS One-Time Password and click "Proceed".
Step 7	:	Click on "EPS/Securities/CPFIS", followed by " Securities ", followed by " Securities Application ".
Step 8	:	Read the IMPORTANT notice and complete the declarations found on the bottom of the page by answering Yes/No to the questions.
Step 9	:	Click " Continue ".
Step 10	:	Select your country of residence (you must be residing in Singapore to apply) and click " Continue ".
Step 11	:	Select the "Securities Counter" from the drop list (If there are concurrent IPOs) and click " Submit ".
Step 12	:	Check the "Securities Counter", select the mode of payment and account number to debit and click on " Submit ".

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- Step 13 : Read the important instructions and click on **“Continue”** to confirm that:
- (a) You have read, understood and agreed to all the terms of this application and the Offer Document/Document or Supplementary Document.
 - (b) You consent to disclose your name, I/C or passport number, address, nationality, CDP Securities Account number, CPF Investment Account number (if applicable), and application details to the Securities registrars, SGX, SCCS, COP, CPF Board and issuer.
 - (c) This application is made in your own name, for your own account and at your own risk.
 - (d) For FIXED/MAX price Securities application, this is your application. For TENDER price Securities application, this is your only application at the selected tender price.
 - (e) For FOREIGN CURRENCY securities, subject to the terms of the issue, please note the following: The application monies will be debited from your bank account in SGD, based on the Bank’s exchange profit or loss, or application monies may be debited and refunds credited in SGD at the same exchange rate.
 - (f) For 1ST-COME-1ST-SERVE securities, the number of securities applied for may be reduced, subject to the availability at the point of application.
- Step 14 : Check your personal details, details of the share counter you wish to apply for and account to debit.
- Select (a) Nationality:
- Enter (b) your CDP Securities Account number; and
- (b) the number of shares applied for.
- Click **“Submit”**.
- Step 15 : Check your personal particulars (name, NRIC/Passport number and nationality), details of the share counter you wish to apply for, CDP Securities Account number, account to debit and number of securities applied for.
- Step 16 : Click **“Confirm”**, **“Edit”** or **“Home”**.
- Step 17 : Print the Confirmation Screen (optional) for your own reference and retention only.

APPENDIX E – TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

Steps for mBanking Applications through the UOB Mighty application

Please note that mBanking Applications through the UOB Mighty application will only be available from 7.00 a.m. to 9.00 p.m. from Monday to Saturday (excluding public holidays).

For illustration purposes, the steps for making a mBanking Application through the mBanking interface of UOB are shown below. Owing to space constraints on the UOB Mighty application interface, the following terms will appear in abbreviated form on the interface and in the section below:

“UOB Mighty App”	:	UOB Mighty Singapore application, the mBanking interface of UOB
“CDP”	:	The Central Depository (Pte) Limited
“CPF”	:	Central Provident Fund
“CPFIA”	:	Central Provident Fund Investment Account
“IPO”	:	Initial Public Offering
“NRIC” or “I/C”	:	National Registration Identity Card
“SGD” or “\$”	:	Singapore dollars
“SMS”	:	Short message service
“U.S.”	:	United States of America
Step 1	:	Download the UOB Mighty App from Apple App Store or Google Play Store depending on your mobile device.
Step 2	:	Tap on the UOB Mighty App and log in using your username and password. You will be prompted to enter a One-Time PIN from either SMS One-Time PIN, Mighty Secure or token One-Time PIN.
Step 3	:	Click on the “Services” tab at the bottom right of the page.
Step 4	:	Click on the “Transactions – Securities (IPO/Bonds)” tab. The “Important” screen will appear, read and click “Accept”.

Important

Before submitting your IPO application, you confirm that:

- You are currently in Singapore
- You have observed and complied with all applicable laws and regulations
- Your mailing address and country of residence is in Singapore
- You are not a U.S. citizen

APPENDIX E – TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

You also acknowledge that:

- All investments come with risk, including the risk that the investor may lose all or part of his investment
- You are responsible for your own investment decisions
- You have read the prospectus, offer information statement and product highlights sheet (as applicable) before making this application

- Step 5 : Select the share counter you wish to apply for from the list (if there are concurrent offers).
- Step 6 : Click “Apply” at the bottom of the page and Step 1 of 2 of the “Apply” screen will appear. The Prospectus, Product Highlight Sheet and other relevant documents is available for download by clicking on each of them.
- Step 7 : Check your personal details, including name, NRIC/Passport number, key in your CDP securities account number and select your “Country of residence” (you must be residing in Singapore to apply) and “Residency status” from the dropdown list. Click “Next” at the bottom of the page and Step 2 of 2 of the “Apply” screen will appear.
- Step 8 : Check to confirm the unit cost, select the mode of payment(s), enter the number of units you will like to apply for, select the account(s) to debit. The option of “CPF” and “Cash & CPF” will not be available if you do not have an existing CPFIA account with UOB. For the avoidance of doubt, you may not use your CPF or CPF Investible Savings to apply for the Offer Shares. Click “Next” at the bottom of the page.
- Step 9 : Check your personal details, including NRIC/Passport number, details of the securities counter (including bonds) that you wish to apply for, your CDP securities account number, payment mode(s), application quantity, account(s) to debit and other details.
- Step 10 : Slide the “Confirm” bar after you have read and agree to the following statements that appear on the screen:

By sliding ‘Confirm’, you agree to the Terms and Conditions.

- This service is currently available for selected Securities only. For those not found here, apply for them at any UOB Group ATM.
- For MAX Price Securities, the maximum price for each Securities is full on application and subject to refund if the final price is lower.
- You will not be able to withdraw your application unless a supplementary prospectus is subsequently issued by the Securities issuer during the launch of a Securities.

You will see “Submitted” on the page after you have confirmed and submitted the application.

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APPENDIX F – DESCRIPTION OF OUR SHARES

The following statements are brief summaries of the more important rights and privileges of Shareholders conferred by the laws of the Cayman Islands and Singapore (where applicable) and our Articles of Association. These statements summarise certain material provisions of our Articles of Association, but are qualified in their entirety by reference to the laws of the Cayman Islands and Singapore (where applicable) and our Articles of Association.

The statements below provide, amongst others, a description of Shareholders' voting rights, restrictions on the transferability of shareholdings and Shareholders' rights to share in any surplus in the event of liquidation, and provides information about our share capital.

SHARE CAPITAL

As at the date of this Offer Document, the authorised share capital of our Company is US\$100,000,000 comprising 10,000,000,000 shares of par value of US\$0.01 each. As at the date of this Offer Document, we have 499,323,950 Shares in issue which are fully paid-up.

Under the Cayman Islands Companies Act, certain changes in the share capital of our Company such as an increase, consolidation or subdivision are permitted if authorised by our Articles of Association. Article 4 of our Articles of Association provides that an ordinary resolution is required for an increase to, consolidation or subdivision of, our Company's share capital. With regard to a reduction of share capital, Article 6 of our Articles of Association provides that our Company may by special resolution, subject to any confirmation or consent required by the Cayman Islands Companies Act, reduce its share capital or any share premium account or capital redemption reserve or other undistributable reserve in any manner permitted by law.

An "ordinary resolution" is defined in our Articles of Association as a resolution passed by a simple majority of votes cast by members, being entitled so to do, voting in person or, in the case of members being corporations, by their respective duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of our Company. A "special resolution" is defined in our Articles of Association as a resolution passed by a majority of not less than three-fourths of votes cast by members, being entitled so to do, voting in person or, in the case of members being corporations, by their respective duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of our Company. Article 84 of our Articles of Association provides that subject to the Cayman Islands Companies Act, a resolution in writing signed by or on behalf of all persons for the time being entitled to receive notice of and to attend and vote at general meetings of our Company shall, for the purposes of our Articles of Association, be treated as a resolution duly passed at a general meeting of our Company and, where relevant, as a special resolution so passed. Notices convening any general meeting at which it is proposed to pass a special resolution shall be sent to members entitled to attend and vote at the meeting at least 21 days before such meeting (excluding the day on which the notice is served or deemed to be served and the day of the meeting).

All of our Shares are in registered form. Our Shares have identical rights in all respects and rank equally with one another. Subject to the Cayman Islands Companies Act and, where applicable, to the rules or regulations of the SGX-ST, no shares may be issued by our Board without the prior approval of our Company in general meeting but subject thereto and to our Articles of Association and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, the unissued shares of our Company shall be at the disposal of our Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration and upon such terms and conditions as our Board may in its absolute discretion determine but so that no shares shall be issued at a discount to their nominal value, provided always that subject to any direction to the contrary that may be given by our

APPENDIX F – DESCRIPTION OF OUR SHARES

Company in general meeting or except as permitted under the rules or regulations of the SGX-ST, all new Shares shall before issue be offered to such members in proportion as nearly as may be to the number of Shares then held by them and the provisions of the second sentence of Article 12(2) shall apply with such adaptations as are necessary shall apply.

Our Articles of Association also provide that subject to laws of the Cayman Islands and, where applicable, the rules or regulations of the SGX-ST, our Company in general meeting may by ordinary resolution grant to our Directors a general authority, either unconditionally or subject to such conditions as may be specified in the said ordinary resolution (including, but not limited to, the aggregate number of Shares which may be issued and the duration of the general authority), to issue shares in the capital of our Company whether by way of rights, bonus or otherwise; and/or make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares; provided that unless otherwise specified in the ordinary resolution or required by any applicable rules or regulations of the SGX-ST, such general authority will continue (notwithstanding the authority conferred by the said ordinary resolution may have ceased to be in force) in relation to the issue of shares pursuant to any Instrument made or granted by our Directors while the said ordinary resolution was in force.

In the event of the issuance of preference shares by our Company, the total number of issued preference shares may not at any time exceed the total number of the issued ordinary shares of our Company.

Subject to laws of the Cayman Islands, if any share certificate is defaced, worn out, destroyed, lost or stolen, it may be renewed on such evidence being produced and a letter of indemnity (if required) being given by the Shareholder, transferee, person entitled, purchaser, member firm or member company of the SGX-ST or on behalf of its or their client or clients as our Directors shall require, and (in case of defacement or wearing out) on delivery of the old certificate and in any case on payment of such sum not exceeding S\$2.00 as our Directors may from time to time require together with the amount of the stamp duty payable (if any) on each share certificate. In the case of destruction, loss or theft, a Shareholder or person entitled to whom such renewed certificate is given shall also bear the loss and pay to our Company all expenses incidental to the investigations by our Company of the evidence of such destruction or loss.

PURCHASE BY OUR COMPANY OF OUR OWN SHARES

Under the laws of the Cayman Islands, a company may, if authorised by its articles of association, purchase its own shares. Our Company has such power to purchase our own Shares under Article 3(2) of our Articles of Association. Such power of our Company to purchase our own Shares shall, subject to the Cayman Islands Companies Act and our Articles of Association (and if applicable, the rules and regulations of the SGX-ST), be exercisable by our Directors in such manner, upon such terms and subject to such conditions as they think fit, in accordance with our Articles of Association.

Under the laws of the Cayman Islands, such purchases may be effected out of profits of our Company or out of the share premium account or out of the proceeds of a fresh issue of shares made for that purpose or, subject to section 37 of the Cayman Islands Companies Act and in the manner authorised by our Articles of Association, by a payment out of capital. At no time may our Company purchase our Shares if, as a result of the purchase, there would no longer be any issued Shares other than Shares held as treasury shares. Only fully paid Shares may be purchased by our Company. A payment out of capital by our Company for the purchase of our Shares is not

APPENDIX F – DESCRIPTION OF OUR SHARES

lawful unless immediately following the date on which the payment out of capital is proposed to be made, our Company shall be able to pay its debts as they fall due in the ordinary course of business. Shares purchased by our Company will be treated as cancelled on purchase unless, subject to our Memorandum and Articles of Association, our Directors resolve, prior to the purchase, to hold such Shares in the name of our Company as treasury shares. Where the purchased Shares are treated as cancelled, the amount of our Company's issued share capital shall be diminished by the nominal value of those Shares. However, such purchase of Shares shall not be taken as reducing the amount of our Company's authorised share capital.

Under the laws of the Cayman Islands, where Shares are held as treasury shares, our Company shall be entered in the register of members as holding those Shares. However, notwithstanding the foregoing, our Company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void. A treasury share shall not be voted, directly or indirectly, at any meeting of our Company and shall not be counted in determining the total number of issued Shares at any given time, whether for the purposes of our Articles of Association or the Cayman Islands Companies Act. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of our Company's assets (including any distribution of assets to members on a winding up) may be made to our Company, in respect of a treasury share.

For further details, see "Appendix G – Summary of Certain Provisions of the Cayman Islands Companies Act and the Memorandum and Articles of Association of our Company" of this Offer Document.

SHAREHOLDERS

We maintain a register of members which contains the particulars as required under the Cayman Islands Companies Act. Except as required by law, no person shall be recognised by our Company as holding any Share upon any trust and our Company will not be bound by or required in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any Share or any fractional part of a Share or (except only as otherwise provided by our Articles of Association or by law) any other rights in respect of any Share except an absolute right to the entirety thereof in the registered holder. If any Share stands jointly in the names of two or more persons, the person first named in the register shall as regards service of notices and, subject to the provisions of our Articles of Association, all or any other matters connected with our Company, except with respect to the transfer of Shares, be deemed the sole holder thereof. Subject to the terms and conditions of any application for Shares, we may allot Shares applied for within 10 market days of the closing date of any such application (or such other period as may be approved by the SGX-ST). Our register of members, including any overseas or local or other branch register of members, may after notice has been given in accordance with applicable requirements of the SGX-ST or by any electronic means as may be accepted by the SGX-ST, be closed at such times or for such periods in each year as the Board may determine and either generally or in respect of any class of shares. We would typically close the register to determine Shareholders' entitlement to receive dividends and other distributions.

APPENDIX F – DESCRIPTION OF OUR SHARES

TRANSFER OF SHARES

Subject to our Articles of Association, any member may transfer all or any of his Shares by a duly signed instrument of transfer in the form acceptable to our Board provided always that our Company shall accept for registration an instrument of transfer in a form approved by the SGX-ST. Save as provided in our Articles of Association, there shall be no restriction on the transfer of fully paid up Shares (except where required by law or the rules or regulations of the SGX-ST). Our Board may decline to register a transfer of any Share which is not fully paid or on which our Company has a lien or, except in the case of a transfer to executors, administrators or trustees of the estate of a deceased member, a transfer of any Share to more than three joint holders. Our Board may also decline to recognise any instrument of transfer unless, among other things, it is duly stamped and is presented for registration together with the share certificate and such other evidence as our Board may reasonably require, and a fee of such sum (not exceeding S\$2.00 or such other maximum sum as the SGX-ST may determine to be payable) as our Board may from time to time require is paid to our Company in respect thereof.

GENERAL MEETINGS OF SHAREHOLDERS

Under our Articles of Association, our Company may in each year hold a general meeting as its annual general meeting. All general meetings (including an annual general meeting, any adjourned meeting or postponed meeting) may be held as a physical meeting in any part of the world and at one or more locations, as a hybrid meeting or as an electronic meeting, as may be determined by the Board in its absolute discretion and as may be permitted by the SGX-ST, provided that for so long as our Company is listed on the SGX-ST, all physical meetings shall be held in Singapore, unless otherwise permitted by the SGX-ST or prohibited by the laws of the Cayman Islands. Our Directors may, whenever they think fit, convene an extraordinary general meeting. For so long as our Shares are listed on the Catalist, the interval between the close of our Company's financial year and the date of our Company's annual general meeting shall not exceed four months or such period as may be prescribed or permitted by the SGX-ST.

Subject to the Cayman Islands Companies Act, members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of our Company carrying the right of voting at general meetings of our Company shall at all times have the right, by written requisition to the Board of Directors or the Secretary of our Company, to require an extraordinary general meeting to be called by our Board of Directors for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit our Board of Directors fails to proceed to convene such meeting the requisitionists themselves may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of our Board of Directors shall be reimbursed to the requisitionist(s) by our Company.

Subject to the laws of the Cayman Islands and any listing rules of the SGX-ST, at least 14 days' notice of a general meeting shall be given to each member entitled to attend and vote thereat (excluding the day on which the notice is served or deemed to be served and the day of the meeting). A general meeting at which the passing of a special resolution is to be considered shall be called by not less than 21 days' notice (excluding the day on which the notice is served or deemed to be served and the day of the meeting). For so long as the Shares are listed on the Catalist, at least 14 days' notice of any general meeting shall be given by advertisement in an English daily newspaper in circulation in Singapore and in writing to the SGX-ST.

APPENDIX F – DESCRIPTION OF OUR SHARES

Under the Cayman Islands Companies Act, only persons who agree to become members of a company and whose names are entered on the register of members of such company are considered members, with rights to attend and vote at general meetings. Accordingly, Depositors holding Shares through CDP are not recognised as members of our Company, and do not under the Cayman Islands Companies Act have a right to attend and to vote at general meetings of our Company. In the event that Depositors wish to attend and vote at general meetings of our Company, CDP will have to appoint them as proxies, pursuant to our Articles of Association and the Cayman Islands Companies Act.

In accordance with Article 77(1A), unless CDP specifies otherwise in a written notice to our Company, CDP shall be deemed to have appointed as CDP's proxies each of the Depositors who are individuals and whose names are shown in the records of CDP, as at a time not earlier than 72 hours prior to the time of the relevant general meeting, supplied by CDP to our Company. Therefore, Depositors who are individuals can attend and vote at the general meetings of our Company without the lodgement of any proxy form. Depositors who cannot attend a meeting personally may enable their nominees to attend as CDP's proxies. Depositors who are not individuals can only be represented at a general meeting of our Company if their nominees are appointed by CDP as CDP's proxies. Proxy forms appointing nominees of Depositors as proxies of CDP would need to be executed by CDP as member and must be deposited at the specified place and within the specified time frame to enable the nominees to attend and vote at the relevant general meeting of our Company.

VOTING RIGHTS

Subject to any special rights or restrictions as to voting for the time being attached to any Shares by or in accordance with our Articles of Association, at any general meeting (i) on a show of hands every member present in person (or being a corporation, is present by a representative duly authorised under Article 83) or by proxy shall have one vote, provided that: (a) in the case of a member who is not a relevant intermediary and who is represented by two proxies, only one of the two proxies as determined by that member shall be entitled to vote on a show of hands, and, in the absence of such determination, only one of the two proxies as determined by the chairman of the meeting shall be entitled to vote on a show of hands; and (b) in the case of a member who is a relevant intermediary and who is represented by two or more proxies, each proxy shall be entitled to vote on a show of hands; and (ii) 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 or which he represents and in respect of which all calls due to our Company have been paid, but so that no amount paid up or credited as paid up on a Share in advance of calls or instalments is treated for the foregoing purposes as paid up on the Share. If the member is CDP or a relevant intermediary, CDP or the relevant intermediary may each appoint more than two proxies to attend and vote at the same general meeting and each proxy shall be entitled to exercise the same powers on behalf of CDP or the relevant intermediary (as the case may be) as CDP or the relevant intermediary (as the case may be) could exercise, including the right to vote individually on a show of hands or on a poll.

For so long as the Shares of our Company are listed on the Catalist, if required by the Catalist Rules, all resolutions at general meetings of our Company shall be voted by poll (unless such requirement is waived by the SGX-ST).

APPENDIX F – DESCRIPTION OF OUR SHARES

MINORITY RIGHTS

The Cayman Islands courts would ordinarily be expected to treat as persuasive 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.

LIMITATIONS ON RIGHTS TO HOLD OR VOTE SHARES

There are no limitations, either under Cayman Islands law or our Articles of Association, on the rights of owners of our Shares to hold or vote their Shares solely by reason that they are non-Caymanians.

DIVIDENDS

Subject to the Cayman Islands Companies Act, any rights and restrictions for the time being attached to any shares of our Company, or as otherwise provided for in our Articles of Association, our Company in a general meeting may from time to time declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by our Board of Directors. Dividends may be declared and paid out of the profits of our Company, realised or unrealised, or from any reserve set aside from profits which our Directors determine is no longer needed. With the sanction of an ordinary resolution of members, dividends may also be declared and paid out of the share premium account or any other fund or account which may be authorised for this purpose in accordance with the Cayman Islands Companies Act, provided that 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, our Company shall be able to pay its debts as they fall due in the ordinary course of business.

Whenever our Board of Directors or our Company in a general meeting has resolved that a dividend be paid or declared, our Board of Directors may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind and in particular of paid up shares, debentures or warrants to subscribe for securities of our Company or any other company, or in any one (1) or more of such ways. Our Board of Directors may resolve that no such assets shall be made available to members with registered addresses in any particular territory or territories where, in the absence of a registration statement or other special formalities, such distribution of assets would or might, in the opinion of our Board, be unlawful or impracticable and in such event the only entitlement of the members aforesaid shall be to receive cash payments.

All dividends or bonuses unclaimed for one (1) year after having been declared may be invested or otherwise made use of by our Board for the benefit of our Company until claimed. Any dividend or bonuses unclaimed after a period of six (6) years from the date of declaration shall be forfeited and shall revert to our Company. The payment by our Board of any unclaimed dividend or other sums payable on or in respect of a share into a separate account shall not constitute our Company a trustee in respect thereof.

APPENDIX F – DESCRIPTION OF OUR SHARES

BONUS AND RIGHTS ISSUES

Subject to the laws of the Cayman Islands and, where applicable, the rules or regulations of the SGX-ST, our Company in general meeting may by ordinary resolution grant to our Directors a general authority, either unconditionally or subject to such conditions as may be specified in the said ordinary resolution (including, but not limited to, the aggregate number of shares which may be issued and the duration of the general authority), to issue shares in the capital of our Company whether by way of rights, bonus or otherwise.

Subject to the Cayman Islands Companies Act, the listing rules of the SGX-ST and our Articles of Association, our Company may, upon the recommendation of our Board of Directors, pass an ordinary resolution to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including the share premium account and capital redemption reserve and the profit and loss account) and accordingly that such amount be set free for distribution among the members or any class of members who would be entitled thereto if it were distributed by way of dividend and in the same proportions, on the footing that the same is not paid in cash but is applied either in or towards paying up the amounts for the time being unpaid on any shares in our Company held by such members respectively or in paying up in full unissued shares, debentures or other obligations of our Company, to be allotted and distributed credited as fully paid up among such members.

TAKE-OVERS AND SUBSTANTIAL SHAREHOLDERS

There are presently no Cayman Islands laws or regulations of general application which will require persons who acquire significant holdings in our Shares to make mandatory take-over offers for our Shares.

However, the Singapore Take-Over Code apply to take-over offers of companies which are incorporated outside Singapore and all or any of the shares of which are listed for quotation on a securities exchange (as defined in the SFA). Accordingly, the Singapore Take-Over Code will apply to take-over offers for our Shares for so long as our Shares are listed for quotation on the SGX-ST.

Article 167(4) of our Articles of Association provides that for so long as our Shares are listed on the Catalist, the provisions of sections 138, 139 and 140 of the SFA and the Singapore Take-Over Code, including any amendment, modification, revision, variation or re-enactment thereof, shall apply, as far as possible, to all take-over offers in respect of our Shares.

Take-overs

Under the Singapore Take-Over Code, issued by the Authority pursuant to Section 321 of the SFA, any person acquiring an interest, either on his own or together with parties acting in concert with him, in 30.0% or more of the voting Shares must extend a takeover offer for the remaining voting Shares in accordance with the provisions of the Singapore Take-Over Code. In addition, a mandatory takeover offer is also required to be made if a person holding, either on his own or together with parties acting in concert with him, between 30.0% and 50.0% (both inclusive) of the voting shares acquires additional voting shares representing more than 1.0% of the voting shares in any six-month period. Under the Singapore Take-Over Code, the following individuals and companies will be presumed to be persons acting in concert with each other unless the contrary is established:

- (a) the following companies:

APPENDIX F – DESCRIPTION OF OUR SHARES

- (i) a company;
 - (ii) the parent company of (i);
 - (iii) the subsidiaries of (i);
 - (iv) the fellow subsidiaries of (i);
 - (v) the associated companies of (i), (ii), (iii) or (iv);
 - (vi) companies whose associated companies include any of (i), (ii), (iii), (iv) or (v); and
 - (vii) any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above for the purchase of voting rights;
- (b) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts);
- (c) a company with any of its pension funds and employee share schemes;
- (d) a person with any investment company, unit trust or other fund whose investment such person manages on a discretionary basis, but only in respect of the investment account which such person manages;
- (e) a financial or other professional adviser, including a stockbroker, with its customer in respect of the shareholdings of the adviser and persons controlling, controlled by or under the same control as the adviser;
- (f) directors of a company (together with their close relatives, related trusts and companies controlled by any of such directors, their close relatives and related trusts) which is subject to an offer or where the directors have reason to believe a bona fide offer for their company may be imminent;
- (g) partners; and
- (h) the following persons and entities:
- (i) an individual;
 - (ii) the close relatives of (i);
 - (iii) the related trusts of (i);
 - (iv) any person who is accustomed to act in accordance with the instructions of (i);
 - (v) companies controlled by any of (i), (ii), (iii) or (iv); and
 - (vi) any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above for the purchase of voting rights.

APPENDIX F – DESCRIPTION OF OUR SHARES

Under the Singapore Take-Over Code, a mandatory offer made with consideration other than cash must be accompanied by a cash alternative at not less than the highest price paid by the offeror or any person acting in concert during the offer period and within the preceding six (6) months.

SUBSTANTIAL SHAREHOLDERS

Under the SFA, a person has a substantial shareholding in our Company if he has an interest or interests in one (1) or more voting Shares (excluding treasury Shares) in our Company and the total votes attached to that Share, or those Shares, is not less than 5.0% of the total votes attached to all the voting Shares (excluding treasury Shares) in our Company.

The SFA requires our Substantial Shareholders, or if they cease to be our Substantial Shareholders, to give notice to us using the forms prescribed by the Authority (which are available at <http://www.mas.gov.sg>) of particulars of the voting Shares in our Company in which they have or had an interest or interests and the nature and extent of that interest or those interests, and of any change in the percentage level of their interest or interests.

In addition, the deadline for a Substantial Shareholder to make disclosure to our Company under the Securities and Futures Act is two (2) business days after he becomes aware:

- that he is or (if he had ceased to be one) had been a Substantial Shareholder;
- of any change in the percentage level in his interest; or
- that he had ceased to be a Substantial Shareholder,

there being a conclusive presumption of a person being “aware” of a fact or occurrence at the time at which he would, if he had acted with reasonable diligence in the conduct of his affairs, have been aware.

Following the above, we will announce or disseminate the information stated in the notice to the SGX-ST as soon as practicable and, in any case, no later than the end of the Singapore business day following the day on which we received the notice.

“Percentage level”, in relation to a Substantial Shareholder in our Company, means the percentage figure ascertained by expressing the total votes attached to all the voting shares in our Company in which the Substantial Shareholder has an interest (or interests) immediately before or (as the case may be) immediately after the relevant time as a percentage of the total votes attached to all the voting shares (excluding treasury shares) in our Company, and, if it is not a whole number, rounding that figure down to the next whole number.

The Cayman Islands Companies Act does not require disclosure of shareholder ownership beyond a certain threshold. However, Article 167 of our Articles of Association contains provisions to the effect that for so long as the Shares of our Company are listed on the Catalist, Directors and Substantial Shareholders (having the meaning ascribed to it in the SFA) of our Company will have to disclose particulars of their interests in our Company and any change in the percentage level of such interest. The requirement to give notice under Article 167(2) does not apply to CDP.

APPENDIX F – DESCRIPTION OF OUR SHARES

Liquidation

Our Shareholders are entitled to the surplus assets of our Company in the event that it is wound up.

Indemnity

Our Articles of Association provide that our Board of Directors and officers shall be indemnified from and against all liability which they incur in execution or discharge of their duties, power, authorities or discretions in their respective offices, provided that this indemnity shall not extend to any matter in respect of any negligence, fraud, breach of fiduciary obligations or dishonesty which may attach to any of the said persons in or about the conduct of our Company's business or affairs. See "Appendix G – Summary of Certain Provisions of the Cayman Islands Companies Act and the Memorandum and Articles of Association of our Company – Summary of Certain Provisions of the Cayman Islands Companies Act – Indemnification" to this Offer Document for further details.

APPENDIX G – SUMMARY OF CERTAIN PROVISIONS OF THE CAYMAN ISLANDS COMPANIES ACT AND THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF OUR COMPANY

The discussion below provides information about certain provisions of our Memorandum and Articles of Association and the laws of Cayman Islands. This description is only a summary and is qualified by reference to Cayman Islands law and our Memorandum and Articles of Association. Where portions of our Memorandum and Articles of Association are reproduced below, defined terms bear the meanings ascribed to them in our Memorandum and Articles of Association. Our Memorandum and Articles of Association is a document available for inspection.

SUMMARY OF CERTAIN PROVISIONS OF THE CAYMAN ISLANDS COMPANIES ACT

Our Company is incorporated in the Cayman Islands subject to the Cayman Islands Companies Act and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman Islands 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 Islands company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

Operations

As an exempted company, our Company's operations must be conducted mainly outside the Cayman Islands. Our 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 our Company's authorised share capital.

Share Capital

The Cayman Islands 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 Cayman Islands 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 Cayman Islands 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 shall be able to pay its debts as they fall due in the ordinary course of business.

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The Cayman Islands 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 and in particular may (a) extinguish or reduce the liability on any of its shares in respect of share capital not paid up; (b) either with or without extinguishing or reducing liability of any of its shares, cancel any paid-up share capital which is lost or unrepresented by available assets; or (c) either with or without extinguishing or reducing liability of any of its shares, pay off any paid-up share capital which is in excess of the needs of the company.

Membership

Under the Cayman Islands Companies Act, only those persons who agree to become members of a Cayman Islands exempted company and whose names are entered on the register of members of such a company are considered members. A Cayman Islands company is also not bound to see to the execution of any trust, whether express, implied or constructive, to which any of its shares are subject and whether or not the company had notice of such trust. Accordingly, persons holding shares through a trustee, nominee or depository will not be recognised as members of a Cayman Islands company under Cayman Islands law and may only have the benefit of rights attaching to the shares or remedies conferred by law on members through or with the assistance of the trustee, nominee or depository.

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.

Purchase of Shares and Warrants by a Company and its Subsidiaries

Subject to the provisions of the Cayman Islands Companies Act, 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. 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 the 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. Shares may be redeemed or purchased out of profits of the company, out of the share premium account or out of the proceeds of a fresh issue of shares made for the purposes of the redemption or purchase, or (subject to section 37 of the Cayman Islands Companies Act) out of capital. 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.

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Shares redeemed or purchased by a company shall 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 redemption or 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 shall not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and shall 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 Cayman Islands 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.

Dividends and Distributions

With the exception of section 34 of the Cayman Islands Companies Act, 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. In addition, section 34 of the Cayman Islands 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.

Protection of Minorities

The Cayman Islands courts would ordinarily 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, the Court may make the following orders: (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 petitioner or to do an act which the petitioner has complained it has omitted to do; (c) an order authorising civil proceedings to be brought in the name of and on behalf of the company by the petitioner on such terms as the Court may direct;

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or (d) an order providing for the purchase of the shares of any members of the company by other members 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.

Management

The Cayman Islands Companies Act contains no specific restriction on the powers 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.

Accounting and Auditing Requirements

A Cayman Islands exempted company shall cause proper books of account to be kept, including, where applicable, material underlying documentation including contracts and invoices with respect to (a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (b) all sales and purchases of goods by the company; and (c) 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. A Cayman Islands exempted company shall cause all its books of account to be retained for a minimum period of five years from the date on which they are prepared.

A company which keeps its books of accounts at any place other than at its registered office or at any other place within the Cayman Islands shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (Revised) of the Cayman Islands, make available in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice; and shall be liable to a penalty if the company fails to comply with the order or notice without reasonable excuse.

Exchange Control

There are currently no exchange control regulations or currency restrictions in the Cayman Islands.

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Taxation

Pursuant to Section 6 of the Tax Concessions Act (Revised) of the Cayman Islands, our Company has obtained an undertaking: (a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to our Company or its operations; and (b) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of our Company. The undertaking for our Company is for a period of 20 years from 21 July 2021.

The Cayman Islands currently levy no taxes on exempted companies 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 our 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 taxation arrangement entered into with the United Kingdom but otherwise is not party to any double tax treaties.

Stamp Duty

No stamp duty is currently payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

Loans to Directors

There is no express provision in the Cayman Islands Companies Act prohibiting the making of loans by a company to any of its directors.

Inspection of Corporate Records

Members of a company have no general right under the Cayman Islands 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 of association.

An exempted company may, subject to the provisions of its articles of association, 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. A branch register must be kept in the same manner in which a principal register is by the Cayman Islands 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. An exempted company may also maintain a separate register of members in respect of its listed shares. There is no requirement under the Cayman Islands 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. 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 (Revised) of the Cayman Islands.

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A company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers.

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 shares in 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 SGX-ST. Accordingly, for so long as the Shares of our Company are listed on the Catalist of the SGX-ST, our Company is not required to maintain a beneficial ownership register.

Economic Substance Requirements

Pursuant to the International Tax Co-operation (Economic Substance) Act (Revised) of the Cayman Islands (“**ES Act**”), 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 our Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, if our Company is a tax resident outside the Cayman Islands, including in Singapore or Hong Kong, it is not required to satisfy the economic substance test set out in the ES Act.

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 as they fall due, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles of association expires, or the event occurs on the

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occurrence of which the memorandum or articles of association provide that the company is to be wound up. 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 shall declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one (1) 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.

Reconstructions, mergers and consolidations

There are statutory provisions which facilitate reconstructions and arrangements approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders (or class of shareholders) or creditors (or class of creditors), as the case may be, as are present and voting either in person or by proxy at a meeting called for such purpose and thereafter sanctioned by the Court. While 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.

In addition, the Cayman Islands Companies Act provides a mechanism for mergers and consolidations between Cayman Islands companies as well as between Cayman Islands companies and foreign companies. A written plan of merger or consolidation has to be authorised by each constituent company by way of a special resolution of the members of each such constituent company and such other authorisation, if any, as may be specified in such constituent company's articles of association.

Where a Cayman Islands parent company ("parent company" means, with respect to another company, a company that holds issued shares that together represent at least ninety per cent. (90%) of the votes at a general meeting of that other company) is merging with one (1) or more of its Cayman Islands subsidiaries, a special resolution of the members of such constituent companies is not required if a copy of the plan of merger is given to every member of each subsidiary company to be merged, unless that member agrees otherwise.

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To effect a merger or consolidation of one (1) or more Cayman Islands companies with one (1) or more overseas companies, in addition to the approval requirements applicable to the merger or consolidation of Cayman Islands companies (in relation to Cayman Islands companies only), the merger or consolidation must also be effected in compliance with the constitutional documents of, and laws of the foreign jurisdiction applicable to, the overseas companies.

Compulsory Acquisition

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than ninety per cent. (90%) in value of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four 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 month from the date 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.

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).

The discussion below provides information about certain provisions of our Memorandum and Articles of Association and the laws of the Cayman Islands. This description is only a summary and is qualified by reference to Cayman Islands law and our Memorandum and Articles of Association. Where portions of our Memorandum and Articles of Association are reproduced below, defined terms bear the meanings ascribed to them in our Memorandum and Articles of Association. Our Memorandum and Articles of Association is a document available for inspection.

Memorandum and Articles of Association

Ordinary Resolution and Special Resolution

An "ordinary resolution" is defined in our Articles of Association as a resolution passed by a simple majority of votes cast by Members, being entitled so to do, voting in person or, in the case of Members being corporations, by their respective duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of our Company.

A "special resolution" is defined in our Articles of Association as a resolution passed by a majority of not less than three-fourths of votes cast by Members, being entitled so to do, voting in person or, in the case of Members being corporations, by their respective duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of our Company. Notices convening any general meeting at which it is proposed to pass a special resolution shall be sent to members entitled to attend and vote at the meeting at least 21 clear days before such meeting (excluding the date when the notice is given or deemed to be given and the date of the meeting).

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Article 84 of our Articles of Association provides that subject to the Cayman Islands Companies Act, a resolution in writing signed by or on behalf of all persons for the time being entitled to receive notice of and to attend and vote at general meetings of our Company shall, for the purposes of our Articles of Association, be treated as a resolution duly passed at a general meeting of our Company and, where relevant, as a special resolution so passed.

The following summarises certain provisions of our Memorandum and Articles of Association relating to:

- (a) the appointment, retirement and removal of our Directors

Articles 85, 86 and 87

The Company may from time to time by ordinary resolution, determine the maximum number of directors and increase or reduce the number of Directors but so that the number of Directors shall never be less than two (2). All Directors shall be natural persons. The Directors shall be elected or appointed in the first place by the subscribers to the memorandum of association or by a majority of them and thereafter the Company may by ordinary resolution at any general meeting appoint any person to be a Director either as an additional Director or to fill a casual vacancy.

The Board shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an additional Director.

Neither a Director nor an alternate Director shall be required to hold any shares of the Company by way of qualification and a Director or alternate Director (as the case may be) who is not a Member shall be entitled to receive notice of and to attend and speak at any general meeting of the Company and of all classes of shares of the Company.

Subject to any provision to the contrary in our Company's Articles of Association, the Members may, at any general meeting convened and held in accordance with our Company's Articles of Association, by ordinary resolution remove a Director at any time before the expiration of his period of office notwithstanding anything in our Company's Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for damages under any such agreement).

A vacancy on the Board created by the removal of a Director under the provisions of Article 85(4) may be filled by the election or appointment by the Members at the meeting at which such Director is removed or, in the absence of such election or appointment, such general meeting may authorise the Board to appoint a Director to fill any vacancy in the number left unfilled.

Any Director appointed by the Board shall retire at the next annual general meeting of the Company and shall then be eligible for re-election at that meeting.

Notwithstanding any other provisions in our Company's Articles of Association and for so long as the shares of the Company are listed on the Designated Stock Exchange, a Director shall immediately resign or retire from the Board if he is disqualified from acting as a director in any jurisdiction for reasons other than on technical grounds or if so required by the rules

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or regulations of the Designated Stock Exchange. “Designated Stock Exchange” is defined in our Company’s Articles of Association to mean the Singapore Exchange Securities Trading Limited (including the Catalist) for so long as the shares of our Company are listed or quoted on the Singapore Exchange Securities Trading Limited or such other stock exchange in respect of which the shares of our Company are listed or quoted and where such stock exchange deems such listing or quotation to be the primary listing or quotation of the shares of our Company.

Each Director shall retire at least once every three (3) years. A retiring Director shall be eligible for re-election. Our Company at the meeting at which a Director retires under any provision of our Company’s Articles of Association may by ordinary resolution fill the office being vacated by electing thereto the retiring Director or some other person eligible for appointment. In default the retiring Director shall be deemed to have been re-elected except in any of the following cases: (a) where at such meeting it is expressly resolved not to fill such office or a resolution for the re-election of such Director is put to the meeting and lost; or (b) where such Director has given notice in writing to our Company that he is unwilling to be re-elected.

The retirement shall not have effect until the conclusion of the meeting except where a resolution is passed to elect some other person in the place of the retiring Director or a resolution for his re-election is put to the meeting and lost and accordingly a retiring Director who is re-elected or deemed to have been re-elected will continue in office without a break.

A person who is not a retiring Director shall be eligible for election to office of Director at any general meeting if a Member intending to propose him has, at least eleven (11) clear days before the meeting, left at the Office a Notice duly signed by the nominee, giving his consent to the nomination and signifying his candidature for the office, or the intention of such Member to propose him. In the case of a person recommended by the Directors for election, nine (9) clear days’ Notice only shall be necessary. Notice of each and every candidature for election to the Board shall be served on the Members at least seven (7) days prior to the meeting at which the election is to take place.

- (b) the power of a Director to vote on a proposal, arrangement or contract in which he is interested:

Articles 101 and 102

A Director or a chief executive officer (or a person holding an equivalent position however described) 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 shall 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 considered, 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. For the purposes of Article 101, a general Notice to the Board by a Director or a chief executive officer (or a person holding an equivalent position however described) to the effect that:

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- (i) he is a member or officer of a specified company or firm and is to be regarded as interested in any contract or arrangement which may after the date of the Notice be made with that company or firm; or
- (ii) he is to be regarded as interested in any contract or arrangement which may after the date of the Notice be made with a specified person who is connected with him;

shall be deemed to be a sufficient declaration of interest under Article 101 in relation to any such contract or arrangement, provided that no such Notice shall be effective unless either it is given at a meeting of the Board or the Director or (as the case may be) the chief executive officer (or a person holding an equivalent position however described) takes reasonable steps to secure that it is brought up and read at the next Board meeting after it is given.

A Director shall not participate in any discussions and shall not be entitled to vote on any resolution of the Board in respect of any contract or arrangement or proposed contract or arrangement in which he has directly or indirectly a personal material interest. Certain matters in which a Director will not be considered to have a personal material interest are set out in our Articles of Association.

A Director, whose remuneration (including pension or other benefits) for himself is the subject of a resolution tabled at a meeting of the Board, may be included in the quorum at the Board meeting but shall not be entitled to vote on the resolution as he shall be taken to have a personal material interest in the matter. Other Directors of the Company will not be prohibited by the Articles of Association from voting on that resolution so long as they do not have any direct or indirect personal material interest in the subject matter of the said resolution.

- (c) the remuneration of our Directors:

Articles 90, 95, 96, 97 and 98

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, shall not be increased except pursuant to an ordinary resolution passed at a general meeting where notice of the proposed increase shall have been given in the notice convening the general meeting, and shall (unless otherwise directed by the resolution by which it is voted) be divided amongst the Board in such proportions and in such manner as the Board may agree or, failing agreement, equally, except that any Director who shall hold office for part only of the period in respect of which such remuneration is payable shall be entitled only to rank in such division for a proportion of remuneration related to the period during which he has held office. Such remuneration shall be deemed to accrue from day to day.

Each Director shall be entitled to be repaid or prepaid all travelling, hotel and incidental expenses reasonably incurred or expected to be incurred by him in attending meetings of the Board or committees of the Board 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 his duties as a Director.

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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 (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration provided for by or pursuant to any other Article. The remuneration in the case of a Director other than an executive Director shall be payable by a fixed sum and shall not at any time be by commission on or percentage of the profits or turnover, and no Director whether an executive Director or otherwise shall be remunerated by a commission on or percentage of turnover.

An executive Director appointed to be a managing director, chief executive officer or a person holding an equivalent position however described with the Company shall receive such remuneration (whether by way of salary, commission, participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Board may from time to time determine, and either in addition to or in lieu of his remuneration as a Director, but he shall not in any circumstances be remunerated by a commission on or a percentage of turnover.

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.

- (d) the borrowing powers exercisable by our Directors:

Article 109

The Board may exercise all the powers of the Company to raise or borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Act, to issue debentures, bonds and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

- (e) the retirement or non-retirement of a Director under an age limit requirement:

There are no provisions in the Articles of Association of our Company relating to the retirement of Directors upon reaching any age limit.

- (f) the shareholding qualification of a Director:

Article 85(3)

Neither a Director nor an alternate Director is required to hold any shares of our Company by way of qualification.

- (g) share rights and restrictions

Our Company currently has only one class of shares, namely ordinary shares.

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(i) *Dividends and Distribution (Articles 136, 137, 138, 139, 140, 141, 142 and 143)*

Subject to the Act, the Company in general meeting may from time to time 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.

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 Board determines is no longer needed. With the sanction of an ordinary resolution, dividends may also be declared and paid out of the share premium account or any other fund or account which may be authorised for this purpose in accordance with the Act, provided that 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 shall be able to pay its debts as they fall due in the ordinary course of business.

Except in so far as the rights attaching to, or the terms of issue of, any share otherwise provide: (a) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, but no amount paid up on a share in advance of calls shall be treated for the purposes of Article 138 as paid up on the share; and (b) all dividends shall be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid.

The Board may from time to time pay to the Members such interim dividends as appear to the Board to be justified by the profits of the Company and in particular (but without prejudice to the generality of the foregoing) if at any time the share capital of the Company is divided into different classes, the Board may pay such interim dividends in respect of those shares in the capital of the Company which confer on the holders thereof deferred or non-preferential rights as well as in respect of those shares which confer on the holders thereof preferential rights with regard to dividend and provided that the Board acts bona fide the Board shall not incur any responsibility to the holders of shares conferring any preference for any damage that they may suffer by reason of the payment of an interim dividend on any shares having deferred or non-preferential rights and may also pay any fixed dividend which is payable on any shares of the Company half-yearly or on any other dates, whenever such profits, in the opinion of the Board, justifies such payment.

The Board may deduct from any dividend or other moneys payable to a Member by the Company on 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.

No unpaid dividend or distribution or other moneys payable by the Company shall bear interest as against the Company.

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 in respect of the shares at his address as appearing in the Register or

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addressed to such person and at such address 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 notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. 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.

All dividends or bonuses unclaimed for one (1) year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed. Any dividend or bonuses unclaimed after a period of six (6) years from the date of declaration shall be forfeited and shall revert to the Company. If the Depository returns any such dividend or moneys to the Company, the relevant Depositor shall not have any right or claim in respect of such dividend or moneys against the Company if a period of six (6) years has elapsed from the date of declaration of such dividend or the date on which such other moneys are first payable. For the avoidance of doubt, no Member or Depositor shall be entitled to any interest, share of revenue or other benefit arising from any unclaimed dividends, howsoever and whatsoever. The payment by the Board of any unclaimed dividend or other sums payable on or in respect of a share into a separate account shall not constitute the Company a trustee in respect thereof.

(ii) *Voting Rights (Articles 8(1), 65 and 77(1A))*

Subject to the Act, the memorandum of association of the Company and the Articles of Association, and to any special rights conferred on the holders of any shares or class of shares, any share in the Company (whether forming part of the present capital or not) may be issued with or have attached thereto such rights or restrictions whether in regard to dividend, voting, return of capital or otherwise as the Company may by ordinary resolution determine or, if there has not been any such determination or so far as the same shall not make specific provision, as the Board may determine. Notwithstanding the provisions of Article 8(1), the Company shall not issue ordinary shares with or have attached thereto different rights in regard to voting.

If required by the rules or regulations of the Designated Stock Exchange (for so long as the shares of the Company are listed on the Designated Stock Exchange), a resolution put to the vote of a general meeting shall be decided by way of a poll, unless such requirement is waived by the Designated Stock Exchange.

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles of Association, at any general meeting:

- (i) on a show of hands, every Member present in person (or being a corporation, is present by a representative duly authorised under Article 83) or by proxy shall have one vote, provided that: (a) in the case of a Member who is not a relevant intermediary and who is represented by two proxies, only one of the two proxies as determined by that Member shall be entitled to vote on a show of hands, and,

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in the absence of such determination, only one of the two proxies as determined by the chairman of the meeting shall be entitled to vote on a show of hands; and (b) in the case of a Member who is a relevant intermediary and who is represented by two or more proxies, each proxy shall be entitled to vote on a show of hands; and

- (ii) 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 or which he represents and in respect of which all calls due to the Company have been paid, but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share.

In any case where the Member is the Depository, the Depository may appoint more than two proxies to attend and vote at the same general meeting and each proxy shall be entitled to exercise the same powers on behalf of the Depository as the Depository could exercise, including the right to vote individually on a show of hands or on a poll.

The Articles of Association do not provide for cumulative voting in relation to election or re-election of Directors.

(iii) *Share in Surplus upon Liquidation (Article 163)*

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 shall be wound up and the assets available for distribution amongst the Members 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 shall be 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 shall be 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 Act, divide among the Members in specie or kind the whole or any part of the assets of the Company and whether or not the assets shall consist of properties of one kind or shall consist of properties to be divided as aforesaid of different kinds, and may for such purpose set such value as he deems fair upon any one or more class or classes of property 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 the Members as the liquidator with the like authority shall think fit, and the liquidation of the Company may be closed and the Company dissolved, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

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(iv) *Redemption Provisions (Article 8(2))*

Subject to the Act, the memorandum of association of the Company, our Articles of Association and, where applicable, the rules or regulations of any Designated Stock Exchange, and to any special rights conferred on the holders of any shares or attaching to any class of shares, shares may be issued on the terms that they may be, or at the option of the Company or the holder are, liable to be redeemed on such terms and in such manner, including out of capital, as the Board may deem fit in accordance with the Act.

(h) any change in capital:

Articles 4 and 6

Under the Cayman Islands Companies Act, certain changes in the capital of a company such as an increase, consolidation or subdivision are permitted if authorised by its articles of association and its shareholders. Article 4 of our Articles of Association provides that an ordinary resolution is required for an increase to, consolidation or subdivision of, our Company's share capital. Our Company may by special resolution, subject to any confirmation or consent required by the Cayman Islands Companies Act, reduce its share capital in any manner permitted by law.

(i) any change in the respective rights of the various classes of shares including the action necessary to change the rights, indicating where the conditions are different from those required by the applicable law:

Articles 10 and 11

Whenever the share capital of the Company is divided into different classes of shares, subject to the provisions of the Statutes, preference capital other than redeemable preference capital may be repaid and the special rights attached to any class may be varied or abrogated with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class concerned (but not otherwise, provided always that where the necessary majority for such a special resolution is not obtained at such general meeting, consent in writing if obtained from the holders of three-fourths in nominal value of the issued shares of the class concerned within two months of such general meeting shall be as valid and effectual as a special resolution carried at such general meeting) and may be so repaid, varied or abrogated either whilst the Company is a going concern or during or in contemplation of a winding-up. To every such separate general meeting and all adjournments thereof all the provisions of the Articles relating to general meetings of the Company and to the proceedings thereat shall *mutatis mutandis* apply, except that the necessary quorum (other than at an adjourned meeting or postponed meeting) shall be two persons at least holding or representing by proxy at least one-third in nominal value of the issued shares of the class and at any adjourned meeting or postponed meeting of such holders, two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum and that any holder of shares of the class present in person or by proxy may demand a poll and that every such holder shall on a poll have one vote for every share of the class held by him. The foregoing provisions of Article 10 shall apply to the variation or abrogation of the special rights attached to some only of the shares of any class as if each group of shares of the class differently treated formed a separate class the special rights whereof are to be varied.

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The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied, modified or abrogated by the creation or issue of further shares ranking pari passu therewith.

- (j) any time limit after which a dividend entitlement will lapse and an indication of the party in whose favour this entitlement then operates:

Article 143

All dividends or bonuses unclaimed for one (1) year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed. Any dividend or bonuses unclaimed after a period of six (6) years from the date of declaration shall be forfeited and shall revert to the Company. If the Depository returns any such dividend or moneys to the Company, the relevant Depositor shall not have any right or claim in respect of such dividend or moneys against the Company if a period of six (6) years has elapsed from the date of declaration of such dividend or the date on which such other moneys are first payable. For the avoidance of doubt, no Member or Depositor shall be entitled to any interest, share of revenue or other benefit arising from any unclaimed dividends, howsoever and whatsoever. The payment by the Board of any unclaimed dividend or other sums payable on or in respect of a share into a separate account shall not constitute the Company a trustee in respect thereof.

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The following table sets forth a summary of certain differences between the provisions of the laws of the Cayman Islands applicable to our Company (namely, the Cayman Islands Companies Act) and the laws applicable to Singapore-incorporated companies (namely, the Singapore Companies Act) and their shareholders. The summaries below are not to be regarded as advice on Cayman Islands corporate law or the differences between it and the laws of any jurisdiction, including, without limitation, the Singapore Companies Act. The summaries below do not purport to be a comprehensive description of all of the rights and privileges of shareholders conferred by the Cayman Islands Companies Act as compared to the Singapore Companies Act that may be relevant to prospective investors. In addition, prospective investors should also note that the laws applicable to Singapore-incorporated companies and Cayman Islands exempted companies may change, whether as a result of proposed legislative reforms to the Singapore Companies Act or the Cayman Islands Companies Act, as the case may be, or otherwise. In addition, the summaries below do not describe the regulations and requirements prescribed by the Catalist Rules.

Our Company is incorporated in the Cayman Islands and is therefore subject to the Cayman Islands Companies Act. Our Company's corporate affairs are governed by our Memorandum and Articles of Association and the provisions of applicable Cayman Islands laws, including Cayman Islands common law.

CAYMAN ISLANDS CORPORATE LAW	SINGAPORE CORPORATE LAW
Power Of Directors to Allot And Issue Shares	
The power to allot and issue shares in a company normally lies with the directors of the company subject to any restrictions in the memorandum and articles of association of the company. The Cayman Islands Companies Act has no statutory provisions requiring shareholders' approval for an issue of shares by a company. There is also no requirement for the filing of returns of share issuances with the Registrar of Companies.	The power to issue shares in a company is usually vested with the directors of that company subject to any restrictions in the constitution of that company. However, notwithstanding anything to the contrary in the constitution of a company, prior approval of the company at a general meeting is required to authorise the directors to exercise any power of the company to issue shares, or the share issue is void under the Singapore Companies Act. Such approval may be confined to a particular exercise of that power or may apply to the exercise of that power generally and, once given, will only continue in force until the conclusion of the annual general meeting commencing next after the date on which the approval was given or the expiration of the period within which the next annual general meeting after that date is required by law to be held, whichever is the earlier, provided that such approval has not been previously revoked or varied by the company in a general meeting.

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Power of Directors to Dispose of the Issuer's or any of its Subsidiaries' Assets	
The management of a Cayman Islands exempted company is the responsibility of and is carried on by its board of directors. Except as may be expressly provided in the company's articles of association, the shareholders can exercise control over the management of the company through their power to appoint and remove its directors. The Cayman Islands Companies Act contains no specific restrictions on the powers 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.	The Singapore Companies Act provides that the business of a company is to be managed by or under the direction or supervision of the directors. The directors may exercise all the powers of a company except any power that the Singapore Companies Act or the constitution of the company require the company to exercise in general meeting. Under the Singapore Companies Act, prior approval of the company at a general meeting is required before the directors can carry into effect any proposals for disposing of the whole or substantially the whole of the company's undertaking or property notwithstanding anything in the company's constitution.
Giving of Financial Assistance to Purchase the Issuer's or its Holding Company's Shares	
There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a Cayman Islands exempted company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a Cayman Islands exempted 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.	Generally, a public company or a company whose holding company or ultimate holding company is a public company is prohibited from giving any financial assistance to any person directly or indirectly for the purpose of, or in connection with, the acquisition or proposed acquisition of that company's shares or shares in its holding company or ultimate holding company. Financial assistance includes the making of a loan, the giving of a guarantee, the provision of security, the release of an obligation or the release of a debt or otherwise.

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	Certain transactions are specifically provided by the Singapore Companies Act as transactions not to be prohibited. These include, among others: (i) a distribution of a company's assets by way of dividends lawfully made; (ii) a distribution in the course of a company's winding up; (iii) a payment made by a company pursuant to a reduction of capital in accordance with the Singapore Companies Act; (iv) the giving by a company in good faith and in the ordinary course of commercial dealing of any representation, warranty or indemnity in relation to an offer to the public of, or an invitation to the public to subscribe for or purchase shares in the company; (v) and the entering into by the company, in good faith and in the ordinary course of commercial dealing, of an agreement with a subscriber for shares in the company permitting the subscriber to make payments for the shares by instalments. The Singapore Companies Act further provides that a company can give financial assistance in certain circumstances, including but not limited to: (a) where the amount of financial assistance, together with any other financial assistance given by the company under this exception repayment of which remains outstanding, does not exceed 10.0% of the aggregate of the total paid-up capital and reserves of the company as disclosed in the most recent financial statements of the company and the company receives fair value in connection with the financial assistance; (b) where the financial assistance does not materially prejudice the interests of the company, its shareholders or the company's ability to pay its creditors; and (c) where the company, by special resolution, resolves to give financial assistance for the purpose of, or in connection with, that acquisition, provided that certain conditions and procedures under the Singapore Companies Act are also complied with.

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	Where the company is a subsidiary of a listed corporation or a subsidiary whose ultimate holding company is incorporated in Singapore, the listed corporation or the ultimate holding company, as the case may be, is also required to pass a special resolution to approve the giving of the financial assistance.
Transactions with Interested Persons	
There is no express provision in the Cayman Islands Companies Act regulating transactions with interested persons.	The Singapore Companies Act does not impose compliance requirements relating to transactions with interested persons. The compliance requirements imposed on a company listed on the Catalist under Chapter 9 of the Catalist Rules, insofar as transactions with interested persons are concerned, apply to that company regardless of whether such company is incorporated in Singapore or elsewhere.
Loans to Directors	
There is no express provision in the Cayman Islands Companies Act prohibiting the making of loans by a Cayman Islands exempted company to any of its directors.	A company (other than an exempt private company) is prohibited from, among others, (a) making a loan or quasi-loan to a director of the company or a director of a related company (a “relevant director”) (and to the spouse or natural, step or adopted children of any such director); (b) entering into any guarantee or providing any security in connection with a loan or quasi-loan to a relevant director; (c) entering into a credit transaction as creditor for the benefit of a relevant director; and (d) entering into any guarantee or providing any security in connection with a credit transaction entered into by any person for the benefit of a relevant director (the “restricted transactions”), except in the following circumstances, where a transaction which would otherwise be a restricted transaction is: • (subject to, among others, the approval of the company in a general meeting) made to or for the benefit of a relevant director to meet expenditure incurred or to be incurred for the purposes of the company or for the purpose of enabling him to properly perform his duties as an officer of the company;

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	• (subject to, among others, the approval of the company in a general meeting) made to or for the benefit of a relevant director who is engaged in full-time employment of the company or a related company, as the case may be, for the purpose of purchasing or otherwise acquiring a home occupied or to be occupied by that director; however, not more than one such restricted transaction may be outstanding from the director at any one time; • made to or for the benefit of a relevant director who is engaged in full-time employment of the company or a related company as the case may be, where the company has at a general meeting approved of a scheme for the making of such transaction to or for the benefit of employees of the company, provided that the restricted transaction is in accordance with that scheme; and • made to or for the benefit of a relevant director in the ordinary course of business by a company whose ordinary business includes the lending of money or the giving of guarantees in connection with loans, quasi-loans or credit transactions made or entered into by other persons if the activities of that company are regulated by any written law relating to banking, finance companies or insurance or are subject to supervision by the Authority. For these purposes, a related company of a company means its holding company, its subsidiary and a subsidiary of its holding company. A quasi-loan means a transaction under which one party (the “creditor”) agrees to pay, or pays otherwise than in pursuance of an agreement, a sum for another (the “borrower”) or agrees to reimburse, or reimburses otherwise than in pursuance of an agreement, expenditure incurred by another party for the borrower: (i) on terms that the borrower (or a person on his behalf) will reimburse the creditor; or (ii) in circumstances giving rise to a liability on the borrower to reimburse the creditor. 12

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	A credit transaction means a transaction under which one party (the “creditor”): (i) supplies any goods or disposes of any immovable property under a hire-purchase agreement or a conditional sale agreement; (ii) leases or hires any immovable property or goods in return for periodic payments; or (iii) otherwise disposes of immovable property or supplies goods or services on the understanding that payment (whether in a lump sum or instalments or by way of periodic payments or otherwise) is to be deferred. A company (the “first mentioned company”) (other than an exempt private company) is also prohibited from, among others, (a) making a loan or quasi-loan to connected persons; (b) entering into any guarantee or providing any security in connection with a loan or quasi-loan made to connected persons by a person other than the first mentioned company; (c) entering into a credit transaction as creditor for the benefit of a connected person; and (d) entering into any guarantee or providing any security in connection with a credit transaction entered into by any person for the benefit of a connected person. Connected persons of the first mentioned company include companies, limited liability partnerships or variable capital companies (as the case may be) in which the director(s) of the first mentioned company (and the spouse, natural step and adopted children of such director(s)), individually or collectively, have an interest in 20.0% or more of the total voting rights (as determined in accordance with the Singapore Companies Act) unless there is prior approval by the company in general meeting for the making of, provision for or entering into the loan, quasi-loan, credit transaction, guarantee or security (as the case may be) at which the interested director(s) and his or their family members abstained from voting. This prohibition does not apply to: • anything done by a company where the other company (whether incorporated in Singapore or otherwise) or variably capital company is its subsidiary, holding company or a subsidiary of its holding company; or

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	a company whose ordinary business includes the lending of money or the giving of guarantees in connection with loans made by other persons, to anything done by the company in the ordinary course of that business if the activities of that company are regulated by any written law relating to banking, finance companies or insurance or are subject to supervision by the Authority.
Transactions Affecting Share Capital	
The Cayman Islands Companies Act contains provisions relating to the reduction of share capital, and the redemption and repurchase of shares.	The Singapore Companies Act contains provisions relating to share capital reductions, permitted share buy-backs and redeemable preference shares.
Mergers And Similar Arrangements	
The Cayman Islands Companies Act contains statutory provisions which facilitate reconstructions and arrangements approved by a majority in number representing 75.0% in value of shareholders (or class of shareholders) or creditors (or class of creditors), as the case may be, as are present and voting either in person or by proxy 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 scheme on that ground alone in the absence of evidence of fraud or bad faith on behalf of the management. In addition, the Cayman Islands Companies Act provides a mechanism for mergers and consolidations between Cayman Islands companies as well as between Cayman Islands companies and foreign companies without the need for a court order. A written plan of merger or consolidation has to be authorised by each constituent company by way of a special resolution of the members of each such constituent company and such other authorisation, if any, as may be specified in such constituent company's articles of association.	The Singapore Companies Act provides that the Singapore courts have the authority, in connection with a scheme for the reconstruction of any company or companies or the amalgamation of any two or more companies, and where under the scheme the whole or any part of the undertaking or the property of any company concerned in the scheme (the transferor company) is to be transferred to another company (the transferee company), to order the transfer to the transferee company of the whole or any part of the undertaking and of the property or liabilities of the transferor company. Such power only exists in relation to any corporation liable to be wound up under the Singapore Companies Act. The Singapore Companies Act further provides for a voluntary amalgamation process without the need for a court order. Under this voluntary amalgamation process, two or more Singapore-incorporated companies may amalgamate and continue as one company, which may be one of the amalgamating companies or a new company, in accordance with the procedures set out in the Singapore Companies Act. As part of these procedures, the board of directors of each of the amalgamating companies must make a solvency statement in relation to both the amalgamating company and the amalgamated company.

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The Cayman Islands Companies Act provides appraisal rights to the shareholders of a constituent company incorporated under the Cayman Islands Companies Act in connection with a merger or consolidation.	The Singapore Companies Act also provides for a more simplified form of amalgamation procedure for (a) the amalgamation of a Singapore-incorporated company with one (1) or more of its wholly-owned subsidiaries; and (b) two or more wholly-owned Singapore-incorporated subsidiary companies of the same corporation. The Singapore Companies Act does not provide for appraisal rights to the shareholders of a company in connection with a merger.
Remuneration	
There is no provision in the Cayman Islands Companies Act regulating remuneration for directors.	The Singapore Companies Act provides that a company shall not at any meeting or otherwise provide emoluments or improve emoluments for a director in respect of his office as such unless the provision has been approved by a resolution that is not related to other matters, and any resolution passed in breach of this provision is void. For this purpose, the term “emoluments” in relation to a director includes fees and percentages, any sums paid by way of expenses allowance in so far as those sums are charged to income tax in Singapore, any contribution paid in respect of a director under any pension scheme, and any benefits received by him otherwise than in cash in respect of his services as a director.

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Disclosure of Interest in Contracts With the Company	
There is no provision under the Cayman Islands Companies Act relating to directors in a position of conflict of interest. The common law principle that a director must not put himself in a position of conflict between his personal interest and his duty to the company will apply to the Directors of the Company.	The Singapore Companies Act provides that, where a director or chief executive officer of a company is in any way, whether directly or indirectly, interested in a transaction or proposed transaction with that company, such a director or chief executive officer must, as soon as practicable after the relevant facts have come to his knowledge, (a) declare the nature of his interest at a meeting of the directors of the company; or (b) send a written notice to the company containing details on the nature, character and extent of his interest in the transaction or proposed transaction with the company. The Singapore Companies Act also provides that every director and chief executive officer of a company who holds any office or possesses any property whereby whether directly or indirectly, any duty or interest might be created in conflict with their duties or interests as director or chief executive officer shall (i) declare at a meeting of the directors of the company the fact and the nature, character and extent of the conflict; or (ii) send a written notice to the company setting out the fact and the nature, character and extent of the conflict. For these purposes, an interest of a member of a director's or chief executive officer's family (this includes his or her spouse, natural, step or adopted children) is treated as an interest of that director or chief executive officer.
Appointment, Qualification, Retirement, Resignation and Removal of Directors	
<i>(a) Number, Qualification and Appointment of Directors</i>	
There must be at least one director of a Cayman Islands exempted company. There is no requirement that any of the directors be ordinarily resident in the Cayman Islands.	Under the Singapore Companies Act, every company must have at least one director who is ordinarily resident in Singapore. Where the company has only one member, that sole director may also be the sole member of the company.

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The initial director(s) is (are) appointed by the subscriber(s) to the memorandum of association. Thereafter, the addition and/or removal of directors will normally be effected in accordance with the provisions of the company's articles of association. The names and addresses of the directors and officers of a company must be entered in a register of directors and officers and kept at the registered office of the company. There is no requirement that the register of directors and officers be made available for inspection to the public. A copy of the register and notice of any amendments must be filed with the Registrar of Companies in the Cayman Islands. The Cayman Islands Companies Act does not contain provisions on the retirement age of directors.	No person other than a natural person who has attained the age of 18 and who is otherwise of full legal capacity shall be a director of a company. Every director, who is by the constitution of the company required to hold a specified share qualification and who is not already qualified, must obtain his qualification within two months after his appointment or such shorter period as is fixed by the constitution. In the case of a public company, the appointment of directors at a general meeting must generally be voted on individually. A motion for the appointment of two or more persons as directors by a single resolution shall not be made unless a resolution that it shall be so made has first been agreed to by the meeting without any vote being given against it. A resolution passed in pursuance of a motion made in contravention of this shall be void, whether or not its being so moved was objected to at the time. The Singapore Companies Act does not contain provisions on the age limit of directors.
<i>(b) Disqualification of Directors</i>	
The Cayman Islands Companies Act does not contain provisions on disqualification of directors. The circumstances under which a person is disqualified from acting as a director will be as provided in the company's articles of association.	Under the Singapore Companies Act, a person may not act as a director of, or directly or indirectly take part in or be concerned in the management of, any corporation if he is an undischarged bankrupt unless he has the leave of the Singapore courts or the written permission of the Official Assignee appointed under the Bankruptcy Act, Chapter 20 of Singapore to do so.

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	A person may be disqualified from acting as a director of a company by the Singapore courts for a period not exceeding five years if: (a) he is or has been a director of a company which has at any time gone into liquidation (whether while he was a director or within three years of his ceasing to be a director) and was insolvent at that time; and (b) his conduct as director of that company either taken alone or taken together with his conduct as a director of any other company or companies makes him unfit to be a director of or in any way, whether directly or indirectly, be concerned in, or take part in, the management of a company. A person may, subject to certain exceptions, also be disqualified from acting as a director by the Singapore courts for a period of three years from the date of the making of the winding up order if he is a director of a company which is ordered to be wound up by the Singapore courts on the ground that it is being used for purposes against national security or interest. He could also be disqualified on other grounds, such as conviction of any offence (whether in Singapore or elsewhere) involving fraud or dishonesty which is punishable with imprisonment for three months or more, or any offence under Part XII of the SFA or where he is subject to the imposition of a civil penalty under Section 232 of the SFA. The Singapore courts may also make a disqualification order against a person who is convicted in Singapore of any offence in connection with the formation or management of a corporation or any offence under Section 157 or 396B of the Singapore Companies Act. A director may also be disqualified because of persistent default in relation to delivery of documents to the Registrar of Companies.

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	A person could be the subject of a debarment order made against him by the Registrar of Companies, if the Registrar of Companies is satisfied that a company of which he is a director at the time the order is made is in default of any requirement of the Singapore Companies Act. A person who has a debarment order made against him may not act as director of any company (except in respect of a company of which he was a director immediately before the order was made), and the debarment order applies from the date the order is made and continues in force until the Registrar of Companies cancels or suspends the order.
(c) Resignation of Directors	
The Cayman Islands Companies Act does not contain provisions on the resignation of directors.	Under the Singapore Companies Act, a director of a company cannot resign or vacate his office unless there is remaining in the company at least one director who is ordinarily resident in Singapore, and any purported resignation or vacation of office in breach of this provision is deemed to be invalid. Subject to the provisions of the Singapore Companies Act, unless the constitution of the company otherwise provide, a director's resignation is effective by giving written notice to the company, and his resignation is not conditional upon the company's acceptance of such resignation.
(d) Removal of Directors	
The Cayman Islands Companies Act does not contain provisions on the removal of directors. The removal of directors will normally be effected in accordance with the provisions of the company's articles of association.	A director of a public company may be removed before the expiration of his period of office by an ordinary resolution (which requires special notice to be given in accordance with the provisions of the Singapore Companies Act) of the shareholders, notwithstanding anything in the constitution of that company or in any agreement between that company and the director, but where any director so removed was appointed to represent the interests of any particular class of shareholders or debenture holders, the resolution to remove him shall not take effect until his successor has been appointed. Subject to the provisions of the Singapore Companies Act, the constitution of a company may prescribe the manner in which a director may be removed from office before the expiration of his term of office.

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Alteration Of Governing Documents

(a) Alteration of Constitution, Memorandum of Association or Articles of Association

The Cayman Islands Companies Act provides that a Cayman Islands exempted company may, by special resolution of its shareholders, alter its memorandum of association with respect to any of the objects, powers or other matters specified therein. The amended memorandum of association and a copy of the special resolution must be filed with the Registrar of Companies in the Cayman Islands.

Unless otherwise provided in the Singapore Companies Act, a company's constitution may be altered by way of special resolution, except that any entrenching provision in the constitution and any provision contained in the constitution before 1 April 2004 which could not be altered before that date may be removed or altered only if all members of the company agree.

For these purposes, the term "entrenching provision" means a provision of the constitution of a company to the effect that other specified provisions of the constitution: (a) may not be altered in the manner provided by the Singapore Companies Act; or (b) may not be so altered except by a resolution passed by a specified majority greater than 75.0%, or where other specified conditions are met.

Unless otherwise provided in the Singapore Companies Act, any alteration to the constitution of the company takes effect on and from the date of the special resolution approving such alteration or such later date as is specified in the resolution.

Subject to Section 33 of the Singapore Companies Act, a company may by special resolution alter the provisions of its constitution with respect to the objects of the company, if any. Where a company proposes to alter its constitution, with respect to the objects of the company, it shall give 21 days' written notice by post or by electronic communications in accordance with the provisions of Singapore Companies Act, specifying the intention to propose the resolution as a special resolution and to submit it for passing at a meeting of the company to be held on a day specified in the notice.

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	Notwithstanding any other provision of the Singapore Companies Act, a copy of the resolution altering the objects of a company shall not be lodged with the Registrar, among others, before the expiration of 21 days after the passing of the resolution, and a copy of the resolution shall be lodged with the Registrar within 14 days thereafter, on compliance with which the alteration, if any, of the objects shall take effect.
(b) Alteration of articles of association	
The Cayman Islands Companies Act provides that a Cayman Islands exempted company may, by special resolution of its shareholders, but subject otherwise to the memorandum of association of the company, alter or add to its articles of association. On an amendment of the articles of association, the amended version of the articles of association must be registered with the Registrar of Companies in the Cayman Islands. A copy of the special resolution must be filed with the Registrar.	
Variation of Rights Attached to Shares	
The Cayman Islands Companies Act does not contain provisions determining the action necessary to change the rights of holders of shares. The variation of the rights attached to any class of shares is usually dealt with generally in the articles of association of a company.	Under the Singapore Companies Act, if a provision is made in the constitution of a company for authorising the variation or abrogation of the rights attached to any class of shares in the company and in pursuance of that provision such rights are at any time varied or abrogated, the holders of not less in aggregate than 5.0% of the total number of the issued shares of that class may apply to the Singapore courts to have the variation or abrogation cancelled in accordance with the Singapore Companies Act. The Singapore courts may, if satisfied, having regard to all the circumstances of the case, that the variation or abrogation would unfairly prejudice the shareholders of the class represented by the applicant, disallow the variation or abrogation, and shall, if not so satisfied, confirm it and this decision shall be final.

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Shareholders' Proposals	
The Cayman Islands Companies Act provides that, in the absence of any provision in the articles of association as to the persons to summon general meetings, three members shall be competent to summon the same.	Under the Singapore Companies Act, (a) any number of members representing not less than 5.0% of the total voting rights of all the members having at the date of requisition a right to vote at a meeting to which the requisition relates; or (b) not less than 100 members holding shares on which there has been paid up an average sum, per member, of not less than S\$500, may requisition the company to give to members notice of any resolution which may properly be moved and is intended to be moved at the next annual general meeting, and circulate to members any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting. Notwithstanding anything in its constitution, the directors of a company shall, on the requisition of members holding at the date of the deposit of the requisition not less than 10.0% of the total number of paid-up shares (excluding treasury Shares) as at the date of the deposit carries the right of voting at general meetings or, in the case of a company not having a share capital, of members representing not less than 10.0% of the total voting rights of all members having at that date a right to vote at general meetings, immediately proceed duly to convene an extraordinary general meeting of the company to be held as soon as practicable but in any case not later than two months after the receipt by the company of the requisition. If the directors do not within 21 days after the date of the deposit of the requisition proceed to convene a meeting, the requisitionists, or any of them representing more than 50.0% of the total voting rights of all of them, may themselves, in the same manner as nearly as possible as that in which meetings are to be convened by directors convene a meeting, but any meeting so convened shall not be held after the expiration of three months from that date.

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	Under the Singapore Companies Act, two or more members holding not less than 10.0% of the total number of issued shares of the company (excluding treasury Shares) or, if the company has not a share capital, not less than 5.0% in number of the members of the company or such lesser number as is provided by the constitution may call a meeting of the company. A meeting of a company or of a class of members, other than a meeting for the passing of a special resolution, shall be called by notice in writing of not less than 14 days or such longer period as is provided in the constitution. Shorter notice can be given if, (i) in the case of an annual general meeting, all the members entitled to attend and vote thereat so agree; or (ii) in the case of any other meeting, a majority in number of the members having a right to attend and vote thereat, being a majority which together holds not less than 95.0% of the total voting rights of all the members having a right to vote at that meeting so agree.
Shareholders' Action by Written Consent	
Certain matters are required by the Cayman Islands Companies Act to be decided by special resolution. Where so authorised by the articles of association of a company, special resolutions may be approved in writing by all of the members entitled to vote at a general meeting of the company in one (1) or more instruments each signed by one (1) or more of the members.	Notwithstanding any other provision of the Singapore Companies Act, a private company or an unlisted public company may pass any resolution by written means (save for any resolution to dispense with the holding of annual general meetings or any resolution for which special notice is required) in accordance with the provisions of the Singapore Companies Act. There is no corresponding provision in the Singapore Companies Act which applies to a public listed company, whether listed in Singapore or elsewhere.

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Shareholders' Suits and Protection of Minority Shareholders	
The Cayman Islands courts would ordinarily 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 one (1) or more inspectors to examine into the affairs of the company and to report thereon in such manner as the court shall direct. The inspectors shall on the completion of their investigation report to the court. Such report is not, unless the court so directs, open to public inspection. A company also may, by special resolution, appoint inspectors for the purpose of examining into the affairs of the company. Inspectors so appointed will have the same powers and perform the same duties as inspectors appointed by the court, except that instead of making their report to the court they will report in such manner and to such persons as the company by resolution of its members directs. A shareholder of a company who has held shares in a company for at least six (6) months 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.	A member or a holder of a debenture of a company may apply to the Singapore courts for an order under Section 216 of the Singapore Companies Act to remedy situations where: - a company's affairs are being conducted or the powers of the company's directors are being exercised in a manner oppressive to, or in disregard of the interests of, one (1) or more of the members, shareholders or holders of debentures of the company, including the applicant; or - a company has done an act, or threatens to do an act, or the members or holders of debentures have passed some resolution, or propose to pass some resolution, which unfairly discriminates against, or is otherwise prejudicial to, one (1) or more of the company's members or holders of debentures, including the applicant. Singapore courts have wide discretion as to the relief they may grant under such application, including, among others: (i) directing or prohibiting any act or cancelling or varying any transaction or resolution; (ii) providing that the company be wound up; or (iii) authorising civil proceedings to be brought in the name of or on behalf of the company by such person or persons and on such terms as the court directs. In addition, a member of a company who is seeking relief for damage done to the company may bring a common law derivative action in certain circumstances against the persons who have done wrong to the company. Further, Section 216A of the Singapore Companies Act prescribes a procedure to bring a statutory derivative action or arbitration in respect of a Singapore-incorporated company. The statutory procedure is available to, among others, a member of a company and any other person who, in the discretion of the court, is a proper person to make an application under Section 216A of the Singapore Companies Act.

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Winding Up A company may be wound up: (a) compulsorily by an order of the court, (b) voluntarily by, among others, a special resolution of its members 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.	The winding up of a company may be done in the following ways: (a) members' voluntary winding up; (b) creditors' voluntary winding up; (c) court compulsory winding up; and (d) an order made pursuant to Section 216 of the Singapore Companies Act for the winding up of the company. The type of winding up depends, among others, on whether the company is solvent or insolvent.
Dissolution A company may be dissolved following: (a) voluntary winding up; or (b) winding up by the court. Where an application is made to the court for the sanctioning of a compromise or arrangement proposed between a company and its members or creditors and it is shown to the court that the compromise or arrangement has been proposed for the purpose of or in connection with a scheme for the reconstruction of any company or companies or the amalgamation of any two or more companies, and under the scheme the whole or any part of the undertaking or the property of any company concerned in the scheme ("a transferor company") is to be transferred to another company the court, may either by the order sanctioning the compromise or arrangement or by any subsequent order make provision for, inter alia, the dissolution, without winding up, of any transferor company. Where the Registrar of Companies has reasonable cause to believe that a company is not carrying on business or is not in operation, he may strike the company off the register and the company shall be dissolved. The company may be restored to the register up to 10 years after the strike off.	A company may be dissolved: (a) through the process of liquidation pursuant to the winding up of the company; (b) in a merger or amalgamation of two companies where the court may order the dissolution of one after its assets and liabilities have been transferred to the other; or (c) when it is struck off the register by the Registrar of Companies on the ground that it is a defunct company.

APPENDIX I – DESCRIPTION OF RELEVANT PRC LAWS AND REGULATIONS

The following is for general information only and does not purport to be a comprehensive description or exhaustive statement of applicable laws and regulations. This description is based on laws, regulations and interpretations now in effect and available as at the Latest Practicable Date. The laws, regulations and interpretations, however, may change at any time, and any change could be retroactive. These laws and regulations are also subject to various interpretations and the relevant authorities or the courts could later disagree with the explanations or conclusions set out below.

THE PRC LEGAL SYSTEM

The PRC legal system is based on the PRC Constitution and is made up of written laws, regulations, directives and local laws and laws resulting from international treaties entered into by the PRC Government. In general, court judgements do not constitute binding precedents. However, they are used for the purposes of judicial reference and guidance.

The National People's Congress of the PRC (“**NPC**”) and the Standing Committee of the NPC (“**SCNPC**”) are empowered by the PRC Constitution to exercise the legislative power of the state. The NPC has the power to amend the PRC Constitution and Articles of Association and to enact and amend primary laws governing the state organs, civil affairs and criminal offences and other matters. The SCNPC is empowered to interpret, enact and amend laws other than those required to be enacted by the NPC.

The State Council of the PRC is the highest organ of state administration and has the power to enact administrative rules and regulations. Ministries and commissions under the State Council of the PRC are also vested with the power to issue orders, directives and regulations within the jurisdiction of their respective departments. Administrative rules, regulations, directives and orders promulgated by the State Council and its ministries and commissions must not be in conflict with the PRC Constitution or the national laws and, in the event that any conflict arises, the SCNPC has the power to annul such administrative rules and regulations enacted by the State Council and the State Council has the power to annul such directives, orders and regulations issued by its ministries and commissions.

At the regional level, the people's congresses of provinces and municipalities and their standing committees may enact local rules and regulations and the people's government may promulgate administrative rules and directives applicable to their own administrative area. These local rules and regulations may not be in conflict with the PRC Constitution, any national laws or any administrative rules and regulations promulgated by the State Council.

Some rules, regulations or directives may be enacted or issued at the provincial or municipal level or by the State Council of the PRC or its ministries and commissions in the first instance for experimental purposes. After sufficient experience has been gained, the State Council may submit legislative proposals to be considered by the NPC or the SCNPC for enactment at the national level.

The power to interpret laws is vested by the PRC Constitution in the SCNPC. The Supreme People's Court also has the power to give general interpretation on application of laws in judicial proceedings apart from its power to issue specific interpretation in specific cases. The State Council and its ministries and commissions are also vested with the power to give interpretation of the rules and regulations which they promulgated. At the regional level, the power to give interpretation of regional laws is vested in the regional legislative and administration organs which promulgate such laws. All such interpretations carry legal effect.

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(a) Judicial system

The people's courts are the judicial organs of the PRC. Under the PRC Constitution and the Law of Organisation of the People's Courts of the PRC, the people's courts comprise the supreme people's Court, the local people's courts, military courts and other special courts. The local people's courts are divided into three levels, namely, the basic people's courts, intermediate people's courts and higher people's courts. The basic people's courts are divided into civil, criminal and administrative divisions. The intermediate people's courts have divisions similar to those of the basic people's courts and, where the circumstances so warrant, may have other special divisions (such as intellectual property divisions). The judicial functions of people's courts at lower levels are subject to supervision of people's courts at higher levels. The people's procuratorates also have the right to exercise legal supervision over the proceedings of people's courts of the same and lower levels. The supreme people's court is the highest judicial organ of the PRC. It supervises the administration of justice by the people's courts of all levels.

The people's courts adopt a two-tier final appeal system. A party may before the taking effect of a judgement or order appeal against the judgement or order of the first instance of a local people's court to the people's court at the next higher level. Judgements or orders of the second instance at the next higher level are final and binding. Judgements or orders of the first instance of the supreme people's court are also final and binding. If, however, the supreme people's court or a people's court at a higher level finds an error in a final and binding judgement which has taken effect in any people's court at a lower level, a retrial of the case may be conducted according to the judicial supervision procedures. If the president of a people's court at any level finds a definite error in a legally effective judgement or written order of his court and deems it necessary to have the case retried, he shall refer it to the judicial committee for discussion and decision.

The PRC civil procedures are governed by the Civil Procedure Law of the PRC, which was adopted on 9 April 1991 and amended on 28 October 2007, 31 August 2012 and 27 June 2017. Civil Procedure Law of the PRC sets forth the criteria for instituting a civil action, the jurisdiction of the courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgement or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by express agreement, select a jurisdiction where civil actions may be brought, provided that the jurisdiction is either the plaintiff's or the defendant's place of residence, the place of execution or implementation of the contract or the place of the object of the contract. However, such selection cannot violate the stipulations of grade jurisdiction and exclusive jurisdiction in any case.

(b) Arbitration and enforcement of arbitral awards

The Arbitration Law of the PRC (the "**Arbitration Law**") was promulgated by the SCNPC on 31 August 1994 and came into effect on 1 September 1995 and amended in 27 August 2009 and 1 September 2017. Contractual disputes between citizens of equal status, legal persons and other economic organisations and disputes arising from property rights may be put to arbitration. Where the parties have reached an agreement for arbitration, the people's court shall not accept the suit brought to the court by any one single party involved, except in case where the agreement for arbitration is invalid.

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Under the Arbitration Law, an arbitral award is final and binding on the parties and if a party fails to comply with an award, the other party to the award may apply to the people's court for enforcement.

A people's court may refuse to enforce an arbitral award made by an arbitration committee if the respondent has produced evidences to substantiate one of the cases provided for in the Civil Procedure Law.

Where a party involved in a foreign arbitration case applies for the enforcement of the award that has taken legal effect, the party shall apply directly with a foreign law court with the jurisdiction for recognition and enforcement if the party subject to enforcement or its property is not in the territory of the PRC.

In respect of contractual and non-contractual commercial-law-related disputes which are recognised as such for the purposes of the PRC law, the PRC has acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Award (the “**New York Convention**”) adopted on 10 June 1958 pursuant to a resolution of the SCNPC passed on 2 December 1986. The New York Convention provides that all arbitral awards made by a state which is a party to the New York Convention shall be recognised and enforced by other parties to the New York Convention subject to their right to refuse enforcement under certain circumstances including where the enforcement of the arbitral award is against the public policy of the state to which the application for enforcement is made. It was declared by the SCNPC at the time of the accession of the PRC that (i) the PRC would only recognise and enforce foreign arbitral awards on the principle of reciprocity and (ii) the PRC would only apply the New York Convention in disputes considered under PRC laws to be arising from contractual and non-contractual mercantile legal relations.

PRC LAWS RELATING TO FOREIGN INVESTMENT

On 15 March 2019, the NPC approved the Foreign Investment Law (外商投资法), and on 26 December 2019, the State Council promulgated the Implementing Rules of the Foreign Investment Law (外商投资法实施条例), or the “Implementing Rules”, to further clarify and elaborate the relevant provisions of the Foreign Investment Law. The Foreign Investment Law and the Implementing Rules both took effect on 1 January 2020 and replaced three previous major laws on foreign investments in China, namely, the Sino-foreign Equity Joint Venture Law (中华人民共和国中外合资经营企业法), the Sino-foreign Cooperative Joint Venture Law (中华人民共和国中外合作经营企业法) and the Wholly Foreign-owned Enterprise Law (中华人民共和国外资企业法), together with their respective implementing rules. Pursuant to the Foreign Investment Law, “foreign investments” refers to investment activities conducted by foreign investors (including foreign natural persons, foreign enterprises or other foreign organizations) directly or indirectly in the PRC, which include any of the following circumstances: (i) foreign investors setting up foreign-invested enterprises in the PRC solely or jointly with other investors, (ii) foreign investors obtaining shares, equity interests, property portions or other similar rights and interests of PRC domestic enterprises, (iii) foreign investors investing in new projects in the PRC solely or jointly with other investors, and (iv) investments made through other methods as specified in laws, administrative regulations, or as stipulated by the State Council.

The current industry entry clearance requirements governing investment activities in the PRC by foreign investors are set out in two categories, namely the Special Entry Management Measures (Negative List) for the Access of Foreign Investment (2020 version) (外商投资准入特别管理措施(负面清单) (2020年版)), or the “2020 Negative List”, and the Encouraged Industry Catalogue for Foreign Investment (2020 version) (鼓励外商投资产业目录(2020年版)), which were jointly

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promulgated by the NDRC and MOFCOM, and took effect on 23 July 2020 and on 27 January 2021, respectively. Fields not included in the 2020 Negative List shall be managed under the principle that domestic investment and foreign investment shall be treated uniformly.

Pursuant to the Foreign Investment Law, the Implementing Rules, and the Information Reporting Measures for Foreign Investment (外商投资信息报告办法) jointly promulgated by MOFCOM and the SAMR, which took effect on 1 January 2020, a foreign investment information reporting system has been established and foreign investors or foreign-invested enterprises shall report investment information to competent commerce departments of the government through the enterprise registration system and the national enterprise credit information publicity system, and the administration for market regulation shall forward the above investment information to the competent commerce departments in a timely manner. In addition, the Implementing Rules requires that foreign-invested enterprises which were established before the Foreign Investment Law came into effect shall adjust within a five-year transition period the provisions of their articles of association relating to the corporate governance to comply with the Foreign Investment Law.

Pursuant to the Provisions of the Ministry of Commerce on M&A of a Domestic Enterprise by Foreign Investors (关于外国投资者并购境内企业的规定) which was issued on 8 August 2006 and amended on 22 June 2009, merger and acquisition of domestic enterprises by foreign investors shall comply with the laws, administrative regulations and rules of China on investor qualifications and industry, land and environmental protection policies, etc. Where the capital contribution by a foreign investor in the foreign investment enterprise incorporated after merger and acquisition is more than 25% of the registered capital of the foreign investment enterprise, the enterprise shall enjoy the treatment of foreign investment enterprise. According to the Notice of the General Office of the State Council on the Establishment of the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (国务院办公厅关于建立外国投资者并购境内企业安全审查制度的通知) which was issued on 3 February 2011, and the Measures on Security Review of Foreign Investment (外商投资安全审查办法), which were issued by the NDRC and MOFCOM on 19 December 2020 and will take effect on 18 January 2021, for foreign investment that affects or may affect national security, security reviews shall be conducted in accordance with the measures herein.

PRC LAWS RELATING TO MERGERS AND ACQUISITIONS BY FOREIGN INVESTORS

According to the Provisions on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (“**M&A Rules**”), which were promulgated by the MOFCOM, the State Assets Supervision and Administration Commission, the State Taxation Administration, the SAIC, the China Securities Regulatory Commission and the SAFE on 8 August 2006 and became effective on 8 September 2006, as amended on 22 June 2009, the following scenarios qualify as an acquisition of a domestic enterprise by a foreign investor:

- (a) the foreign investor purchases the equity interests of a pure domestic enterprise without foreign investment (a “**Domestic Enterprise**”) or subscribes for the increased capital of a Domestic Enterprise, and thus converts the Domestic Enterprise into a foreign-invested enterprise;
- (b) the foreign investor establishes a foreign-invested enterprise and use such foreign-invested enterprise to purchase by agreement the assets of a Domestic Enterprise and operates such assets; or

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- (c) the foreign investor purchases by agreement the assets of a Domestic Enterprise and then use such assets as capital contribution to establish a foreign-invested enterprise and operates such assets.

The M&A Rules provide that when a foreign acquisition involves a PRC company, enterprise or individual using a foreign company, which was legally established by or is legally controlled by such person, to acquire and merge with a PRC non-foreign invested company, with which such PRC person is associated, the transaction must be examined and approved by the MOFCOM. The M&A Rules prohibit the use of any foreign invested enterprise, or any other methods, to carry out an investment in the PRC to circumvent the requirements under the M&A Rules.

In addition, the M&A Rules provide that a special purpose vehicle which means an offshore company that a domestic company or individual in China directly or indirectly controls for the purpose of offshore listing of the equity interests of the domestic company it actually owned must obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange.

PRC LAWS RELATING TO COMPETITION AND ANTI-TRUST LAWS

Pursuant to the Competition Law, which was promulgated by the SCNPC on 2 September 1993, became effective on 1 December 1993 and was last amended on 23 April 2019, businesses may not engage in improper market activities to undermine their competitors, including infringing trademark rights or confidential business information, generating false publicity through advertising or other means, or forging and disseminating false information infringing upon the goodwill of competitors or the reputation of their products, and bribing; businesses may also not engage in improper activities, including arranging false prize-winning purchase, and arranging the prize-winning purchase in which the highest amount of prize exceeds RMB50,000.

According to the Anti-Trust Law, which was promulgated by the SCNPC on 30 August 2007 and became effective on 1 August 2008, where a concentration of business undertakings triggers the threshold as set by the State Council, the business operators must file in advance with the competent authority under the State Council. The competent authority will carry out an initial review of the concentration to decide whether to conduct a further review. Where the competent authority decides not to conduct further review, or fails to make a decision at the expiration of the time limit, the relevant parties may proceed with the concentration.

According to the Provisions of the State Council on the Thresholds for Filing of Concentration of Business Operators, which were promulgated on 3 August 2008, became effective on the same date and was amended on 18 September 2018, where the intended concentration of business undertakings triggers any of the following thresholds, the business operators must file with the anti-monopoly enforcement authority of the State Council in advance, otherwise, the concentration must not be implemented:

- (a) all the business operators to the concentration have an aggregate global business turnover of more than RMB10 billion for the previous fiscal year, and at least two of the business operators each has a PRC business turnover of more than RMB400 million for the previous fiscal year;
- (b) all the business operators to the concentration have an aggregate PRC business turnover of more than RMB2 billion for the previous fiscal year, and at least two of the business operators each has a China business turnover of more than RMB400 million for the previous fiscal year.

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Pursuant to the Anti-Monopoly Law, if the business operators, in violation of the law, conduct concentration, the competent authority will order them to discontinue such concentration, within a specified time limit to dispose of their shares or assets, transfer the business or adopt other necessary measures to return to the original state prior to the concentration, and a fine of not more than RMB500,000 may be imposed.

PRC LAWS RELATING TO PREVENTION AND CONTROL OF OCCUPATIONAL DISEASES

According to the Prevention and Control of Occupational Diseases Law of the PRC (《中华人民共和国职业病防治法》) promulgated on 27 October 2001, effective as of 1 May 2002 and last amended on 29 December 2018, for construction projects, including projects to be constructed, expanded or reconstructed, and projects for technical renovation which may cause occupational disease hazards, the enterprise responsible for such projects shall: (i) during the period of feasibility study, operate a preliminary assessment report on such hazards; (ii) assess the effect of the control on occupational disease hazards before the construction project is completed for inspection and acceptance; and (iii) adopt protective facilities against occupational diseases. The protective facilities must be put into formal operation and use only after they have passed the inspection.

According to the Prevention and Control of Occupational Diseases Law of the PRC, an employing enterprise shall: (i) establish and improve the responsibility system of occupational disease prevention and treatment, strengthen the administration and improve the level of occupational disease prevention and treatment, and bear responsibility for the harm of occupational diseases arising therefrom; (ii) purchase social insurance for industrial injury; (iii) adopt effective protective facilities against occupational diseases, and provide protective articles to the labourers for personal use against occupational diseases; (iv) set up alarm equipment, allocate on-spot emergency treatment articles, washing equipment, emergency safety exits and safety zones for poisonous and harmful work places where acute occupational injuries are likely to take place; and (v) inform the employees, according to the facts, of the potential harm of occupational diseases as well as the consequences thereof and also highlight the protective measures and treatment against occupational diseases when signing a labour contract with employees.

PRC LAWS RELATING TO LABOUR

Employment Contracts

The Labour Contract Law of the PRC (《中华人民共和国劳动合同法》) promulgated on 29 June 2007, last revised on 28 December 2012 and became effective on 1 July 2013, requires every employer to enter into a written contract of employment with each of its employees. No employer may force its employees to work beyond the time limit and each employer must pay overtime compensation to its employees. The wage of each employee is to be no less than the local standard on minimum wages. According to the Labour Law of the PRC (《中华人民共和国劳动法》) promulgated on 5 July 1994, last revised on 29 December 2018 and became effective on the same day, every employer must ensure workplace safety and sanitation in accordance with national regulations and provide relevant training to its employees.

Employee Funds

In accordance with the PRC's Social Insurance Law (《中华人民共和国社会保险法》) promulgated on 28 October 2010, last amended on 29 December 2018 and became effective on the same day, as well as other relevant provisions, an employee shall participate in five types of social insurance funds, including pension, medical, unemployment, maternity and occupational injury insurance. The premiums for maternity insurance and occupational injury insurance are paid by the employer,

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while the premiums for pension insurance, medical insurance and unemployment insurance are paid by both the employer and the employee. If the employer fails to fully contribute to social insurance funds on time, the collection agency for such social insurance may demand the employer to make full payment or to pay the shortfall within a set period and collect a late charge. If the employer fails to pay after the due date, the relevant government administrative body may impose a fine on the employer.

Pursuant to the Regulation on the Administration of Housing Provident Funds (住房公积金管理条例) (the “**Housing Provident Fund**”) promulgated on 3 April 1999, last revised on 24 March 2019 and became effective on the same day, an employer must register with the competent managing center for housing funds and shall contribute to the Housing Provident Fund for any employee on its payroll. Where an employer fails to pay up housing provident funds within the prescribed time limit, the employer may be ordered to make payment within a certain period; where the payment has not been made after the expiration of the time limit, an application may be made to a people's court for compulsory enforcement.

PRC LAWS RELATING TO ENVIRONMENT PROTECTION

The Environmental Protection Law of the People's Republic of China (中华人民共和国环境保护法), promulgated on 26 December 1989 by the SCNPC, which became effective on the same day, establishes the legal framework for environmental protection in the PRC. The environmental protection department of the State Council supervises environmental protection work in the PRC, and establishes national standards for the discharge of pollutants. Each of the local environmental protection bureaus is responsible for the environmental protection work within their respective jurisdictions. The Environmental Protection Law was amended by the SCNPC on 24 April 2014, which strengthens the supervision and regulation on the environmental protection on the national level and imposes stricter punishment on the illegal activities. The amendment became effective on 1 January 2015.

According to the Classification and Administration List of Pollutant Discharge Permits for Stationary Pollution Sources (Version 2019) (固定污染源排污许可分类管理名录(2019年版)) (the “List”) issued by the Ministry of Ecology and Environmental of the People's Republic of China (“MEP”) on 20 December 2019, the existing enterprises and public institutions and other producers and operators should apply for pollutant discharge permits within the execution period in accordance with the requirements under the List. In addition, in accordance with the Measures for Pollutant Discharge Permitting Administration (For Trial Implementation) (排污许可证管理办法(试行)) promulgated by MEP on 10 January 2018 and amended on 22 August 2019, a pollutant discharging entity that has already been established and discharged pollutants shall apply for a pollutant discharge permit.

Air Pollution

The Air Pollution Prevention Law of the People's Republic of China (中华人民共和国大气污染防治法), promulgated on 5 September 1987 by the SCNPC, which became effective on 1 June 1988 and was last amended on 26 October 2018, establishes the legal framework for air pollution prevention in the PRC. The environmental protection department under the State Council or the people's governments of provinces, autonomous regions and municipalities directly under the Central Government formulates the air quality standards. The local people's governments at various levels shall be responsible for the quality of the atmospheric environment within each of their respective jurisdictions by making plans and taking measures to control or gradually reduce the amount of discharge of air pollutants, and the competent authority for ecological environment under the local people's government may impose penalties for violation.

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Water Pollution

The Water Pollution Prevention Law of the People's Republic of China (中华人民共和国水污染防治法), promulgated on 11 May 1984 by the SCNPC, which became effective on 1 November 1984, and amended on 15 May 1996, 28 February 2008, and 27 June 2017, establishes the legal framework for water pollution prevention in the PRC. The environmental protection department of the State Council formulates national waste discharge standards. Enterprises that discharge waste into water shall pay a treatment fee. The people's governments of provinces, autonomous regions and municipalities directly under the Central Government may regulate water pollution within each of their respective jurisdictions by formulating more specific local standards, and the competent authorities of such local governments may impose penalties for violation, including suspending operations.

Noise Pollution

The Noise Pollution Prevention Law of the People's Republic of China (中华人民共和国环境噪声污染防治法), promulgated by the SCNPC on 29 October 1996, which became effective on 1 March 1997, and was amended on 29 December 2018, establishes the framework for noise pollution prevention in the PRC. Under the Noise Pollution Prevention Law, any person undertaking a construction, decoration or expansion project which might cause environmental noise pollution, shall prepare and submit an environmental impact report to the environmental protection authority for approval. Facilities for prevention and control of environmental noise pollution shall be designed and approved by the environmental protection authority prior to the commencement of the project, and be built and put into use simultaneously with the project works. Facilities for prevention and control of environmental noise pollution may not be dismantled or suspended without the approval of the environmental protection authority.

PRC LAWS RELATING TO CONSTRUCTION PROJECTS

Our construction projects are subject to the Environmental Impact Appraisal Law, which was promulgated by the SCNPC on 28 October 2002, became effective on 1 September 2003 and was last amended on 29 December 2018, the Administration Rules on Environmental Protection of Construction Projects, which were promulgated by the State Council on 29 November 1998, became effective on 29 November 1998 and was amended on 16 July 2018, and the Interim Measures for the Examination and Approval of Environmental Protection Facilities of Construction Projects, which were promulgated by the Ministry of Environmental Protection on 20 November 2017 and became effective on 20 November 2017. Under these regulations, enterprises planning construction projects are required to engage qualified professionals to provide assessment reports on the environmental impact of these projects. The assessment report must be filed with, or approved by, as the case may be, the competent environmental protection department, prior to commencement of any construction work.

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1. Name of the Scheme

The Scheme shall be called the “**TCA Employee Share Option Scheme**”.

2. Definitions

In this Scheme, unless the context otherwise requires, the following words and expressions shall have the following meanings:

“ <i>Act</i> ”	:	The Companies Act, Chapter 50 of Singapore, as amended, modified or supplemented from time to time
“ <i>Adoption Date</i> ”	:	The date on which the Scheme is adopted by the Company
“ <i>Aggregate Subscription Cost</i> ”	:	The total amount payable for Shares which may be acquired on the exercise of an Option
“ <i>Associate</i> ”	:	Shall have the meaning ascribed to it in the Listing Rules
“ <i>Associated Company Executives</i> ”	:	Employees and directors of the Group’s associated companies over which the Company has control as are designated by the Committee for the purposes of the Scheme
“ <i>Auditors</i> ”	:	The auditors of the Company for the time being
“ <i>Board</i> ”	:	The board of directors of the Company for the time being
“ <i>Cayman Islands Companies Act</i> ”	:	The Companies Act (as revised) of the Cayman Islands, as amended, modified or supplemented from time to time
“ <i>CDP</i> ”	:	The Central Depository (Pte) Limited
“ <i>Committee</i> ”	:	The Remuneration Committee of the Company
“ <i>Company</i> ”	:	Trans-China Automotive Holdings Limited
“ <i>Control</i> ”	:	The capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of the Company

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<i>“Controlling Shareholder”</i>	:	As defined in the Catalist Rules, a person who: (a) holds directly or indirectly 15.0% or more of the nominal amount of all voting shares in our Company. The SGX-ST may determine that a person who satisfies this paragraph is not a controlling shareholder); or (b) in fact exercises control over our Company
<i>“Date of Grant”</i>	:	In relation to an Option, the date on which an Option is granted pursuant to Rule 5
<i>“Exercise Period”</i>	:	The period for the exercise of an Option, being a period commencing: (a) after the first anniversary of the Date of Grant and expiring on the tenth anniversary of such Date of Grant in the case of a Market Price Option; and (b) after the second anniversary of the Date of Grant and expiring on the tenth anniversary of such Date of Grant in the case of an Incentive Option
<i>“Exercise Price”</i>	:	The price at which a Participant shall subscribe for each Share upon the exercise of an Option which shall be the price as determined in accordance with Rule 6, as adjusted in accordance with Rule 12
<i>“Grantee”</i>	:	The person to whom an offer of an Option is made
<i>“Group”</i>	:	The Company and its subsidiaries
<i>“Group Employee”</i>	:	An employee of the Group (including any Group Executive Director who meet the relevant criteria and who shall be regarded as a Group Employee for the purposes of the Scheme) selected by the Committee to participate in the Scheme in accordance with Rule 4
<i>“Group Executive Director”</i>	:	A director of the Company and/or any of its subsidiaries, as the case may be, who performs an executive function
<i>“Incentive Option”</i>	:	An Option granted with the Exercise Price set at a discount to the Market Price

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<i>“Market Day”</i>	:	A day on which the SGX-ST is open for trading in securities
<i>“Market Price”</i>	:	A price equal to the average of the last dealt prices for the Shares on the SGX-ST over the five consecutive Trading Days immediately preceding the Date of Grant of that Option, as determined by the Committee by reference to the daily official list or any other publication published by the SGX-ST, rounded to the nearest whole cent in the event of fractional prices
<i>“Market Price Option”</i>	:	An Option granted with the Exercise Price set at the Market Price
<i>“Memorandum and Articles of Association”</i>	:	The Memorandum of Association and Articles of Association of the Company, as amended from time to time
<i>“Non-Executive Director”</i>	:	A director of the Company and/or any of its subsidiaries, as the case may be, other than one who performs an executive function
<i>“Option”</i>	:	The right to subscribe for Shares granted or to be granted to a Group Employee or Non-Executive Director pursuant to the Scheme and for the time being subsisting
<i>“Participant”</i>	:	The holder of an Option
<i>“Parent Group Executives”</i>	:	Employees and directors of TCA International Limited and such of TCA International Limited’s subsidiaries as are designated by the Committee for the purposes of the Scheme
<i>“Record Date”</i>	:	The date as at the close of business (or such other time as may have been prescribed by the Company) on which Shareholders must be registered in order to participate in the dividends, rights, allotments or other distributions (as the case may be)
<i>“Rules”</i>	:	Rules of the Scheme
<i>“Scheme”</i>	:	The TCA Employee Share Option Scheme, as the same may be modified or altered from time to time
<i>“Securities Account”</i>	:	The securities account maintained by a Depositor with CDP

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“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Shareholders”	:	The registered holders for the time being of the Shares
“Shares”	:	Ordinary shares in the capital of the Company
“subsidiary”	:	Shall have the meaning assigned to it in the Act, and “subsidiaries” shall be construed accordingly
“S\$”	:	Singapore dollar
“%”	:	Per centum or percentage

The terms “**Depositor**”, “**Depository Agent**” and “**Depository Register**” shall have the meanings ascribed to them respectively in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore.

Words importing the singular number shall, where applicable, include the plural number admits and *vice versa*. Words importing the masculine gender shall, where applicable, include the feminine and neuter gender.

Any reference to a time of day shall be a reference to Singapore time.

Any reference in the Scheme to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Act, the Cayman Islands Companies Act or any statutory modification thereof and used in the Scheme shall have the meaning assigned to it under the Act, the Cayman Islands Companies Act or any statutory modification thereof, as the case may be.

3. Objectives of the Scheme

- 3.1 The Scheme is a share incentive scheme. The Scheme is proposed on the basis that it is important to retain staff whose contributions are essential to the well-being and prosperity of the Group and to give recognition to outstanding employees who have contributed to the growth of the Group.
- 3.2 The objectives of the Scheme are as follows:
- (a) to retain key employees of our Group whose contributions are essential to the long-term growth and profitability of our Group;
 - (b) to instill loyalty to, and a stronger identification by Participants with the long-term prosperity of, our Company;
 - (c) to attract potential employees with relevant skills to contribute to our Group and to create value for our Shareholders; and
 - (d) to align the interests of Participants with the interests of our Shareholders.

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4. Eligibility of Participants

4.1 The following persons shall be eligible to participate in the Scheme at the absolute discretion of the Committee:

- (a) Group Employees who have attained the age of twenty-one (21) years and hold such rank as may be designated by the Committee from time to time and who have, as of the Date of Grant, been in full time employment of the Group for a period of at least twelve (12) months (or in the case of any Group Director, such shorter period as the Committee may determine);
- (b) Non-Executive Directors (including independent Directors) who, as of the Date of Grant, have attained the age of twenty-one (21) years;
- (c) Associated Company Executives who, as of the Date of Grant, have attained the age of twenty-one (21) years;
- (d) subject to Rule 4.2, persons who are qualified under Rule 4.1 (a) above and who are also Controlling Shareholders or Associates of Controlling Shareholders; and
- (e) subject to Rule 4.3, Parent Group Executives who have contributed to the success and development of our Company and who, as of the Date of Grant, have attained the age of twenty-one (21) years.

4.2 Controlling Shareholders and their Associates who satisfy the criteria set out in Rule 4.1 above shall be eligible to participate in the Scheme provided that:

- (a) their participation; and
- (b) the actual or maximum number of Shares and terms of any Options to be granted to them,

have been approved by independent shareholders of the Company at a general meeting in separate resolutions for each such person and, in respect of each such person, in separate resolutions for each of (i) his participation and (ii) the actual or maximum number of Shares to be granted to him, provided always that it shall not be necessary to obtain the approval of the independent shareholders of the Company for the participation in the Scheme of a Controlling Shareholder or his Associate who is, at the relevant time, already a Participant. Shareholders who are eligible to participate in the Scheme must abstain from voting on any of the foregoing resolutions.

4.3 Parent Group Executives who have contributed to the success and development of the Company who satisfy the criteria set out in Rule 4.1 above shall be eligible to participate in the Scheme provided that any grant of options to such person that, together with options already granted to the person under the Scheme, represents 5% or more of the total number of Options available to Parent Group Executives have been approved by independent shareholders of the Company at a general meeting. A separate resolution shall be passed for each such person and to approve the aggregate number of Options to be made available for grant to all Parent Group Executives. TCA International Limited and its associates and Parent Group Executives who are also Shareholders who are eligible to participate in the Scheme must abstain from voting on any of the foregoing resolutions.

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- 4.4 Subject to the Act, the Cayman Islands Companies Act and any requirements of the SGX-ST, the terms of eligibility for participation in the Scheme may be amended from time to time at the absolute discretion of the Committee.

5. Grant and acceptance of Options

- 5.1 Save as provided in Rule 11, the Committee may grant Options at any time during the period when the Scheme is in force, provided that in the event that an announcement on any matter of an exceptional nature involving unpublished price sensitive information is made by the Company, Options may only be granted on or after the second Market Day from the date on which such announcement is released.
- 5.2 The Letter of Offer to grant the Option shall be in, or substantially in, the form set out in Schedule A-1, subject to such modification as the Committee may from time to time determine.
- 5.3 An option shall be personal to the person to whom it is granted and shall not be transferred (other than to a Participant's personal representative on the death of that Participant), charged, assigned, pledged or otherwise disposed of, in whole or in part, except with the prior approval of the Committee.
- 5.4 The grant of an Option under this Rule 5 shall be accepted by the Grantee within 30 days from the Date of Grant of that Option and, in any event, not later than 5.00 p.m. on the thirtieth day from such Date of Grant by completing, signing and returning the Acceptance Form in or substantially in the form set out in Schedule B-1, subject to such modification as the Committee may from time to time determine, accompanied by payment of S\$1.00 as consideration.
- 5.5 If a grant of an Option is not accepted in the manner as provided in Rule 5.4, such offer shall, upon the expiry of the 30-day period, automatically lapse and become null, void and of no effect.
- 5.6 In the event that the grant of an Option results in a contravention of any applicable law, subsidiary legislation or other regulation, such grant shall be null, void and of no effect and the relevant Participant shall have no claim whatsoever against the Company.

6. Exercise Price

- 6.1 Subject to any adjustment pursuant to Rule 12, the Exercise Price for each Share in respect of which an Option is exercisable shall be determined by the Committee, in its absolute discretion, on the Date of Grant, at:
- (a) a price equal to the Market Price; or
 - (b) a price which is set at a discount to the Market Price, provided that:
 - (i) the maximum discount shall not exceed 20% of the Market Price (or such other percentage or amount as may be determined by the Committee and permitted by the SGX-ST); and

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- (ii) the Shareholders in general meeting shall have authorised, in a separate resolution, the making of offers and grants of Options under the Scheme at a discount not exceeding the maximum discount as aforesaid.

6.2 The Exercise Price shall in no event (including on any adjustment pursuant to the provisions of the Scheme) be less than the nominal or par value of a Share. When the Exercise Price as determined above is less than the par value of a Share, the Exercise Price shall be the par value.

7. Rights to exercise Options

7.1 Subject as provided in Rule 8 and Rule 9 and any other conditions as may be introduced by the Committee from time to time, a Market Price Option or an Incentive Option, as the case may be, shall be exercisable, in whole or in part, as follows:

- (a) in the case of a Market Price Option, during the period commencing after the first anniversary of the Date of Grant and expiring on the tenth anniversary of such Date of Grant (or such other shorter period if so determined by the Committee); and
- (b) in the case of an Incentive Option, during the period commencing after the second anniversary of the Date of Grant and expiring on the tenth anniversary of such Date of Grant (or such other shorter period if so determined by the Committee).

In the event of an Option being exercised in part only, the balance of the Option not thereby exercised shall continue to be exercisable in accordance with the Scheme until such time as it shall lapse in accordance with the Scheme.

8. EVENTS PRIOR TO EXERCISE OF OPTION

8.1 An Option shall, to the extent unexercised, immediately lapse without any claim whatsoever against the Company:

- (a) in the event of misconduct on the part of the Participant as determined by the Committee in its discretion;
- (b) subject to Rule 8.2, upon the Participant ceasing to be in the employment of the Group, for any reason whatsoever; or
- (c) in the event of an order being made or resolution passed for the winding-up of the Company on the basis, or by reason, of its insolvency.

For the purpose of Rule 8.1(b), the Participant shall be deemed to have ceased to be so employed as of the date the notice of termination of employment is tendered by or is given to him, unless such notice shall be withdrawn prior to its effective date.

8.2 In any of the following events, namely:

- (a) the bankruptcy of the Participant or the happening of any other event which results in his being deprived of the legal or beneficial ownership of an Option;

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- (b) where the Participant ceases to be in the employment of the Group by reason of:
 - (i) ill health, injury or disability (in each case, evidenced to the satisfaction of the Committee);
 - (ii) redundancy;
 - (iii) retirement at or after the legal retirement age;
 - (iv) retirement before the legal retirement age with the consent of the Committee;
 - (v) the company by which he is employed or to which he is seconded, as the case may be, ceasing to be a company within the Group, or the undertaking or part of the undertaking of such company being transferred otherwise than to another company within the Group, as the case may be;
 - (vi) the company by which he is employed or to which he is seconded, as the case may be, ceasing to be a company within the Group, or the undertaking or part of the undertaking of such company being transferred otherwise than to another company within the Group, as the case may be;
 - (vii) (where applicable) his transfer of employment between companies within the Group;
 - (viii) his transfer to any government ministry, governmental or statutory body or corporation at the direction of any company within the Group; or
 - (ix) any other event approved by the Committee; or
- (c) the death of a Participant; or
- (d) any other event approved by the Committee,

or any other reason approved in writing by the Committee, he (or, if a Participant dies, a duly appointed legal personal representative of the Participant) may exercise any unexercised Option within the relevant Option Period and such unexercised Option shall continue to be exercisable by the Participant in the manner provided in the Scheme (unless otherwise decided by the Committee at its absolute discretion), and upon the expiry of such period, the Option shall immediately lapse and become null and void.

9. Take-over and winding up of the Company

- 9.1 Notwithstanding Rule 8 but subject to Rule 9.5, in the event of a take-over offer being made for the Shares, a Participant shall be entitled to exercise any Option held by him and as yet unexercised, in respect of such number of Shares comprised in that Option as may be determined by the Committee in its absolute discretion, in the period commencing on the date on which such offer is made or, if such offer is conditional, the date on which such offer becomes or is declared unconditional, as the case may be, and ending on the earlier of:
 - (a) the expiry of six months thereafter, unless prior to the expiry of such six-month period, at the recommendation of the offeror and with the approvals of the Committee and the

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SGX-ST, such expiry date is extended to a later date (in either case, being a date falling not later than the expiry of the Exercise Period relating thereto); or

- (b) the date of expiry of the Exercise Period relating thereto, whereupon the Option then remaining unexercised shall lapse.

Provided that if during such period, the offeror becomes entitled or bound to exercise rights of compulsory acquisition under the provisions of the Act or any applicable laws or regulations and, being entitled to do so, gives notice to the Participants that it intends to exercise such rights on a specified date, the Option shall remain exercisable by the Participant until the expiry of such specified date or the expiry of the Exercise Period relating thereto, whichever is earlier. Any Option not so exercised shall lapse provided that the offeror's rights of acquisition or obligations to acquire the Shares shall have been exercised or performed, as the case may be. If such rights or obligations have not been exercised or performed, the Option shall, notwithstanding Rule 8, remain exercisable until the expiry of the Exercise Period relating thereto.

- 9.2 If: (a) under any applicable laws, the court sanctions a compromise or arrangement proposed for the purposes of, or in connection with, a scheme for the reconstruction of the Company or its amalgamation with another company or companies, or (b) there is a change of Control of the Company (other than pursuant to a take-over), each Participant shall be entitled (subject to Rule 9.5), to exercise any Option then held by him, in respect of such number of Shares comprised in that Option, during the period: (i) in the case of scenario (a) above, commencing on the date upon which the compromise or arrangement is sanctioned by the court and ending either on the expiry of 60 days thereafter or the date upon which the compromise or arrangement becomes effective, whichever is later, or (ii) in the case of scenario (b) above, commencing on the date upon which the change of Control becomes effective and ending on the expiry of 60 days thereafter (but in either case, not after the expiry of the Exercise Period relating thereto), whereupon the Option shall lapse and become null and void.
- 9.3 If an order of court is made or an effective resolution is passed by the Company for the winding-up of the Company on the basis of its insolvency, all Options, to the extent unexercised, shall lapse and become null and void.
- 9.4 In the event that a notice is given by the Company to its members to convene a general meeting for the purposes of considering and, if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date or soon after it dispatches such notice to each member of the Company give notice thereof to all Participants (together with a notice of the existence of the provision of this Rule 9.4) and thereupon, each Participant (or his legal personal representative) shall be entitled to exercise all or any of his Options at any time not later than two business days prior to the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for the full amount of the Aggregate Subscription Cost for the Shares in respect of which notice is given whereupon the Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot and issue or transfer the relevant Shares to the Participant credited as fully paid, provided that all Options to the extent unexercised prior to the commencement of the voluntary winding-up of the Company shall, upon the commencement of such winding-up, be null and void.

APPENDIX J – RULES OF THE TCA EMPLOYEE SHARE OPTION SCHEME

- 9.5 If in connection with the making of a general offer referred to in Rule 9.1 or the scheme referred to in Rule 9.2 or the winding-up referred to in Rule 9.4, arrangements are made (which are confirmed in writing by the Auditors, acting only as experts and not as arbitrators, to be fair and reasonable) for the compensation of Participants, whether by the continuation of their Options or the payment of cash or the grant of other options or otherwise, a Participant holding an Option, as yet not exercised, may not, at the discretion of the Committee, be permitted to exercise that Option as provided for in this Rule 9.
- 9.6 To the extent that an Option is not exercised within the periods referred to in this Rule 9, it shall lapse and become null and void.

10. Exercise of Options, Allotment and Listing of Shares

- 10.1 Subject to Rule 7.1, an Option may be exercised, in whole or in part, by a Participant giving notice in writing to the Company in, or substantially in, the form set out in Schedule C-1, subject to such modification as the Committee may from time to time determine. Such notice must be accompanied by payment in cash for the full amount of the Aggregate Subscription Cost in respect of the Shares for which that Option is exercised and any other documentation the Committee may require. An Option shall be deemed to be exercised upon receipt by the Company of the said notice, duly completed, and the full amount of the Aggregate Subscription Cost as aforesaid. All payments made shall be made by cheque, cashiers' order, banker's draft or postal order made out in favour of the Company or such other mode of payment as may be acceptable to the Company.
- 10.2 Subject to the Listing Rules and prevailing legislation, the Company shall have the flexibility to deliver Shares to Participants upon exercise of their Options by way of:
- (a) allotment and issue of new Shares; and/or
 - (b) transfer of existing Shares, including (subject to applicable laws) any Shares acquired by the Company pursuant to a share purchase mandate and/or held by the Company as treasury shares.

In determining whether to issue new Shares or to deliver existing Shares to Participants upon the exercise of their Options, the Company will take into account factors such as (but not limited to):

- (a) the prevailing Market Price of the Shares;
- (b) the prevailing Market Price of the Shares relative to the financial performance of the Company;
- (c) the cash position of the Company;
- (d) the projected cash needs of the Company;
- (e) the dilution impact (if any);
- (f) the cost to the Company of either issuing new Shares or purchasing existing Shares; and

APPENDIX J – RULES OF THE TCA EMPLOYEE SHARE OPTION SCHEME

- (g) the liquidity of the Shares based on the average daily trading volume of the Shares, and in particular whether the repurchase by the Company of existing Shares to deliver to Participants upon exercise of their Options would materially impact the Market Price of the Shares.
- 10.3 Subject to such consents or other required action of any competent authority under any regulations or enactments for the time being in force as may be necessary and subject to compliance with the terms of the Scheme and the Memorandum and Articles of Association of the Company, the Company shall, within 10 Market Days after the exercise of an Option, allot and issue and/or transfer or procure the transfer (as the case may be) of the relevant Shares in respect of which such Option has been exercised by the Participant and within five (5) Market Days from the date of such allotment and issue or transfer (as the case may be), despatch to CDP the relevant share certificates by ordinary post or such other mode as the Committee may deem fit.
- 10.4 Where new Shares are allotted upon the exercise of an Option, the Company shall, as soon as practicable after such allotment, apply to the SGX for permission to deal in and for quotation of such Shares, which may be issued upon exercise of the Option and the Shares (if any) which may be issued to the Participant pursuant to any adjustments in accordance with Rule 12.
- 10.5 Shares which are issued or transferred on the exercise of an Option by a Participant shall be issued or transferred (as the case may be), as the Participant may elect, in the name of CDP to the credit of the Securities Account of that Participant maintained with CDP or the securities sub-account of that Participant maintained with a Depository Agent.
- 10.6 Shares acquired upon the exercise of an Option shall:
 - (a) be subject to all the provisions of the Act and the Memorandum and Articles of Association of the Company; and
 - (b) shall rank in full for all entitlements, including dividends, rights, allotments or other distributions declared or recommended in respect of the then existing Shares, the Record Date for which falls on or after the relevant exercise date upon which such exercise occurred, and shall in all other respects rank *pari passu* with other existing Shares then in issue.
- 10.7 The Company shall keep available sufficient unissued Shares to satisfy the full exercise of all Options for the time being remaining capable of being exercised.

11. Limitation on the size of the Scheme

- 11.1 The aggregate number of Shares which may be issued or transferred pursuant to Options granted under the Scheme on any date, when aggregated with the aggregate number of Shares over which options or awards are already issued and/or granted under any other share option schemes or share schemes of the Company, shall not exceed 15% of the total number of all issued Shares (excluding Shares held by the Company as treasury shares) on the day preceding that date.
- 11.2 The aggregate number of Shares which may be issued or transferred pursuant to Options granted under the Scheme to Participants who are Controlling Shareholders and their Associates shall not exceed 25% of the Shares available under the Scheme.

APPENDIX J – RULES OF THE TCA EMPLOYEE SHARE OPTION SCHEME

- 11.3 The number of Shares which may be issued or transferred pursuant to Options granted under the Scheme to each Participant who is a Controlling Shareholder or his Associate shall not exceed 10% of the Shares available under the Scheme.
- 11.4 Shares which are the subject of Options which have lapsed for any reason whatsoever may be the subject of further Options granted by the Committee under the Scheme.

12. Adjustment Events

- 12.1 If a variation in the issued ordinary share capital of the Company (whether by way of a capitalisation of profits or reserves or rights issue, reduction of capital, subdivision, consolidation, distribution or otherwise) shall take place, then:

- (a) the Exercise Price of the Shares, the nominal or par value, the class and/or number of Shares comprised in an Option to the extent unexercised; and/or
- (b) the nominal or par value, the class and/or number of Shares over which Options may be granted under the Scheme,

shall be adjusted in such manner by the Committee to give such Participant the same proportion of the equity capital of the Company as that to which he was previously entitled, in such manner as the Committee may, at its discretion, determine to be appropriate, provided that no adjustment shall be made as if as a result, the Participant receives a benefit that a shareholder of the Company does not receive.

- 12.2 Unless the Committee considers an adjustment to be appropriate, (a) the issue of securities as consideration for an acquisition or a private placement of securities; (b) the cancellation of issued Shares purchased or acquired by the Company by way of a market purchase of such Shares undertaken by the Company on the SGX-ST during the period when a share purchase mandate granted by Shareholders of the Company (including any renewal of such mandate) is in force; (c) the issue of Shares or other securities convertible into or with rights to acquire or subscribe for Shares to its employees pursuant to any share option scheme or share plan approved by Shareholders in general meeting, including the Scheme; or (d) any issue of Shares arising from the exercise of any warrants or the conversion of any convertible securities issued by the Company, shall not normally be regarded as a circumstance requiring adjustment.
- 12.3 Notwithstanding the provisions of Rule 12.1, any adjustment (except in relation to a capitalisation issue) must be confirmed in writing by the Auditors (acting only as experts and not as arbitrators) to be in their opinion, fair and reasonable.
- 12.4 Upon any adjustment required to be made pursuant to this Rule 12, the Company shall notify the Participant (or his duly appointed personal representatives where applicable) in writing and deliver to him (or his duly appointed personal representatives where applicable) a statement setting forth the Exercise Price thereafter in effect and class and/or number of Shares thereafter to be issued or transferred on the exercise of the Option. Any adjustment shall take effect upon such written notification being given.
- 12.5 In no event (including on any adjustment pursuant to the provisions of the Scheme) shall the Exercise Price be less than the nominal or par value of a Share. Notwithstanding the provisions of Rule 12.1 above, no such adjustment shall be made which would result in the Shares to be issued upon the exercise of an Option being issued at a discount to the

APPENDIX J – RULES OF THE TCA EMPLOYEE SHARE OPTION SCHEME

nominal or par value of a Share and if such adjustment would but for this sub-Rule have so resulted in the Exercise Price being less than the par value of a Share, the Exercise Price payable shall be the par value of a Share.

13. Administration of the Scheme

- 13.1 The Scheme shall be administered by the Committee in its absolute discretion with such powers and duties as are conferred on it by the Board, provided that no member of the Committee shall participate in any deliberation or decision in respect of Options to be granted to him or held by him.
- 13.2 The Committee shall have the power, from time to time, to make and vary such arrangements, guidelines and/or regulations (not being inconsistent with the Scheme) for the implementation and administration of the Scheme, to give effect to the provisions of the Scheme and/or to enhance the benefit of the Options and the Shares to the Participants, as it may, in its absolute discretion, think fit. Any matter pertaining or pursuant to the Scheme and any dispute and uncertainty as to the interpretation of the Scheme, any rule, regulation or procedure thereunder or any rights under the Scheme shall be determined by the Committee.
- 13.3 Neither the Scheme nor the grant of Options under the Scheme shall impose on the Company or the Committee any liability whatsoever in connection with (a) the lapsing or early expiry of any Options pursuant to any provision of the Scheme; (b) the failure or refusal by the Committee to exercise, or the exercise by the Committee of, any discretion under the Scheme; and/or (c) any decision or determination of the Committee made pursuant to any provision of the Scheme.
- 13.4 Any decision or determination of the Committee made pursuant to any provision of the Scheme (other than a matter to be certified by the Auditors) shall be final, binding and conclusive (including for the avoidance of doubt, any decisions pertaining to disputes as to the interpretation of the Scheme or any rule, regulation or procedure hereunder or as to any rights under the Scheme). The Committee shall not be required to furnish any reasons for any decision or determination made by it.
- 13.5 The Committee shall ensure that the rules of the Scheme are in compliance with the Act, the Cayman Islands Companies Act and the applicable laws and regulations in the Cayman Islands and Singapore, including but not limited to, the Listing Rules.

14. Notices

- 14.1 Any notice required to be given by a Participant to the Company shall be sent or made to the principal place of business of the Company or such other addresses (including electronic mail addresses) or facsimile number, and marked for the attention of the Committee, as may be notified by the Company to him in writing.
- 14.2 Any notices or documents required to be given to a Participant or any correspondence to be made between the Company and the Participant shall be given or made by the Committee (or such person(s) as it may from time to time direct) on behalf of the Company and shall be delivered to him by hand or sent to him at his home address, electronic mail address or facsimile number according to the records of the Company or the last known address, electronic mail address or facsimile number of the Participant.

APPENDIX J – RULES OF THE TCA EMPLOYEE SHARE OPTION SCHEME

- 14.3 Any notice or other communication from a Participant to the Company shall be irrevocable, and shall not be effective until received by the Company. Any other notice or communication from the Company to a Participant shall be deemed to be received by that Participant, when left at the address specified in Rule 14.2 or, if sent by post, on the day following the date of posting or, if sent by electronic mail or facsimile transmission, on the day of despatch.

15. Modifications to the Scheme

- 15.1 Any or all the provisions of the Scheme may be modified and/or altered at any time and from time to time by resolution of the Committee, except that:

- (a) no modification or alteration shall alter adversely the rights attaching to any Option granted prior to such modification or alteration except when the consent in writing of such number of Participants who, if they exercised their Options in full, would thereby become entitled to not less than three-quarters in number of all the Shares which would fall to be issued upon exercise in full of all outstanding Options;
- (b) any modification or alteration which would be to the advantage of Participants under the Scheme shall be subject to the prior approval of the Shareholders in general meeting; and
- (c) no modification or alteration shall be made without the prior approval of the SGX-ST and such other regulatory authorities as may be necessary.

For the purposes of Rule 15.1 (a), the opinion of the Committee as to whether any modification or alteration would adversely affect the rights attached to any Option shall be final, binding and conclusive.

For the avoidance of doubt, nothing in this Rule 15.1 shall affect the right of the Committee under any provision of the Scheme to amend or adjust any Option and without due compliance with the Listing Rules and such other laws and regulations as may be applicable.

- 15.2 Notwithstanding anything to the contrary contained in Rule 15.1, the Committee may at any time by resolution (and without other formality, save for the prior approval of the SGX-ST) amend or alter the Scheme in any way to the extent necessary or desirable, in the opinion of the Committee, to cause the Scheme to comply with any statutory provision (or any amendment or modification thereto, including amendment of or modification to the Act or the Cayman Islands Companies Act) or the provision or the regulations of any regulatory or other relevant authority or body (including the SGX-ST).
- 15.3 Written notice of any modification or alteration made in accordance with this Rule 15 shall be given to all Participants.

16. Terms of employment unaffected

The terms of employment of a Participant shall not be affected by his participation in the Scheme, which shall neither form part of such terms nor entitle him to take into account such participation in calculating any compensation or damages on the termination of his employment for any reason.

APPENDIX J – RULES OF THE TCA EMPLOYEE SHARE OPTION SCHEME

17. Duration of the Scheme

- 17.1 The Scheme shall continue to be in force at the discretion of the Committee, subject to a maximum period of 10 years commencing on the Adoption Date, provided always that the Scheme may continue beyond the above stipulated period with the approval of the Shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.
- 17.2 The Scheme may be terminated at any time by the Committee, at the discretion of the Committee, or by resolution of the Company in general meeting, subject to all relevant approvals which may be required and if the Scheme is so terminated, no further Options shall be offered by the Company hereunder.
- 17.3 The expiry or termination of the Scheme shall not affect Options which have been granted prior to such expiry or termination, whether such Options have been exercised (whether fully or partially) or not.

18. Taxes

All taxes (including income tax) arising from the grant or exercise of any Option granted to any Participant under the Scheme shall be borne by that Participant.

19. Costs and expenses

- 19.1 Each Participant shall be responsible for all fees of CDP relating to or in connection with the issue and allotment or transfer of any Shares pursuant to the exercise of any Option in CDP's name, the deposit of share certificate(s) with CDP, the Participant's Securities Account with CDP, or the Participant's securities sub-account with a Depository Agent.
- 19.2 Save for the taxes referred to in Rule 18 and such other costs and expenses expressly provided in the Scheme to be payable by the Participants, all fees, costs and expenses incurred by the Company in relation to the Scheme including but not limited to the fees, costs and expenses relating to the allotment and issue of Shares pursuant to the exercise of any Option shall be borne by the Company.

20. Condition of Option

Every Option shall be subject to the condition that no Shares shall be issued and/or transferred pursuant to the exercise of an Option if such issue and/or transfer would be contrary to any rules or regulations of the SGX-ST or any law, enactment or regulations for the time being in force in Singapore, the Cayman Islands or any other relevant jurisdiction.

21. Disclaimer of liability

Notwithstanding any provisions herein contained, the Committee and the Company shall not under any circumstances be held liable for any costs, losses, expenses and damages whatsoever and howsoever arising in any event, including but not limited to the Company's delay in issuing the Shares or procuring the transfer of or applying for or procuring the listing of new Shares on the SGX-ST in accordance with Rule 10.4.

APPENDIX J – RULES OF THE TCA EMPLOYEE SHARE OPTION SCHEME

22. Disclosure in annual report

The following disclosures (as applicable) will be made by the Company in its annual report for so long as the Scheme continues in operation and for so long as the Scheme continues in operation:

- (a) the names of the members of the Committee administering the Scheme;
- (b) in respect of the following Participants of the Scheme:
 - (i) Directors of the Company;
 - (ii) Controlling Shareholders and their Associates; and
 - (iii) Participants (other than those in (i) and (ii) above) who receive 5% or more of the total number of Shares comprised in Options available under the Scheme.

Name of Participant	Number of Shares comprised in Options granted during financial year under review (including terms)	Aggregate number of Shares comprised in Options granted since commencement of Scheme to end of financial year under review	Aggregate number of Shares comprised in Options exercised since commencement of Scheme to end of financial year under review	Aggregate number of Shares comprised in Options outstanding as at end of financial year under review

- (c) in respect of Participants of the Scheme who are Parent Group Executives:
 - (i) the names of and number and terms of Options granted to each Parent Group Executive who receives 5% or more of the total number of Options available to all Parent Group Executives under the Scheme, during the financial year under review; and
 - (ii) the aggregate number of Options granted to Parent Group Executives for the financial year under review, and since the commencement of the Scheme to the end of the financial year under review;
- (d) in respect of Incentive Options, the following disclosure shall be made:
 - (i) the number of Incentive Options granted at a discount of 10% or less and proportion to Market Price Options during the financial year under review; and
 - (ii) the number of Incentive Options granted at a discount of more than 10% and proportion to Market Price Options during the financial year under review,
- (e) if any of the above requirements is not applicable, an appropriate negative statement shall be included therein.

APPENDIX J – RULES OF THE TCA EMPLOYEE SHARE OPTION SCHEME

23. Disputes

Any disputes or differences of any nature arising hereunder shall be referred to the Committee and its decision shall be final and binding in all respects.

24. Abstention from voting

- (a) Shareholders who are eligible to participate in the Scheme must abstain from voting on any resolution relating to the Scheme, save that, subject to Rule 24(b) below, a Shareholder may vote on a resolution relating to the participation of, or grant of options to a Parent Group Executive.
- (b) TCA International Limited and its associates and Parent Group Executives who are also Shareholders who are eligible to participate in the Scheme must abstain from voting on any resolution relating to the participation of, or grant of Options to Parent Group Executive.

25. Governing law

The Scheme shall be governed by, and construed in accordance with, the laws of the Republic of Singapore. The Participants, by accepting Options in accordance with the Scheme, and the Company submit to the exclusive jurisdiction of the courts of the Republic of Singapore.

26. Contracts (Rights of Third Parties) Act, Chapter 53B

No person other than the Company or a Participant shall have any right to enforce any provision of the Scheme or any Option by the virtue of the Contracts (Rights of Third Parties) Act, Chapter 53B of Singapore.

APPENDIX J – RULES OF THE TCA EMPLOYEE SHARE OPTION SCHEME

Schedule A-1

TCA Employee Share Option Scheme

LETTER OF OFFER

Serial No: _____

Date: _____

To: **[Name]**
[Designation]

[Address]

Private and Confidential

Dear Sir/Madam,

1. We have the pleasure of informing you that, pursuant to the TCA Employee Share Option Scheme (the “**Employee Share Option Scheme**”), you have been nominated to participate in the Employee Share Option Scheme by the Committee (the “**Committee**”) appointed by the Board of Directors of Trans-China Automotive Holdings Limited (the “**Company**”) to administer the Employee Share Option Scheme. Terms as defined in the Employee Share Option Scheme shall have the same meaning when used in this letter.
2. Accordingly, in consideration of the payment of a sum of S\$1.00, an offer is hereby made to grant you an option (the “**Option**”), to subscribe for and be allotted _____ Shares at the price of S\$_____ for each **Share**.
3. The option is personal to you and shall not be transferred, charged, pledged, assigned or otherwise disposed of by you, in whole or in part, except with the prior approval of the Committee.
4. The Option shall be subject to the terms of the Employee Share Option Scheme, a copy of which is available for inspection at the business address of the Company.
5. If you wish to accept the offer of the Option on the terms of this letter, please sign and return the enclosed Acceptance Form with a sum of S\$1.00 not later than 5.00 p.m. on _____, failing which this offer will lapse.

Yours faithfully,

For and on behalf of
Trans-China Automotive Holdings Limited

Name:
Designation:

APPENDIX J – RULES OF THE TCA EMPLOYEE SHARE OPTION SCHEME

Schedule B-1

TCA Employee Share Option Scheme

ACCEPTANCE FORM

Serial No: _____

Date: _____

To: The Committee,
TCA Employee Share Option Scheme

Closing Date for Acceptance of Offer: _____

Number of Shares Offered: _____

Exercise Price for each Share: S\$_____

I have read your Letter of Offer dated _____ (“**Letter of Offer**”) and agree to be bound by the terms of the Letter of Offer and the Employee Share Option Scheme referred to therein. Terms defined in your Letter of Offer shall have the same meanings when used in this Acceptance Form.

I hereby accept the Option to subscribe for _____ Shares at S\$_____ for each Share. I enclose cash for S\$1.00 in payment for the purchase of the Option/I authorise my employer to deduct the sum of S\$1.00 from my salary in payment for the purchase of the Option.

I understand that I am not obliged to exercise the Option.

I confirm that my acceptance of the Option will not result in the contravention of any applicable law or regulation in relation to the ownership of shares in the Company or options to subscribe for such shares.

I agree to keep all information pertaining to the grant of the Option to me confidential.

I further acknowledge that you have not made any representation to induce me to accept the offer and that the terms of the Letter of Offer and this Acceptance Form constitute the entire agreement between us relating to the offer.

Please print in block letters

Name in full : _____

Designation : _____

Address : _____

Nationality : _____

*NRIC/Passport No : _____

Signature : _____

Date : _____

Note:

* Delete accordingly

APPENDIX J – RULES OF THE TCA EMPLOYEE SHARE OPTION SCHEME

Schedule C-1

TCA Employee Share Option Scheme

FORM OF EXERCISE OF OPTION

Total number of ordinary shares (the “**Shares**”) offered at S\$_____ for each Share (the “**Exercise Price**”) under the TCA Employee Share Option Scheme on _____ (Date of grant) : _____

Number of Shares previously allotted thereunder : _____

Outstanding balance of Shares to be allotted : _____

Number of Shares now to be subscribed : _____

To: The Committee,
TCA Employee Share Option Scheme

1. Pursuant to your Letter of Offer dated _____ and my acceptance thereof, I hereby exercise the Option to subscribe for _____ Shares in Trans-China Automotive Holdings Limited (the “**Company**”) at S\$_____ for each Share.
2. I enclose a *cheque/cashier’s order/banker’s draft/postal order no. _____ for S\$_____ by way of subscription for the total number of the said Shares.
3. I agree to subscribe for the said Shares subject to the terms of the Letter of Offer, the TCA Employee Share Option Scheme and the Memorandum and Articles of Association of the Company.
4. I declare that I am subscribing for the said Shares for myself and not as a nominee for any other person.
5. I request the Company to allot and issue the Shares in the name of The Central Depository (Pte) Limited (“**CDP**”) for credit of my *Securities Account with CDP/Sub-Account with the Depository Agent/CPF investment account with my Agent Bank specified below and I hereby agree to bear such fees or other charges as may be imposed by CDP in respect thereof.

APPENDIX J – RULES OF THE TCA EMPLOYEE SHARE OPTION SCHEME

Schedule C-1

Please print in block letters

Name in full : _____
Designation : _____
Address : _____
Nationality : _____
*NRIC/Passport No : _____
*Direct Securities Account No. : _____

OR

*Sub-Account No. : _____
Name of Depository Agent : _____

OR

*CPF Investment : _____
Account No. : _____
Name of Agent Bank : _____
Signature : _____
Date : _____

Note:

* Delete accordingly

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APPENDIX K – LIST OF PRESENT AND PAST DIRECTORSHIPS

The list of present and past directorships of our Directors and Executive Officers in the last five (5) years up to the Latest Practicable Date, excluding that held in our Company, is as follows:

<u>Name</u>	<u>Present directorships</u>	<u>Past directorships</u>
Francis Tjia	<u>Group Companies</u> Bright Promise Limited (俊諾有限公司) Chongqing Baize Industrial Co., Ltd. (重庆百泽实业有限公司) Chongqing Qingdebao Automobile Sales and Services Co., Ltd. (重庆市庆德宝汽车销售服务有限公司) Focus Win (Chongqing) Limited (創豐盛(重慶)有限公司) Focus Win (Guangzhou) Limited (創豐盛(廣州)有限公司) Foshan Shenbao Automobile Sales and Services Co., Ltd. (佛山市坤宝汽车销售服务有限公司) Global Gallant Limited (球俊有限公司) Guangdong Yaohua Leasing Co., Ltd. (广东耀骅租赁有限公司) Guangzhou Changbao Automobile Sales and Services Co., Ltd. (广州市昌宝汽车销售服务有限公司) MARINE PEARL LIMITED N-Tech Services Limited (安盛服务有限公司) Power Summit Corporation Limited (培峰有限公司) Red Star (Shenzhen) Limited (红星(深圳)有限公司) Shenzhen Bright Focus Automobile Sales and Services Co., Ltd. (深圳市创兴盛汽车销售服务有限公司) Shenzhen Shangxiantong Enterprise Consulting Management Service Co., Ltd. (深圳市尚贤同企 业咨询管理服务有限公司) Shenzhen Qifeng Automobile Sales and Services Co., Ltd. (深圳市祺烽汽车销售服务有限公司) TCA Chongqing (BVI) Limited TCA Foshan (BVI) Limited TCA Guangzhou (BVI) Limited TCA Holdings (HK) Limited (耀驊汽車控股(香港)有限公司) TCA Shenzhen (BVI) Limited	<u>Group Companies</u> – <u>Other Companies</u> –

APPENDIX K – LIST OF PRESENT AND PAST DIRECTORSHIPS

<u>Name</u>	<u>Present directorships</u>	<u>Past directorships</u>
	TCAH (BVI) Limited Trans-China Automotive Holdings (FS) Limited (耀華汽車控股(佛山)有限公司) Trans-China Automotive Holdings Limited Yaohua Automobile Management Service (Shenzhen) Co., Ltd. (耀華汽車管理服务(深圳)有限公司)	
	<u>Other Companies</u>	
	Best Venture (HK) Limited (浚佳(香港)有限公司) Propeller Investment Holdings Limited Red Star Investment Holdings Limited Red Star Holdings (HK) Limited (紅星控股(香港)有限公司) Focus Win (HK) Limited (創豐盛(香港)有限公司) Focus Win Holdings (Hong Kong) Company Limited (創豐盛控股(香港)有限公司) TCA International Limited TCA Management Limited TCW Holdings Limited (保盛控股有限公司) Techart (China) Limited (泰卡特(中國)有限公司) ACRC (S) Limited ASFH (S) Limited Asian Special Finance Hedge Fund Hera Limited Income Partners (Singapore) Pte Limited Income Partners Asset Management (Asia) Limited Income Partners Asset Management (HK) Limited Income Partners Group Limited Income Partners Limited IP All Season Asian Credit Fund IP Asian Opportunities Fund Jin Shan Holdings Limited Anna Holdings Limited Anna Mil Holdings Limited	

APPENDIX K – LIST OF PRESENT AND PAST DIRECTORSHIPS

<u>Name</u>	<u>Present directorships</u>	<u>Past directorships</u>
	Multiland Pacific Holdings Limited Openform Properties Ltd OpenRoad Auto Group Limited OpenRoad China Holdings Limited FT Realty Inc. Leading Venture Limited O Club Holdings Limited Octo Holdings Limited Octo Magistra Limited Octo Property Limited Super Splash Investment Limited	
Michael Cheung	<u>Group Companies</u> Chongqing Qingdebao Automobile Sales and Services Co., Ltd. (重庆市庆德宝汽车销售服务有限公司) Focus Win (Guangzhou) Limited (創豐盛(廣州)有限公司) Focus Win (Chongqing) Limited (創豐盛(重慶)有限公司) Global Gallant Limited (球俊有限公司) Guangdong Yaohua Leasing Co., Ltd. (广东耀华租赁有限公司) Guangzhou Changbao Automobile Sales and Services Co., Ltd. (广州市昌宝汽车销售服务有限公司) MARINE PEARL LIMITED N-Tech Services Limited (安盛服務有限公司) Power Summit Corporation Limited (培峰有限公司) Red Star (Shenzhen) Limited (紅星(深圳)有限公司) Shenzhen Chuangfengbao Automobile Sales and Services Co., Ltd. (深圳市创丰宝汽车销售服务有限公司) Shenzhen Qifeng Automobile Sales and Services Co., Ltd. (深圳市祺烽汽车销售服务有限公司) Trans-China Automotive Holdings Limited TCA Shenzhen (BVI) Limited TCAH (BVI) Limited TCA Chongqing (BVI) Limited TCA Foshan (BVI) Limited TCA Guangzhou (BVI) Limited	<u>Group Companies</u> – <u>Other Companies</u> –

APPENDIX K – LIST OF PRESENT AND PAST DIRECTORSHIPS

<u>Name</u>	<u>Present directorships</u>	<u>Past directorships</u>
	Trans-China Automotive Holdings (FS) Limited (耀華汽車控股(佛山)有限公司) <u>Other Companies</u> Techart (China) Limited (泰卡特(中國)有限公司) TCA International Limited TCA Management Limited	
Henry Tan	<u>Group Companies</u> – <u>Other Companies</u> Nexia TS Pte Ltd TSA Capital Pte Ltd TSA Recruitment Consultants Pte Ltd NTS Asia Advisory Pte. Ltd. Nexia TS (Shanghai) Co. Ltd Nexia China Pte Ltd Nexia TS Risk Advisory Pte. Ltd. Nexia TS Tax Services Pte. Ltd. Nexia TS Technology Pte. Ltd. Nexia TS Advisory Pte. Ltd. NTS Asia Advisory Sdn Bhd NTS Myanmar Co. Ltd 2T Investment Holdings Pte Ltd Medallion Asset Management Pte. Ltd. China New Town Development Co. Ltd Nexia TS Public Accounting Corporation BH Global Corporation Limited Asia Vets Holdings Ltd. Methodist Preschool Services Pte. Ltd. Dyna-Mac Holdings Ltd. Penguin International Limited	<u>Group Companies</u> – <u>Other Companies</u> Chosen Holdings Limited Ascendas Funds Management (S) Limited Raffles Education Corporation Limited Yinda Infocomm Limited Wesley Vineyard Childcare Ltd YHI International Limited

APPENDIX K – LIST OF PRESENT AND PAST DIRECTORSHIPS

<u>Name</u>	<u>Present directorships</u>	<u>Past directorships</u>
David Leow	<u>Group Companies</u>	<u>Group Companies</u>
	–	–
	<u>Other Companies</u>	<u>Other Companies</u>
	Mencast Holdings Ltd. MEC Asia Fund CAP Management Limited	Arcturus Capital Limited
Steven Petersohn	<u>Group Companies</u>	<u>Other Companies</u>
	–	–
	<u>Group Companies</u>	<u>Other Companies</u>
	Arch Capital Solutions Ltd.	Watermill Advisors Limited

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