Application Proof of

汽车街
autostreets.com

Autostreets Development Limited
汽車街發展有限公司

(the "**Company**")

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

WARNING

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IMPORTANT

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Autostreets Development Limited
汽車街發展有限公司

(Incorporated in the Cayman Islands with limited liability)

[REDACTED]

Number of [REDACTED] under the [REDACTED]	**:**	**[REDACTED] (subject to the [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] (subject to [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] (subject to [REDACTED] and the [REDACTED])**
Maximum [REDACTED]	**:**	**[REDACTED] (payable in full on [REDACTED] in Hong Kong dollars and subject to refund)**
Nominal value	**:**	**US$0.00001**
[REDACTED]	**:**	**[●]**

Joint Sponsors and [REDACTED]

CITIC SECURITIES　　海通國際 HAITONG

[REDACTED] and [REDACTED]

[REDACTED]

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The [REDACTED] is expected to be determined by agreement between us and the [REDACTED] (for themselves and on behalf of the [REDACTED]) on or about [REDACTED] and, in any event, not later than [REDACTED]. The [REDACTED] will be not more than [REDACTED] per [REDACTED] and is currently expected to be not less than [REDACTED] per [REDACTED], unless otherwise announced. If, for any reason, the [REDACTED] is not agreed between us and the [REDACTED] (for themselves and on behalf of the [REDACTED]) on or before [REDACTED] (Hong Kong time), the [REDACTED] (including the Hong Kong [REDACTED]) will not proceed and will lapse.

The [REDACTED] (for themselves and on behalf of the [REDACTED]) may, with our consent, reduce the number of [REDACTED] being [REDACTED] under the [REDACTED] and/or the indicative [REDACTED] below that stated in this document at any time on or prior to the morning of the last day for lodging [REDACTED] under the [REDACTED]. See "[REDACTED]" and "[REDACTED]" in this document for further details.

Prior to making an investment decision, [REDACTED] should consider carefully all of the information set out in this document, including the risk factors set out in the section headed "Risk Factors" in this document. The obligations of the Hong Kong [REDACTED] under the Hong Kong [REDACTED] are subject to termination by the Joint Sponsors and [REDACTED] (for themselves and on behalf of the Hong Kong [REDACTED]) if certain grounds arise prior to [8:00 a.m.] on the [REDACTED]. Such grounds are set out in the section headed "[REDACTED]" in this document. It is important that you refer to that section for further details.

The [REDACTED] have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be [REDACTED], sold, pledged or transferred within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws. The [REDACTED] are being [REDACTED] and sold (i) within the United States solely to QIBs as defined in Rule 144A pursuant to an exemption from registration under the U.S. Securities Act and (ii) outside the United States in offshore transactions in accordance with Regulation S.

[REDACTED] for [REDACTED] are required to pay, on [REDACTED], the maximum [REDACTED] of HK$[REDACTED] for each [REDACTED] together with a [REDACTED] of [REDACTED], a SFC [REDACTED].

ATTENTION

[REDACTED]

IMPORTANT

[REDACTED]

IMPORTANT

[REDACTED]

EXPECTED TIMETABLE[1]

[REDACTED]

EXPECTED TIMETABLE[1]

[REDACTED]

EXPECTED TIMETABLE[1]

[REDACTED]

EXPECTED TIMETABLE[1]

[REDACTED]

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IMPORTANT NOTICE TO PROSPECTIVE [REDACTED]

This document is issued by Autostreets Development Limited solely in connection with the [REDACTED] and the [REDACTED] and does not constitute an [REDACTED] to sell or a solicitation of an [REDACTED] to buy any securities other than the [REDACTED] by this document pursuant to the [REDACTED]. This document may not be used for the purpose of, and does not constitute, an [REDACTED] or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a [REDACTED] of the [REDACTED] or the distribution of this document in any jurisdiction other than Hong Kong. The distribution of this document and the [REDACTED] and sale of the [REDACTED] in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

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This summary aims to give you an overview of the information contained in this document. As it is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full document. You should read the whole document before you decide to [REDACTED] in the [REDACTED].

There are risks associated with any investment. Some of the particular risks in investing in the [REDACTED] are set forth in the section headed "Risk Factors" of this document. You should read that section carefully before you decide to [REDACTED] in the [REDACTED].

OVERVIEW

We are China's largest used vehicle transaction service provider in terms of transaction volume in 2022, according to CIC. In 2022, approximately 160,000 units of used vehicles were transacted through our transaction platform, with a market share of 12.6% among China's used vehicle transaction service providers. In 2023, approximately 176,000 units of used vehicles were transacted through our transaction platform. We also have the largest number of offline auction sites and broadest offline service geographic coverage among China's used vehicle transaction service providers. As of December 31, 2023, we had 79 auction sites strategically located in 74 cities and offered offline services in 317 cities across China.

As an intermediary that connects used vehicle buyers and sellers, we facilitate used vehicle transactions through the provision of a wide range of used vehicle related services. Since our inception in 2014, we have been committed to transforming China's used vehicle transaction process and driving China's used vehicle industry toward standardization, efficiency and transparency for close to ten years, accumulating in-depth industry experience. We primarily provide used vehicle auction services through online-offline integrated auction, which allows used vehicle buyers across China to participate in in-lane auctions either offline in person or online via our mobile application in real-time. With our online-offline integrated auction model, we offer end-to-end, highly standardized and reliable solutions for used vehicle transactions, helping our sellers (primarily 4S dealership stores) and buyers (primarily Professional Buyers) optimize their used vehicle transaction process and improve efficiency and profitability of their used vehicle operations. As of December 31, 2023, over 6,900 4S dealership stores had disposed of used vehicles through our platform. During the Track Record Period, over 16,000 of our buyers were Professional Buyers (i.e. purchased three or more used vehicles in any given year on our transaction platform)[1].

To meet the varied and evolving needs of used vehicle sellers and buyers, we complement our online-offline integrated auction services with a full suite of value-added services (primarily including pre-acquisition inspection and appraisal, used vehicle acquisition assistance, provision of ADMS system and title transfer services offered to used vehicle sellers) and other services (primarily including arrangement for sale of used vehicles, exhibition related services, and other services) throughout the entire used vehicle transaction cycle for our used vehicles sellers and buyers. From vehicle sourcing and

[1] Representing the number of buyers who purchased three or more used vehicles on our transaction platform within a calendar year. A buyer may nonetheless be a Professional Buyer if he/she purchased fewer than three used vehicles on our transaction platform within a calendar year but three or more used vehicles in total across different platforms, although we have no knowledge of the exact number of this type of buyers.

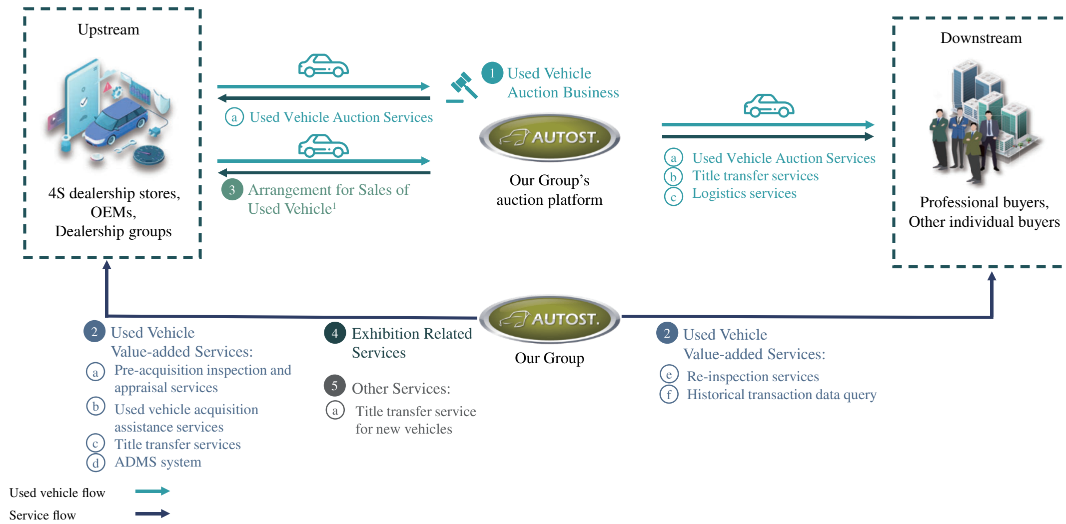
acquisition, inspection and appraisal, auction and title transfer to logistics, we connect sellers with buyers in a highly efficient manner and offer them a more streamlined, simple and consistent transaction experience.

Our operating and financial performance has further reinforced our industry leadership position. Our transaction volume decreased from approximately 261,000 units in 2021 to approximately 160,000 units in 2022, primarily as a result of COVID-19 resurgences in various regions across China in 2022, which led to decreased willingness of our buyers to purchase used vehicles and a decrease in the number of used vehicles entrusted to us by upstream sellers. Following the improvement of the COVID-19 situation in China in 2023, our transaction volume increased by 10.1% to approximately 176,000 units in 2023, showing the resilience of our business model in a fluctuating market. The number of vehicles put up for auctions on our transaction platform increased from approximately 359,000 units in 2021 to approximately 384,000 units in 2023, representing a CAGR of 3.4%. As such, in 2021, 2022 and 2023, our transaction success rate amounted to approximately 73%, 51% and 46%, respectively, reflecting the faster increase in the supply of used vehicles put up for auctions and that our upstream sellers were more inclined to utilize transaction platforms for the disposal of their used vehicles, while our downstream buyers remained relatively conservative in purchasing used vehicles.[†] In 2021, 2022 and 2023, the gross transaction value of used vehicles transacted on our transaction platform amounted to RMB13,719.7 million, RMB6,747.0 million and RMB7,398.2 million, respectively. Our average revenue per vehicle under our used vehicle auction business increased from RMB1,280 in 2021 to RMB1,636 in 2023, representing a CAGR of 13.1%. Our gross profit margin was 62.8%, 60.9% and 63.5% in 2021, 2022 and 2023, respectively. Our profit for the year was RMB165.1 million, RMB69.0 million and RMB9.3 million in 2021, 2022 and 2023, respectively. Our profit for the year decreased from 2021 to 2022 primarily due to our decrease in gross profit in 2022, which in turn was due to (i) a significant decrease in the used vehicle transaction volume in 2022 due to the COVID-19 resurgences, and (ii) an increase in our labor cost in connection with the additional auctioneers and condition inspectors we hired. Our profit for the year decreased from 2022 to 2023 primarily because we recorded losses of RMB75.0 million in fair value change of financial assets and liabilities at fair value through profit or loss, in line with the increased valuation of our Company in anticipation of this [REDACTED]. Please refer to "Financial Information — Results of Operations" for a discussion of the fluctuations in our operating and financial performance during the Track Record Period.

[†] According to CIC, in China, for used vehicle transaction service providers with relatively large used vehicle transaction volume, their transaction success rate typically ranges between 30% to 50%.

OUR SERVICE OFFERINGS

The following graphic illustrates the relationship among our business segments and the service offering we provide under each business segment.



Notes:

1. If the used vehicle is not successfully auctioned off through our auctions, the used vehicle might directly be sold offline to Professional Buyers.

2. Used vehicle value-added services, exhibition related services and other services aim to deepen our business relationship with sellers and buyers. The provision of a full suite of end-to-end used vehicles services ultimately drives the used vehicle auction business.

The following table sets forth a breakdown of our revenue by business segment, in absolute amount and as a percentage of our total revenue, for the periods indicated:

	2021		2022		2023	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*
Revenue:						
Used vehicle auction commission and service fees						
Used vehicle auction commission	275,234	40.6	172,661	36.9	224,242	45.6
Used vehicle auction service fees	59,210	8.8	67,383	14.4	62,960	12.8
	334,444	49.4	240,044	51.3	287,202	58.4
Revenue from used vehicle value-added services	73,148	10.8	74,959	16.0	73,814	15.0
Revenue from arrangement for sale of used vehicles	154,088	22.7	79,254	17.0	63,567	12.9
Revenue from exhibition related services	89,556	13.2	62,864	13.4	54,770	11.1
Revenue from other services	26,451	3.9	10,510	2.3	12,615	2.6
	677,687	100.0	467,631	100.0	491,968	100.0

Our service offerings span across the following areas:

- ***Used vehicle auction***. Our online-offline integrated transaction platform connects upstream sellers with downstream buyers of used vehicles and facilitates efficient and transparent used vehicle auction in large volumes. Our transaction platform provides online-offline integrated services primarily through our offering of online-offline integrated auction — our primary auction format — that allows used vehicle buyers across China to participate in our in-lane auctions either (i) offline in person at our auction sites or temporary locations, or (ii) online in a real-time manner via our mobile application. We further supplement our online-offline integrated auction with purely online auction to improve transaction success rate. For our used vehicle auction business, we generate revenue mainly from commission and services fee charged to used vehicle buyers for vehicles sold to them through successful auction on our transaction platform. We expect our used vehicle auction business to remain our core business and continue to contribute a significant portion of our revenue.

- ***Used vehicle value-added services***. We also provide various used vehicle value-added services, either for a fee or for free, to our upstream sellers and downstream buyers, primarily including (i) for sellers: pre-acquisition inspection and appraisal[†], used vehicle acquisition

[†] While we conduct pre-auction inspection and appraisal on used vehicles as part of our standard used vehicle auction process (under our used vehicle auction business), it differs from pre-acquisition inspection and appraisal services we provide under our used vehicle value-added services. See "Business — Used Vehicle Value-Added Services — Upstream Empowerment — Pre-acquisition Inspection, Appraisal and Used Vehicle Acquisition Assistance" for details.

assistance, provision of our ADMS system (our proprietary used vehicle management system that provides intuitive, easy to use digital tools designed to help dealership groups centrally and systematically manage their used vehicle inventory across their 4S dealership stores, solve the key challenges across different stages of their used vehicle business and enhance the overall transparency, efficiency and profitability of their used vehicle business), and title transfer services for used vehicles not transacted on our transaction platform, and (ii) for buyers: used vehicle information lookup and re-inspection.

- ***Arrangement for sale of used vehicles***. We also collaborate with certain dealership groups to arrange for the sale of consumer trade-in vehicles at these dealership groups' 4S dealership stores. These used vehicles are entrusted to us by used vehicle owners or 4S dealership stores and subsequently disposed of mainly through auctions on our transaction platform. We have two payment arrangements under this business segment. Under the first payment arrangement, we recognize the difference between (1) auction price/sale price of the used vehicle and (2) payment to the used vehicle supplier (i.e. used vehicle owner or 4S dealership store) as our revenue. Under the second payment arrangement, we receive fixed service fees as our revenue from the 4S dealership store after the vehicle is sold to the relevant buyer.

- ***Exhibition related services***. We host various automotive exhibitions and charge participating OEMs and dealership groups fees for renting exhibition booths and placing of advertisement.

- ***Others***. We also provide other vehicle-related services, primarily including facilitation of title transfer services for new vehicles of the 4S dealership stores that we collaborate with, and charge them service fees accordingly.

Used Vehicle Auction Business

Our used vehicle auction business offers two auction formats, namely online-offline integrated auction and online auction, which together facilitate instant, transparent and efficient transactions of used vehicles, connecting buyers and sellers across China.

- ***Online-offline integrated auction:*** Our online-offline integrated auction, which is our primary auction format, allows the simultaneous online and offline participation of used vehicle buyers across China in in-lane auctions either (i) offline at our auction sites or certain temporary locations, or (ii) online via our mobile application in real-time. We sometimes also hold online-offline integrated auction on our auction sites in a remote manner to further extend the coverage of our offline network.

- ***Online auction:*** Leveraging our technological infrastructure and strong technical capabilities, we also provide buyers with auction options that take place entirely online. Our online auctions further increase the exposure of used vehicles on our transaction platform and improve the success rate of transactions.

We believe the combination of these two types of auctions, which enable buying and selling of used vehicles in-lane, online or right off the sellers' 4S dealership stores, effectively addresses the inefficiencies and operational complexities that exist in traditional used vehicle transactions, enabling us to rapidly scale and grow our business.

Our online-offline integrated auction model is supported by our extensive offline auction site network nationwide. We have the largest offline geographic coverage among all used vehicle transaction service providers in China. As of December 31, 2023, we had 79 auction sites strategically located in 74 cities in China, comprising 47 auction centers and 32 auction hubs, which allowed us to offer offline services in 317 cities across China.

OUR COMPETITIVE STRENGTHS

We believe the following strengths have been the foundation of our performance and continued growth and differentiate us from our competitors:

- Largest Used Vehicle Transaction Service Provider in China;
- Online and Offline Integrated Auction Model Drives the Transformation of China's Used Vehicle Industry;
- Highly Efficient Disposition, Independent Status and High Quality Services Have Made Us Dealership Groups and OEMs' Preferred Used Vehicle Disposition Platform, Enabling Us to Secure a Large and Stable Supply of Used Vehicles;
- Large and Stable Supply of Used Vehicles and Broad Service Offering Provide Us with A Large Base of Professional Buyers;
- Proprietary Digital Tools and Massive Transaction Data Facilitate More Efficient Transactions and Enhance User Satisfaction; and
- Experienced Senior Management Team Backed by Prominent Investors Both in China and Overseas.

OUR GROWTH STRATEGIES

We intend to pursue the following strategies to achieve sustainable growth:

- Expand and Upgrade Auction Site Network;
- Grow Seller and Buyer Base;
- Diversify Our Service Offerings and Revenue Streams;
- Continue to Pursue Digitalization Initiatives; and
- Strategic Partnerships or Acquisitions.

RISK FACTORS

Our business faces risks including those set out in the section headed "Risk Factors". As different [REDACTED] may have different interpretations and criteria when determining the significance of a risk, you should read the "Risk Factors" section in its entirety before you decide to [REDACTED] in our [REDACTED]. Some of the major risks that we face include:

- Our business is subject to risks related to China's used vehicle industry, including:
  - o Various industry-wide risks related to China's used vehicle industry, such as the growth and evolution of China's automotive industry in general and used vehicle in particular, price of new vehicles and used vehicles and consumer'preference for used vehicles; and
  - o Regulatory and policy changes that may impact China's used vehicle industry, including the Notice regarding Several Measures for Invigorating the Circulation of Automobiles and Expanding Automobile Consumption (《關於搞活汽車流通擴大汽車消費若干措施的通知》).
- Our business and operating results would be adversely affected due to significant reduction in number of used vehicle to be disposed of by our sellers, failure to acquire or loss of a significant number of sellers, adverse changes in our relationship with our sellers or their business operation, or otherwise disruption to our upstream supply of used vehicles.
- Our business is subject to risks related to the macro-economic environment.
- Our business, financial condition and results of operations may be materially and adversely affected by epidemics (particularly COVID-19) and/or any other natural or human disaster such as earthquake, fire, or act of terrorism.
- If we fail to provide satisfactory services and transaction experiences to our buyers, the size of our buyer base and their purchases on our transaction platform could decline, and our business would be materially and adversely affected.
- If we are unable to effectively manage our growth or implement our business strategies, such as failure to effectively manage the expansion of our auction site network, our business, results of operations and financial condition may be materially and adversely affected.
- We may not be able to effectively maintain or increase the commissions and service fees we charge for our used vehicle auction and other services in the future or when we expand into new markets, which could adversely affect our business, financial condition and results of operations.
- We face risks related to our used vehicle value-added services, including failure to successfully monetize these services and inability to continuously offer value-added services which meet the evolving demand of our sellers and buyers.

- We work with a variety of third-party service providers. Certain actions of third-party service providers are outside of our control and could adversely affect our business, financial condition and results of operations.

- We are subject to dispute resolution risks for used vehicles transacted through our transaction platform.

- We are subject to various risks relating to Third-party Settlement Practice.

CUSTOMERS AND SUPPLIERS

During the Track Record Period, our customers mainly included (i) Professional Buyers, who purchased used vehicle through our transaction platform, and (ii) dealership groups, to whom we provided used vehicle value-added services and arrangement for sale of used vehicles. Our customers are located in China. Our aggregate revenue from our five largest customers in each year of the Track Record Period amounted to RMB181.0 million, RMB120.2 million and RMB124.5 million, accounting for 26.8%, 25.7% and 25.3% of our total revenue in the respective periods; and our revenue from our largest customer in each year of the Track Record Period amounted to RMB71.0 million, RMB65.1 million and RMB78.9 million, representing 10.5%, 13.9% and 16.0% of our total revenue in the respective periods.

During the Track Record Period, our suppliers primarily included dealership groups, third-party service providers for services such as title transfer, logistics and advertisement, as well as lessors of exhibition sites. Our suppliers are located in China. Our aggregate purchases from our five largest suppliers in each year of the Track Record Period amounted to RMB84.0 million, RMB35.6 million and RMB37.4 million, accounting for 33.3%, 19.7% and 20.8% of our total purchases in the respective periods; and purchases from our largest supplier in each year of the Track Record Period amounted to were RMB36.7 million, RMB9.6 million and RMB11.7 million, representing 14.6%, 5.3% and 6.5% of our total purchases during the respective periods.

THIRD-PARTY SETTLEMENT PRACTICE

Historically, there were instances where the auction price and the commission and service fees of used vehicles that were successfully transacted on our platform were settled by third parties (the "**Actual Payors**"), instead of the buyers who registered the bidding account with us (the "**Relevant Buyers**") (the "**Third-party Settlement Practice**"). In 2021 and 2022, (i) our commission and service fees generated from transactions involving Third-party Settlement Practice represented 27.6% and 14.8% of our aggregate amount of commission and service fees under our used vehicle auction business, respectively, (ii) the total fund inflow from transactions involving Third-party Settlement Practice represented 26.5% and 18.4%, respectively, of our total fund inflow from the relevant business involving Third Party Settlement Practice, and (iii) our revenue generated from transactions involving Third-party Settlement Practice represented 14.8% and 7.8% of our total revenue, respectively.

During the Track Record Period, no individual buyer involved in Third-party Settlement Practice had contributed to more than 2.0% of our revenue. We had ceased all Third-party Settlement Practices upon the completion of our system upgrade by the end of September 2022. Since October 1, 2022 and up to the Latest Practicable Date, we had not been involved in any transaction involving Third-party Settlement Practice. For more details relating to the Third-Party Settlement Practice, please see "Business — Third-Party Settlement Practice."

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

Summary of Consolidated Statements of Profit or Loss

The following table sets forth a summary, as extracted from Appendix I to this document, of our consolidated results of operations in absolute amounts. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period. Our consolidated financial information was prepared in accordance with IFRS.

	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Revenue	677,687	467,631	491,968
Cost of sales	(252,120)	(182,810)	(179,486)
Gross profit	425,567	284,821	312,482
Other income and gains, net	40,797	54,695	18,846
Selling and distribution expenses	(79,769)	(88,886)	(89,978)
Administrative expenses	(121,020)	(125,831)	(138,769)
Other expenses	(6,632)	(5,659)	(4,237)
Finance costs	(4,922)	(5,716)	(5,765)
Share of profits and losses of associates	548	796	446
Fair value change of financial assets and liabilities at fair value through profit or loss	(26,688)	(13,989)	(75,003)
PROFIT BEFORE TAX	227,881	100,231	18,022
Income tax expenses	(62,795)	(31,251)	(8,753)
PROFIT FOR THE YEAR	165,086	68,980	9,269
Profit/(loss) attributable to:			
Owners of the parent	47,968	45,237	(15,509)
Non-controlling interests	117,118	23,743	24,778
	165,086	68,980	9,269

Revenue by Business Segment

Revenue decreased by 31.0% from RMB677.7 million in 2021 to RMB467.6 million in 2022, and increased by 5.2% to RMB492.0 million in 2023. Fluctuations in our revenue were primarily driven by changes in our used vehicle auction commission and service fees generated from our used vehicle auction business.

Our used vehicle auction commission and service fees decreased by 28.2% from RMB334.4 million in 2021 to RMB240.0 million in 2022, and increased by 19.6% to RMB287.2 million in 2023. Fluctuations in our used vehicle auction commission and service fees were mainly due to fluctuations in transaction volume of used vehicles on our platform. The decrease from 2021 to 2022 was offset in part by buyers' increasing adoption of our title transfer and logistics services. In addition, the increase in our used vehicle auction commission and service fees in 2023 was also because we have adjusted our used vehicle auction commission rate upward for all used vehicle transactions on our platform since February 2023. We have managed to adjust our commission rate upward primarily because our industry leading market share and transaction efficiency, large and stable supply of used vehicles, as well as the broadest offline geographic coverage, have granted us stronger pricing power in setting used vehicle auction commission rates, and the adjusted commission rate is still in line with the industry standard.

Revenue generated from used vehicle value-added services slightly increased by 2.5% from RMB73.1 million in 2021 to RMB75.0 million in 2022, and remained relatively stable at RMB73.8 million in 2023.

Revenue generated from arrangement for sale of used vehicles decreased by 48.6% from RMB154.1 million in 2021 to RMB79.3 million in 2022 and decreased by 19.8% to RMB63.6 million in 2023. Decreases in our revenue generated from arrangement for sale of used vehicles were primarily due to the decreases in the number of consumer trade-in vehicles transacted under this business segment, which were in line with our adjustment of the scale of this business and our collaborating dealership groups' evolving demand for our arrangement for sale of used vehicle services in response to the changing circumstances.

Revenue generated from our exhibition related service decreased by 29.8% from RMB89.6 milion in 2021 to RMB62.9 million in 2022. Revenue generated from exhibition related services decreased by 12.9% to RMB54.8 million in 2023. Our revenue generated from our exhibition related services decreased from 2021 to 2022 primarily because we were not able to host certain auto exhibitions in 2022 due to the COVID-19 resurgences. It further decreased in 2023 because, although we resumed hosting certain auto exhibitions in 2023 following the alleviation of the COVID-19 situation, the participating OEMs and dealership groups were more conservative in incurring expenses related to auto show exhibition booths and advertisements in 2023.

Revenue generated from other services decreased by 60.3% from RMB26.5 million in 2021 to RMB10.5 million in 2022, and increased by 20.0% to RMB12.6 million in 2023. The fluctuations were primarily due to the changing demand for title transfer services for new vehicles of the 4S dealership stores that we collaborated with.

Please refer to "Financial Information — Results of Operations" for a detailed discussion on the fluctuations in our revenue during the Track Record Period.

Gross Profit and Gross Profit Margin

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

	2021		2022		2023	
	Gross profit	**Gross profit margin**	**Gross profit**	**Gross profit margin**	**Gross profit**	**Gross profit margin**
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*
Used vehicle auction commission and service fees	193,123	57.7	117,541	49.0	168,739	58.8
Used vehicle value-added services	60,441	82.6	60,966	81.3	61,108	82.8
Arrangement for sale of used vehicles	115,341	74.9	67,768	85.5	50,880	80.0
Exhibition related services	37,845	42.3	31,185	49.6	23,340	42.6
Other services	18,817	71.1	7,361	70.0	8,415	66.7
Total	425,567	62.8	284,821	60.9	312,482	63.5

Fluctuations in our gross profit during the Track Record Period were largely in line with fluctuations in our revenue. Our gross profit margin decreased slightly from 62.8% in 2021 to 60.9% in 2022, and increased to 63.5% in 2023. Fluctuations in our overall gross profit margin were primarily due to the fluctuations in the gross profit margin for our used vehicle auction commission and service fees.

Our gross profit for used vehicle auction commission and service fees decreased by 39.1% from RMB193.1 million in 2021 to RMB117.5 million in 2022 and increased by 43.6% to RMB168.7 million in 2023. Fluctuations in our gross profit for used vehicle auction commission and service fees during the Track Record Period were largely in line with fluctuations in our revenue generated from this business segment during the same period. Our gross profit margin for used vehicle auction commission and service fees decreased from 57.7% in 2021 to 49.0% in 2022, primarily due to the increased adoption of post-auction services, which had relatively lower gross profit margin because we primarily relied on third-party service providers for the provision of such services and accordingly incurred related costs. The decrease from 2021 to 2022 was also due to the increased labor cost in line with the increase in our headcount for our used vehicle auction business, including auctioneers and condition inspectors, in 2022. In light of the rapid growth in our transaction volume and our strong business performance in 2021, and based on our then belief and assessment that the COVID-19 situation was generally under control, we continued to expand our teams of auctioneers and condition inspectors in 2021 according to our pre-existing expansion plan. In particular, we hired 12 auctioneers and 124 condition inspectors in 2021. As a result, our labor costs increased from 2021 to 2022. Our gross profit margin for used vehicle auction commission and service fees increased from 49.0% in 2022 to 58.8% in 2023, which was primarily because we have adjusted our used vehicle auction commission rate upward for all used vehicle transactions on our platform since February 2023.

Our gross profit for used vehicle value-added services remained relatively stable at RMB60.4 million in 2021 and RMB61.0 million in 2022, and at RMB61.1 million in 2023. Our gross profit margin for used vehicle value-added services remained relatively stable at 82.6%, 81.3% and 82.8% in 2021, 2022 and 2023, respectively.

Our gross profit for arrangement for sale of used vehicles decreased by 41.2% from RMB115.3 million in 2021 to RMB67.8 million in 2022 and decreased further by 24.9% to RMB50.9 million in 2023. Decreases in our gross profit for arrangement for sale of used vehicles were largely in line with the decreases in our revenue generated from this business segment during the same period. Our gross profit margin for arrangement for sale of used vehicles increased from 74.9% in 2021 to 85.5% in 2022, primarily due to our reduced collaboration with certain dealership groups, which had relatively lower profit margin, for our arrangement for sale of used vehicles. Our gross profit margin for arrangement for sale of used vehicles decreased to 80.0% in 2023, primarily due to a decrease in the final transaction price (i.e. when eventually sold to downstream buyers) of the consumer trade-in vehicles we arranged for sale.

The fluctuation in our gross profit for exhibition related services during the Track Record Period was largely in line with the fluctuation in our revenue generated from this business segment during the same period. Our gross profit margin for exhibition related services increased from 42.3% in 2021 to 49.6% in 2022, primarily because we ceased to provide certain radio advertisement placement services in 2022, which had relatively lower gross profit margin. Our gross profit margin for exhibition related services decreased to 42.6% in 2023, primarily because the participating OEMs and dealership groups were more conservative in incurring expenses related to auto show exhibition booths and advertisements in 2023, while our costs of auto exhibitions (which primarily consist of rental expenses and costs of facilities), remained relatively stable for hosting such auto exhibitions regardless of the eventual turnout of the participating OEMs and dealership groups.

Our gross profit for other services decreased by 60.9% from RMB18.8 million in 2021 to RMB7.4 million in 2022 and increased by 14.3% to RMB8.4 million in 2023. The fluctuations from 2021 to 2023 were largely in line with the fluctuations in our revenue generated from this business segment during the same period. Our gross profit margin for other services remained relatively stable at 71.1% and 70.0% in 2021 and 2022, respectively. Our gross profit margin for other services decreased to 66.7% in 2023, primarily because we offered dealership groups certain discounts on our service price in order to expand our other services business.

Please refer to "Financial Information — Results of Operations" for a detailed discussion on the fluctuation of our gross profit and gross profit margin during the Track Record Period.

ASSISTANT FUNDS TO BUSINESS PARTNERS

During the Track Record Period and up to the Latest Practicable Date, we extended assistant funds to certain dealership groups we collaborated with in the ordinary course of our business, in order to support their used vehicle business operation and deepen our collaboration with them. During the Track Record Period, pursuant to the relevant agreements, the term of assistant funds we extended to dealership groups was typically one year, and the interest rate typically ranged between 1.5% and 8.6%. As of December 31, 2021, 2022 and 2023, our outstanding balance of assistant funds to business partners amounted to RMB299.0 million, RMB294.8 million and RMB61.9 million, respectively, extended to four, four and two dealership groups, respectively. In 2021, 2022 and 2023, our interest income from assistant funds to business partners amounted to RMB20.8 million, RMB14.3 million and RMB9.0 million, respectively. The interest rates of the outstanding balance of assistant funds as of December 31, 2023 were between 1.7% and 4.5%, which were in line with the prevailing interest rates of loans offered by third-party financial institutions.

Our Directors confirm that (1) all the assistant funds to business partners during the Track Record Period arose from ordinary course of business with such parties, (2) the assistant funds are generally made for the purpose of such parties' normal business operation and their capital needs for their used vehicle businesses, (3) we do not conduct the assistant fund arrangement as a money-lending business; we provide such arrangement to deepen our collaboration with business partners, rather than to make profit out of interest collection, and (4) our provisions of assistant funds to business partners did not involve the circumstances as set forth in Articles 146, 153 and 154 of the Civil Code of the PRC or Article 13 of the Judicial Interpretations on Private Lending Cases. The interest rates of the assistant funds to business partners did not exceed four times the market interest rate for loans with a maturity of one year or less at the conclusion of the contract. As of the Latest Practicable Date, we had not been subject to any administrative penalties, investigations, enforcement actions or received any notice from any regulatory authority with respect to any administrative penalties, investigations or enforcement actions as a result of extending these assistant funds to business partners. During the Track Record Period and up to the Latest Practicable Date, (1) we did not encounter any material default of these assistant funds, and (2) we did not have any material disputes with such dealership groups in relation to these assistant funds.

As advised by our PRC Legal Adviser, (1) the assistant funds agreements with our business partners as set forth above are valid and legally binding; (2) the risk of us being penalized thereby in respect of the assistant funds as set forth above is remote; and (3) the assistant funds we extended to our business partners are in compliance with applicable PRC laws and regulations in all material aspects. According to CIC, our provision of financial assistance to business partners in support of their development of used vehicle business, together with the relevant accounting treatments, is in line with industry practice.

We may selectively extend assistant funds to business partners based on our criteria as their needs rise in the future. We do not plan to completely cease providing assistant funds in the future, as we believe the provision of such financial support aligns with our overall business strategies and further enables us to secure a large, stable supply of used vehicles from dealership groups to be auctioned on our transaction platform. We will continue to carefully select the business partners to whom we will extend assistant funds and ensure that the material terms of such assistant funds comply with the prevailing laws and regulations.

For more details in relation to our assistant funds to business partners, please see "Risk Factors — Risks Related to Our Business and Industry — We may be subject to penalties from the PBOC or adverse judicial rulings as a result of extending assistant funds to our business partners during the Track Record Period", "Business — Assistant Funds to Business Partners" and "Financial Information — Analysis of Selected Consolidated Statements Of Financial Position — Prepayments, Deposits and Other Receivables — Assistant Funds to Business Partners."

Non-IFRS Financial Measure

To supplement our consolidated financial statements that are presented in accordance with IFRS, we also use non-IFRS measure which is not required by or presented in accordance with IFRS. We believe that the non-IFRS measure facilitates comparisons of operating performance from period to period and company to company by eliminating potential impacts of certain items. We believe the non-IFRS measure provides useful information to [REDACTED] and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of adjusted net profit (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of the non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under IFRS.

We exclude [REDACTED], fair value changes of convertible redeemable preferred shares, fair value changes of warrants, and gain on forfeiture of valuation adjustment mechanism in calculating adjusted net profit (non-IFRS measure). Our [REDACTED] are incurred in connection with the [REDACTED]. Fair value changes of convertible redeemable preferred shares and fair value changes of warrants represent changes in fair market value of convertible redeemable preferred shares and warrants [REDACTED] to our investors. The redeemable preferred shares will be converted into ordinary shares upon the [REDACTED] and redesignated from liabilities to equity. The warrants had expired prior to our submission of the [REDACTED] of the document pursuant to the relevant terms. Our gain on forfeiture of valuation adjustment mechanism was in relation to the waiver of refund obligation under certain investment adjustment clause for our Series A Preferred Shares. We entered into a waiver letter with our Series A Investors, pursuant to which we issued additional Series A Preferred Shares to the Series A Investors and our refund obligation under 2019 SHA was accordingly waived. The waiver of the refund obligation further led to an adjustment in value of the outstanding Series A Preferred Shares, resulting in a change in the financial liabilities in connection with the Series A Preferred Shares. The Series A Preferred Shares will be converted into ordinary shares upon the [REDACTED] and redesignated from liabilities to equity.

The following table reconciles our adjusted net profit (Non-IFRS measure) for the periods presented to the most directly comparable financial measure calculated and presented in accordance with IFRS, which is profit for the year:

	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Profit for the year	165,086	68,980	9,269
Adjusted for:			
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Fair value changes of convertible redeemable preferred shares(2)	26,688	12,617	85,929
Fair value changes of warrants(2)	—	1,582	(10,926)
Gain on forfeiture of valuation adjustment mechanism(3)	—	(15,884)	—
Adjusted net profit (non-IFRS measure)	**191,774**	**70,407**	**106,869**

Notes:

1. [REDACTED] relate to this [REDACTED] of our Company.

2. The changes in fair value of convertible redeemable preferred shares and warrants were primarily due to changes in fair market value of convertible redeemable preferred shares and warrants issued to our investors.

3. We recognized gain on forfeiture of valuation adjustment mechanism in 2022 in relation to the waiver of refund obligation under certain investment adjustment clause for our Series A Preferred Shares. We entered into a waiver letter with our Series A Investors, pursuant to which we issued additional Series A Preferred Shares to the Series A Investors and our refund obligation under 2019 SHA was accordingly waived. The waiver of the refund obligation further led to an adjustment in value of the outstanding Series A Preferred Shares, resulting in a change in the financial liabilities in connection with the Series A Preferred Shares. See "History Reorganization and Corporate Structure — [REDACTED] — (ii) Series A Financing — Issuance of Preferred Shares to the Series A Investors in 2019 — Issuance of Series A Preferred Shares on August 12, 2022" for further details on the issuance of the Series A Preferred Shares.

Cost of sales consists of (i) labor cost of our professional staff, primarily including salaries and benefits for our staff based at our auction sites such as our certified professional auctioneers and condition inspectors, (ii) professional service cost, which primarily represents costs incurred for our provision of services, such as costs incurred for the physical collection of used vehicles, fees paid to third-party service providers for their provision of post-auction services, and costs for setting up the exhibition sites under our exhibition related services, (iii) intermediary cost, which represents (a) fees we paid on a per-vehicle basis to 4S dealership stores in relation to our arrangement for sale of used vehicles business, (b) fees we paid to certain upstream sellers that dispose of large number of used vehicles through our transaction platform under our used vehicle auction business, and (c) fees we paid on a per-vehicle basis for supporting services provided by certain dealership groups in relation to our used vehicle value-added services, and (iv) other costs, primarily including cost of renting the exhibition sites. See "Financial Information — Principal Components of Consolidated Statements of Profit or Loss — Cost of Sales" for further details.

The fluctuations in our net profit during the Track Record Period were largely in line with the fluctuations in our revenue. In addition, the fluctuations in our net profit during the Track Record Period was affected by changes in other income and gains, net. The decrease in our net profit in 2022 was in part due to the decrease in interest income from assistant funds to business partners, partially offset by (i) a gain on forfeiture of valuation adjustment mechanism, and (ii) an increase in government grants. The decrease in our net profit in 2023 was primarily due to a significant change in the fair value of financial assets and liabilities at fair value through profit or loss, which was primarily a result of the changes in fair market value of convertible redeemable preferred shares we issued to our investors, in line with the increased valuation of our Company in anticipation of this [REDACTED]. Further details on other income and gains, net can be found in Note 6 to the Accountants' Report set out in Appendix I to this document.

Summary of Consolidated Statements of Financial Position

The following table sets forth a summary of our consolidated statements of financial position for the periods indicated:

	As of December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Total non-current assets	112,812	91,988	101,325
Total current assets	727,737	933,988	1,045,399
Total current liabilities	312,866	511,640	325,931
Total non-current liabilities	253,025	344,335	426,067
Net current assets	414,871	422,348	719,468
Net assets	274,658	170,001	394,726

Our net current assets increased from RMB414.9 million as of December 31, 2021 to RMB422.3 million as of December 31, 2022, primarily due to (i) an increase of RMB118.1 million in prepayments, deposits and other receivables and (ii) an increase of RMB55.8 million in financial assets at fair value through profit or loss, offset in part by an increase of RMB149.6 million in other payables and accruals. Our net current assets further increased to RMB719.5 million as of December 31, 2023, primarily due to (i) an increase of RMB546.1 million in cash and cash equivalents and (ii) a decrease of RMB200.8 million in other payables and accruals, offset in part by a decrease of RMB364.1 million in prepayments, deposits and other receivables.

Our net assets decreased from RMB274.7 million as of December 31, 2021 to RMB170.0 million as of December 31, 2022, primarily due to (i) dividends paid to non-controlling shareholders of RMB271.3 million, and (ii) acquisition of non-controlling interests of RMB136.7 million, offset in part by the issue of shares of RMB245.0 million. Our net assets increased to RMB394.7 million as of December 31, 2023, primarily due to the issue of shares of RMB1,308.2 million, offset in part by (i) acquisition of non-controlling interest of RMB961.0 million, and (ii) dividends paid to non-controlling shareholders of RMB136.6 million. Please see the Consolidated Statements of Changes in Equity to the Accountants' Report included in Appendix I to this document.

Summary of Consolidated Statements of Cash Flows

The following table sets forth a summary of our consolidated statements of cash flows for the periods indicated:

	Year ended December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Net cash from operating activities	188,705	95,332	123,361
Net cash (used in)/from investing activities	(47,493)	(43,889)	310,908
Net cash (used in)/from financing activities	(49,202)	(15,955)	111,505
Net increase in cash and cash equivalents	92,010	35,488	545,774
Cash and cash equivalents at beginning of year	260,401	352,402	389,298
Effect of foreign exchange rate change, net	(9)	1,408	369
Cash and cash equivalents at the end of year	352,402	389,298	935,441

We had net cash from operating activities of RMB188.7 million, RMB95.3 million and RMB123.4 million in 2021, 2022 and 2023, respectively. Please see "Financial Information — Liquidity and Capital Resources — Consolidated Statements of Cash Flows" for more details.

Operational Performance by Business Segment

The following table sets forth our key operational metrics by business segment for the periods indicated:

	2021	2022	2023
Used Vehicle Auction Business			
Number of auction sessions[1†]	6,542	8,410	9,732
Number of used vehicle transacted	~261,000	~160,000	~176,000
Average revenue per vehicle *(RMB)*	1,280	1,505	1,636
Used Vehicle Value-added Services:			
Number of used vehicles[2]	~79,000	~149,000	~220,000
Average revenue per vehicle *(RMB)*	788	446	310
Arrangement for Sale of Used Vehicles			
Number of consumer trade-in vehicles transacted[3]	~55,000	~34,000	~30,000
Average revenue per vehicle *(RMB)*	2,777	2,319	2,104
Exhibition Related Services			
Numbers of exhibition days	32	21	32
Number of exhibition participants	535	310	312

† Hereinafter "auction sessions" refer to online-offline integrated auction sessions, unless otherwise specified.

Notes:

1 In circumstances where the used vehicles are located in cities where we do not have any auction site and cannot be transported cross-city, we are also able to hold online-offline integrated auctions for these vehicles at our auction sites in a remote manner (by having our condition inspectors travel to the use vehicles' location to conduct condition inspection and livestream their conditions and specifications via simulcast to bidders participating in our auctions). In addition to the online-offline integrated auctions held at our auction sites, we also host online-offline integrated auctions at temporary locations from time to time in cities where we have not established any auction site (by sending our entire team of personnel required for the auction to the seller's city to hold our auctions at a temporary location), in order to meet local market demand. This has enabled us to provide offline services in 317 cities across China. See "Business-Used Vehicle Auction Business-Two Pronged Auction Model-Online-offline Integrated Auction" for more details.

2 Represents the total number of used vehicles which received the following value-added services: pre-acquisition inspection and appraisal, used vehicle acquisition assistance and title transfer services.

3 Most of these used vehicles were transacted through our transaction platform via auctions, with the remainder transacted through other channels.

Used Vehicle Auction Business

Continued increases in the number of our used vehicle auction sessions during the Track Record Period were primarily affected by factors including (1) the continuous expansion of our auction site network during the same period, where the number of our auction sites increased from 41 as of December 31, 2021 to 73 as of December 31, 2022, and further to 79 as of December 31, 2023, (2) the resurgences and alleviation of the COVID-19 situations, and (3) the need of upstream sellers to dispose of used vehicles and thus an increase in the number of auction sessions scheduled in response to their needs.

Fluctuations in the number of used vehicles transacted on our platform during the Track Record Period were primarily affected by the resurgences and alleviation of the COVID-19 situations, which in turn affected (1) the willingness of buyers to purchase used vehicles and (2) the number of used vehicles entrusted to us by upstream sellers.

Continued increases in the average revenue per vehicle during the Track Record Period were primarily affected by factors including (1) our upward adjustment of commission rate, and (2) buyers' increasing adoption rate of our post-auction services, including title transfer and logistics services provided by third-party service suppliers engaged by us, which we believe can substantially improve the post-auction transaction efficiency for our buyers.

For detailed discussion of the key operational metrics of our used vehicle auction business, please see "Business-Used Vehicle Auction Business".

Used Vehicle Value-added Services

Increases in the number of used vehicles that received our used vehicle value-added services during the Track Record Period were in line with the increase in demand of 4S dealership stores for such services during the same period.

While our revenue for used vehicle value-added services increased during the Track Record Period, our average revenue per vehicle for our used vehicle value-added services decreased from RMB788 in 2021 to RMB446 in 2022 and further decreased to RMB310 in 2023, primarily due to an increase in the proportion of our pre-acquisition inspection and appraisal services, which we charged relatively lower service fee per vehicle as compared to other used vehicle value-added services.

Our used vehicle value-added services differ from our post-auction services in the following key aspects:

- ***Target customers***. Our post-auction services are provided to used vehicle buyers after they have successfully purchased the used vehicles in our auction sessions. In contrast, used vehicle value-added services are provided to either used vehicle sellers or buyers depending on the specific kind of services, and are not necessarily related to used vehicle auctions.

- ***Purposes of services***. Our post-auction services are provided for the purposes of facilitating and streamlining the post-auction procedures that buyers have to undergo after they have successfully purchased used vehicles in our auction sessions. In contrast, used vehicle value-added services are discrete services provided in different stages across the entire used vehicles transaction lifecycle to address the pain points of our sellers and buyers in various aspects of their used vehicle business, and these services are not necessarily related to used vehicle auction.

For detailed discussion of the key operational metrics of our used vehicle value-added services, see "Business — Used Vehicle Auction Business — Upstream Empowerment — Operating Metrics."

Arrangement for Sale of Used Vehicles

Number of consumer trade-in vehicles transacted decreased from approximately 55,000 in 2021 to approximately 34,000 units in 2022, primarily because we gradually reduced our arrangement for sale of used vehicle services to certain dealership groups in 2022, as they started to dispose of consumer trade-in vehicles on our transaction platform through auctions and became upstream sellers of our used vehicle auction business. Number of consumer trade-in vehicles transacted further deceased to approximately 30,000 units in 2023, primarily because our collaborating dealership groups adjusted their strategies in acquiring consumer trade-in vehicles in light of the changing circumstances in the automotive industry and decreased their demand for our arrangement for sale of used vehicle services. Our arrangement for sale of used vehicles business has strong synergy with our used vehicle auction business. During the Track Record Period, most of the used vehicles transacted under the arrangement for sale of used vehicles business were subsequently transacted through our transaction platform under used vehicle auction business. As such, our arrangement for sale of used vehicles business allows us to further supplement the used vehicle supply on our transaction platform while earning the corresponding commission and post-auction service fees as revenue under our used vehicle auction business.

Fluctuations in the average revenue per consumer trade-in vehicle transacted during the Track Record Period were in line with the decreases in the price of used vehicles when they are subsequently transacted during the same period.

For detailed discussion of the key operational metrics of our arrangement for sale of used vehicles segment, see "Business — Arrangement for Sale of Used Vehicles — Key Operational Metrics."

Exhibition Related Services

Number of exhibition days decreased from 32 days in 2021 to 21 days in 2022, and increased to 32 days in 2023, primarily due to the imposition and lifting of restrictive measures by local governments in response to the COVID-19 outbreak.

Number of exhibition participants decreased from 535 in 2021 to 310 in 2022, primarily because (i) we hosted fewer auto shows and exhibitions in 2022 due to the restrictive measures imposed by local governments in response to the COVID-19 outbreak, and (ii) dealership groups and OEMs were less willing to participate in auto shows and exhibitions in 2022, as there were fewer audiences attending these events due to COVID-19 related restrictions. Number of exhibition participants remained relatively stable at in 2023.

KEY FINANCIAL RATIOS

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

	As of and for the year ended December 31,		
	2021	2022	2023
Gross profit margin(1)	62.8%	60.9%	63.5%
Net profit margin(2)	24.4%	14.8%	1.9%
Return on average assets(3)	22.0%	7.4%	0.9%
Return on average equity(4)	79.2%	31.0%	3.3%
Current ratio(5)	2.3	1.8	3.2

Notes:

1. Gross profit margin equals gross profit divided by total revenue during the year, multiplied by 100%.

2. Net profit margin equals net profit divided by total revenue during the year, multiplied by 100%.

3. Return on average assets ratio equals net profit divided by average assets during the year, multiplied by 100%.

4. Return on average equity ratio equals net profit divided by average equity during the year, multiplied by 100%.

5. Current ratio equals total current assets divided by total current liabilities as of the end of the year.

See "Financial Information — Key Financial Ratios" for more information.

[REDACTED]

We have received investments from the [REDACTED] from September 2014 to June 2023. Our broad and diverse base of [REDACTED] consists of, among others, Image Frame Investment (HK) Limited, Dazzling Calcite Limited and CR Matrix Limited. See "History, Reorganization and Corporate Structure — [REDACTED]" for details.

CONNECTED TRANSACTIONS

We have entered into and are expected to continue with certain transactions after the [REDACTED], which will constitute our fully exempt continuing connected transactions and partially exempt continuing connected transactions under Chapter 14A of Listing Rules upon [REDACTED]. Please see the sections headed "Connected Transactions" and "Waivers from Strict Compliance with the Listing Rules" of this document for more details.

[REDACTED]

[REDACTED]

[REDACTED]

Our [REDACTED] mainly include (i) [REDACTED], such as [REDACTED], and (ii) [REDACTED], comprising professional fees paid to our legal advisers and Reporting Accountants for their services rendered in relation to the [REDACTED] and the [REDACTED], and other fees and expenses. Assuming full payment of the discretionary incentive fee, the estimated total [REDACTED] (based on the [REDACTED] of the [REDACTED] and assuming that the [REDACTED] is not exercised) for the [REDACTED] are approximately [REDACTED], accounting for approximately of [REDACTED] of our gross [REDACTED]. Among such estimated total [REDACTED], we expect to pay [REDACTED] of [REDACTED], professional fees for our legal advisers and Reporting Accountants of [REDACTED] and other fees and expenses of [REDACTED]. An estimated amount of [REDACTED] for our [REDACTED], accounting for approximately [REDACTED] of our gross [REDACTED], was or is expected to be expensed through the statement of profit or loss and the remaining amount of [REDACTED] is expected to be recognized directly as a deduction from equity upon the [REDACTED]. We did not recognize any [REDACTED] in 2021. We recognized [REDACTED] of [REDACTED] in 2022 and [REDACTED] in 2023 in our consolidated statements of profit or loss and other comprehensive income.

FUTURE PLANS AND [REDACTED]

We estimate the [REDACTED] of the [REDACTED] which we will receive, assuming an [REDACTED] of [REDACTED] per [REDACTED] (being the mid-point of the [REDACTED] stated in this document), will be approximately [REDACTED], after deduction of [REDACTED] and [REDACTED] and other estimated expenses in connection with the [REDACTED] assuming the [REDACTED] is not exercised. We intend to use the [REDACTED] of the [REDACTED] for the following purposes:

- approximately [REDACTED] of our total estimated [REDACTED], or [REDACTED], will be used for the expansion of the geographic coverage of our auction site network;

- approximately [REDACTED] of our total estimated [REDACTED], or [REDACTED], will be used to enhance our relationship with existing sellers and buyers and attract new sellers and buyers to our platform;

- approximately [REDACTED] of our total estimated [REDACTED], or [REDACTED], will be used for developing and diversifying our service offering and exploring new growth areas;

- approximately [REDACTED] of our total estimated [REDACTED], or [REDACTED], will be used to further invest in research and development to further strengthen our digitalized infrastructure and continuously support our digitalization initiatives;

- approximately [REDACTED] of our total estimated [REDACTED], or [REDACTED], will be used for forming potential strategic partnerships and alliances with our business partners and making investments and/or acquiring controlling interest in target companies in our industry; and

- approximately [REDACTED] of our total estimated [REDACTED], or [REDACTED], will be used for our working capital and general corporate purposes.

For further details, please see the section headed "Future Plans and [REDACTED]".

DIVIDENDS

During the Track Record Period, our Company did not declare any dividends. In 2021, 2022 and 2023, certain subsidiaries of our Group declared dividends to their respective non-controlling shareholders in the aggregate amount of RMB14.7 million (which has been fully paid), RMB271.3 million (which has been fully paid), and RMB136.6 million (RMB76.4 million of which has been fully paid while the remaining portion of declared dividends is expected to be paid prior to the [REDACTED]), respectively. Subsequent to December 31, 2023 and as of the Latest Practicable Date, we did not declare any additional dividends. As of the Latest Practicable Date, we did not have a formal dividend policy. The Board may consider, among other things, the following factors when proposing dividends and determining the amount of dividends: (i) our actual and projected financial performance; (ii) our estimated working capital requirements, capital expenditure requirements and future business expansion plan; (iii) our present and future cash flow; (iv) other internal and external factors that may have an impact on our business operations or financial performance and position; and (v) other factors that our Board of Directors deem relevant. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents, including (where required) the approval of Shareholders. The declaration and payment of dividends may also be limited by legal restrictions and by loan or other agreements that our Company and our subsidiaries have entered into or may enter into in the future. We cannot assure you that we will be able to distribute dividends of the above amount or any amount, or at all, in any year. See "Financial Information — Dividends" for more information.

EFFECTS OF THE COVID-19 PANDEMIC ON OUR RESULTS OF OPERATIONS

Since the end of December 2019, the outbreak of COVID-19 has materially and adversely affected the global economy. In response, since January 2020, countries and regions around the world, including China, have imposed various measures to contain the spread of the virus. Due to the COVID-19 outbreak and the restrictive measures imposed by the government, such as quarantines and travel restrictions, our business operations have been adversely affected. Specifically, our used vehicle auction business and other used vehicle-related businesses were adversely affected by the temporary closure of some of our auction sites and our corporate offices, the suppressed demand and supply for used vehicles, and the disruption to the logistics network that facilitates the physical gathering of used vehicles to our auction sites and post-auction delivery of used vehicles. We had to cancel auction sessions or temporarily suspend the operation of our auction sites and experienced delays in used vehicle transactions in connection with the reduced supply of cross-regional transportation capacities.

In addition, the continuous emergence of COVID-19 variants has led to the resurgences of cases and re-imposition of restrictive measures, causing further uncertainty and unpredictability to the overall economic recovery in China, which in turn suppressed the used vehicle transactions and adversely affected our business operation. While the COVID-19 outbreak became gradually contained and business activities gradually recovered in China in 2021, sporadic COVID-19 outbreaks in 2022 due to the Delta and Omicron variants, together with the associated measures in various regions of China, again constrained the demand and supply for used vehicles and disturbed our logistics network and auction site operation, which in turn adversely affected our growth and results of operations. In particular, in the first half of 2022, the COVID-19 outbreak in Shanghai, the city where our headquarter and one of our largest auction centers are located, severely disrupted our business operations.

As a result, while our business operation was not adversely affected by the COVID-19 in 2021, our used vehicle transaction volume and transaction efficiency were adversely affected in 2022. To the extent the business operations of our business partners were adversely affected by the outbreak and resurgences of COVID-19, our relevant business segments may also be impacted. In particular, our used vehicle auction business was adversely affected in the following aspects:

- our auction sites operation was adversely affected by the COVID-19 outbreak and resurgences and the resultant restrictive measures imposed by local governments across China, resulting in office closure, cancelation of scheduled auction sessions and the suspension or limited operation of our auction sites. In particular, due to the restrictive measures widely adopted in China in 2022, various aspects of our corporate administration and business operation in 2022 were adversely affected as a result. Specifically, in 2022, our headquarters in Shanghai experienced 65 days of closure. Moreover, in 2022, we cancelled a total of 1,193 scheduled auction sessions due to COVID-19, accounting for 12.4% of total auction sessions that were originally scheduled. In 2022, 73 of our auction sites across China, experienced complete shutdown or had at least one scheduled auction session cancelled, and there were 315 days when at least one of our auction sites experienced either operation suspension or cancelled auction sessions.

- our upstream sellers' abilities to carry out their used vehicle businesses were adversely affected. Many 4S dealership stores that we collaborated with experienced reduced operating hours and the average number of used vehicles these 4S dealership stores put up for auction on our transaction platform decreased. As a result, in 2021 and 2022, our sellers entrusted a total of approximately 359,000 and 315,000 units of used vehicles with us for auction.

- the business operations of our downstream buyers were adversely affected. In particular, as many of our buyers engage in used vehicle trading business in the capacity of individuals, they were less willing or active to participate in used vehicle transactions, including used vehicle auctions, when the COVID-19 situation worsened. For example, the average number of buyers who placed bids with us during each auction session decreased from 44.9 buyers per auction session in 2021 to 39.7 buyers per auction session in 2022, indicating a lower willingness of our downstream buyers to participate in used vehicle auctions. In 2021 and 2022, a total of approximately 20,900 and 17,500 buyers placed bids in our auctions, respectively, and our auction success rate (used vehicle transaction volume as a percentage of the number of used vehicle put up for auctions) was 73% and 51%, respectively. As a result, our used vehicle transaction volume decreased from approximately 261,000 units in 2021 to approximately 160,000 in 2022.

- our logistics network, including both the cross-regional and inner-city transportation, was disrupted from time to time. As a result, we were unable to deliver used vehicles or complete title transfer for used vehicles on time in regions where our logistics network was severely disrupted. For example, in 2022, as the business operation of our auction center in Shanghai was severely restricted, we experienced 30 disputes in relation to the delay in used vehicle delivery and 230 disputes in relation to the delay in used vehicle title transfer services, resulting in our total payment of RMB235,900 and RMB106,000 of compensation, respectively.

Besides the used vehicle auction business, our other business segments, particularly our exhibition related services business, were also adversely affected in various degrees by COVID-19. As a result, we had to abruptly cancel or terminate early certain auto exhibitions pursuant to requirements from local governments following the resurgences of COVID-19 in 2022. Overall, as a result of COVID-19, in 2021 and 2022, we cancelled a total of 3 and 22 days of scheduled auto exhibitions.

While the transaction volume of used vehicles in China decreased to 12.5 million units in 2022 from 13.6 million units in 2021, we experienced more significant decline in used vehicle transaction volume on our platform compared to that of the industry in 2022, primarily because: (1) we are the only used vehicle transaction service provider in China that has a nationwide offline infrastructure of auction sites, and our business operation relies substantially on our offline infrastructure of auction sites. As such, when local governments imposed restrictive measures in response to COVID-19, the operation of our offline auction sites was severely disrupted, and our used vehicle auction business was more significantly affected compared to online used vehicle transaction platforms; (2) our major auction sites with significant transaction volumes are generally located in higher-tier cities that were more severely affected by COVID-19 in 2022; (3) during the Track Record Period, a majority of our downstream buyers were Professional Buyers, and in 2022, approximately 50% of the Professional Buyers in China suspended their used vehicle business operation for at least one month, and over 23% of them suspended their used vehicle business operation for more than 50 days; and (4) a large portion of our used vehicle transactions are cross-regional transactions, and we are one of the few used vehicle transaction service providers in China that are capable of conducting cross-regional used vehicle transactions. As COVID-19 significantly disrupted cross-regional logistics network connecting cities where we had used vehicle auction business, our transaction process was particularly vulnerable to COVID-19, and our used vehicle auction business was accordingly more adversely affected by COVID-19 compared to the whole industry.

Although our used vehicle business was more vulnerable to COVID-19 due to the reasons described above, we were not the only used vehicle transaction service provider that experienced a decrease in the transaction volume that was more significant than that of the industry. In particular, there is another used vehicle transaction service provider that has substantial regional offline infrastructure and cross-regional transactions and focuses on Professional Buyers. This transaction service provider has offline auction sites in over 40 cities in China, such as Beijing, Hangzhou, Chengdu and Chongqing. In 2022, this transaction service provider experienced a 16.2% decrease in transaction volume, which was more significant than the decline in the overall transaction volume of China's used vehicle industry. Compared to this used vehicle transaction service provider, our used vehicle business was more adversely affected by COVID-19, primarily because: (1) this used vehicle transaction service provider only has a regional offline infrastructure, and we are the only used vehicle transaction service provider in China that has a nationwide offline infrastructure of auction sites, covering more cities which were significantly affected by COVID-19. For example, the other used vehicle transaction service provider does not hold offline auction in Shanghai, one of the cities that were most severely affected by COVID-19 in 2022, while our headquarters and largest auction center are located in Shanghai. Due to Shanghai's stricter COVID-19 related restrictive measures in 2022 (particularly in the second quarter of 2022), we had to cancel 278 scheduled auction sessions in 2022, resulting in a 52.5% decrease in the transaction volume in Shanghai from approximately 27,600 units in 2021 to approximately 13,100 units in 2022. In addition, eastern China, where our headquarters and many large auction centers are based, was severely affected by COVID-19 in 2022. This is evidenced by a decrease of cross-regional transactions for vehicle auctions in eastern China, from 48.6% in 2021 to 28.8% in 2022. As a result, our cross-regional transactions (which constitute a large portion of our used vehicle transaction volume) were severely disrupted, resulting in a decrease in the transaction volume of our used vehicle auction business; on the contrary, the other used vehicle transaction service provider does not have any large auction site based in eastern China and therefore its cross-regional transactions and overall used vehicle transaction business were less affected; and (2) our primary auction format is online-offline integrated auction, which relies substantially on our offline auction site network. In addition, as a majority of the used vehicles auctioned in our online auctions are those passed in during our online-offline integrated auctions, our online auction format also relies heavily on our offline auction site network; on the contrary, only 38% of the auctions held by the other used vehicle transaction service provider were online-offline integrated auctions (with the remainder being pure online auctions). As such, our used vehicle auction business was more vulnerable to the disruptive impact of COVID-19 on offline infrastructure.

In 2023, most of the pandemic control measures were subsequently lifted or adjusted. However, there was an initial spike of confirmed cases in the first quarter of 2023 and economic activities were similarly disrupted as people reduced their travel and outdoor activities due to fear of infection. In addition, the sales price of new vehicles experienced a continuous decline in the first half of 2023, creating price pressure and adversely affecting the recovery of the used vehicle market. As a result, while our business operation gradually resumed, our transaction volume in the first quarter of 2023 only increased by 3.5% to approximately 35,000 units from approximately 34,000 units in the second quarter of 2022.

As the COVID-19 situation finally stabilized starting from the second quarter of 2023, our pace of recovery significantly accelerated, with our transaction volume reaching approximately 43,000 units during the same period, representing a 26.2% increase from the second quarter of 2022. Moreover, our sellers also became more actively engaged in the used vehicle transaction. For example, approximately

4,200 sellers entrusted us to auction off used vehicles in the second quarter of 2023, compared to approximately 3,700 and 3,400 in the first quarter of 2023 and the second quarter of 2022, respectively. Our operational performance continued to improve in the second half of 2023. Our used vehicle transaction volume in the six months ended December 31, 2023 amounted to approximately 98,000 units, representing a 20.6% increase from the corresponding period in 2022. Overall, our transaction volume in 2023 amounted to approximately 176,000, representing a 10.1% increase from 2022, and approximately 6,000 sellers entrusted us to auction off used vehicles in 2023, representing a 17.0% increase from approximately 5,100 of such sellers in 2022. In 2023, a total of approximately 18,400 buyers placed bids in our auctions and the average number of buyers who placed bids with us during each auction session increased to 52.0 buyers. As a result, our used vehicle auction commission and service fees increased by 19.6% from RMB240.0 million in 2022 to RMB287.2 million in 2023.

For more details, please see "Risk Factors — Risks Related to Our Business and Industry — Our business, financial condition and results of operations may be materially and adversely affected by epidemics (particularly COVID-19) and/or any other natural or human disaster such as earthquake, fire, or act of terrorism" and "Financial Information — Effects of the Covid-19 Pandemic on Our Results of Operations."

RECENT DEVELOPMENT

Recent Regulatory Development Relating to Overseas Listing

On February 17, 2023, China Securities Regulatory Commission (the "**CSRC**") released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "**Trial Measures**") and five supporting guidelines (collectively, the "**Trial Measures and Supporting Guidelines**"), which came into effect on March 31, 2023. The Trial Measures and Supporting Guidelines will regulate both direct and indirect overseas offering and listing of PRC domestic companies' securities by adopting a filing-based regulatory regime. Pursuant to the Trial Measures and Supporting Guidelines, where an issuer submits an [REDACTED] for [REDACTED] to competent overseas regulators, such issuer must file with the CSRC within three business days after such [REDACTED] is submitted. The Trial Measures and Supporting Guidelines also require subsequent reports to be filed with the CSRC on material events, such as change of control or voluntary or forced delisting of the issuer(s) who have completed overseas offerings and listings.

Specifically, following the principle of substance over form, if an issuer meets both of the following criteria, its overseas offering and listing will be deemed as an indirect overseas offering and listing by a PRC domestic company: (1) any of the total assets, net assets, operating revenue or profits of the domestic operating entities of the issuer in the most recent accounting year accounts for more than 50% of the corresponding figure in the issuer's audited consolidated financial statements for the same period; and (2) its major operational activities are carried out in China or its main places of business are located in China, or a majority of the senior management in charge of operation and management of the issuer are Chinese citizens or are domiciled in China.

Based on the above and the current expected timetable of this [REDACTED], our PRC Legal Adviser is of the view that this [REDACTED] shall be deemed as an indirect overseas [REDACTED] by a PRC domestic company, and we are required to submit filings with the CSRC within three business days after we submit [REDACTED] for this [REDACTED]. As confirmed by our Directors and our PRC Legal Adviser, we have submitted the filing with the CSRC within the specific time limit as required by the Trial Measures and Supporting Guidelines after our submission of the [REDACTED] for this [REDACTED] to the Stock Exchange. As of the Latest Practicable Date, we have completed such filing procedures. We plan to continue to comply with the relevant requirements of the Trial Measures and Supporting Guidelines in all material respects by seeking guidance from the relevant regulator and our PRC Legal Adviser.

On February 24, 2023, the CSRC, the Ministry of Finance (the "**MOF**"), the National Administration of State Secrets Protection and the National Archives Administration of China jointly issued the Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the "**Confidentiality and Archives Administration Provisions**"), which took effect on March 31, 2023. According to the Confidentiality and Archives Administration Provisions, overseas securities regulators and competent overseas authorities may request to inspect, investigate or collect evidence from a domestic company concerning its overseas offering and listing or from the domestic securities companies and securities service providers that undertake relevant businesses for such domestic companies, such inspection, investigation and evidence collection shall be conducted under a cross-border regulatory cooperation mechanism, and the CSRC or other competent Chinese authorities will provide necessary assistance pursuant to bilateral and multilateral cooperation mechanisms. The domestic company, securities companies and securities service providers shall first obtain approval from the CSRC or other competent Chinese authorities before cooperating with the inspection and investigation by the overseas securities regulator or competent overseas authority, or providing documents and materials requested in such inspection and investigation. To be specific, a domestic company that plans to, either directly or through its overseas listed entity, publicly disclose or provide to relevant individuals or entities including securities companies, securities service providers and overseas regulators, (i) any documents and materials that contain state secrets or working secrets of government agencies, shall first obtain approval from competent authorities and file with competent secrecy administrative department; (ii) any other documents and materials that, if leaked, will be detrimental to national security or public interest, shall strictly fulfill relevant procedures stipulated by applicable national regulations. A domestic company that provides documents and materials to securities companies and securities service providers shall abide by applicable national regulations on confidentiality in handling such documents and materials, and shall provide a written statement to relevant securities companies and securities service providers simultaneously.

During the Track Record Period and up to the Latest Practicable Date, we had not received any negative enquiries, comments, instructions, guidance or other concerns from any PRC competent authorities (including the CSRC) with respect to this [REDACTED] or our Previous Contractual Arrangements. We are also proactively following up changes in laws and regulatory development and will carry out relevant work to ensure compliance with laws and regulations with the aid of external counsels.

For more details, please see "Regulatory Overview — Regulations on M&A and Overseas Listing."

Recent Regulatory Development Relating to Used Vehicle Industry

On July 5, 2022, 17 departments including the MOFCOM issued the Notice regarding Several Measures for Invigorating the Circulation of Automobiles and Expanding Automobile Consumption (《關於搞活汽車流通擴大汽車消費若干措施的通知》 (the "**New Regulations**") The New Regulations, among others, provided a series of measures designed to standardize the administration and incentivize the growth of used vehicle transactions in China. These measures remove various cumbersome requirements that were difficult or commercially impracticable for used vehicle business participants to fulfill, in order to provide a better business environment for used vehicle business participants. For instance, in order for corporate entities to conduct used vehicle sales, they are required to have business addresses located in the local used vehicle trading markets and the size of their offices must meet certain minimum thresholds. The New Regulations removed these restrictions and corporate entities are now able to conduct used vehicle sales regardless of whether their business addresses are located in the local used vehicle trading markets and the size of their offices. In addition, previously, in practice, only invoices issued by local used vehicle trading markets were accepted by used vehicle administration authorities for used vehicle title transfer registration. Starting from October 1, 2022, invoices issued by other entities engaged in used vehicle business are also accepted for used vehicle title transfer registration purposes, significantly streamlining and improving the efficiency of used vehicle transactions.

The New Regulations also stipulate that starting from January 1, 2023, title transfer registration shall not be processed for natural persons who transfer the title of three or more used vehicles that have been held for less than one year within a calendar year (the "**Title Transfer Limit**"). The Title Transfer Limit is designed to further standardize the administration and enhance the transparency of used vehicle transactions in China by encouraging more used vehicle business participants to register as corporate entities, which makes it easier for the relevant authorities to oversee used vehicle business participants in a more systematic manner. As of the Latest Practicable Date, the Title Transfer Limit has not yet been widely implemented in practice.

The New Regulations do not specifically target used vehicle transaction service providers like us, and as such do not impose any additional specific requirements or obligations for used vehicle transaction service providers like us that do not issue invoices or handle title transfer registration to fulfill. See "Regulatory Overview-Regulations on the Circulation of Used Vehicles" for more details on the New Regulations.

The New Regulations have brought positive impact to China's used vehicle market:

- ***Used vehicle transaction volume***. In 2023, China's used vehicle transaction volume reached 14.4 million, representing a 15.0% increase from 12.5 million in 2022.

- ***Increased cross-reginal transactions***. As the New Regulations streamline the used vehicle transaction process, cross-regional transactions as a percentage of total used vehicle transactions increased to 27.2% in 2023, increasing from 24.9% in 2022.

Our Directors are of the view that the New Regulations have brought, and are expected to continue to bring, positive impact on China's used vehicle market and accordingly, the business operations of used vehicle transaction service providers such as ours. In particular, the Title Transfer Limit has not caused, and is not expected to cause, any material adverse impact on our business operations and financial performance during the Track Record Period and going forward, based on the following:

- pursuant to the New Regulations, the entities that (1) issue invoices for the sale of used vehicles and (2) handle title transfer registration for such used vehicles will be obliged to ensure the Title Transfer Limit is complied with. As advised by the PRC Legal Adviser, as we do not issue invoices for the sale of used vehicles or handle used vehicle title transfer registration, the New Regulations do not impose any additional legal obligation on us to verify (a) whether an individual buyer who purchases used vehicles through our transaction platform is a consumer or a Professional Buyer, (b) even if a buyer is considered as a Professional Buyer by the relevant regulatory authority, whether such buyer has obtained requisite qualifications, approvals or filings for its business operation under the existing regulations governing the used vehicle circulation, including the Management Measures of Circulation of Used Vehicles (二手車流通管理辦法) (the "**Existing Regulation**") (such as whether it has registered a corporate entity), or (c) whether a buyer has exceeded the Title Transfer Limit;

- as advised by the PRC Legal Adviser, Professional Buyers can continue to purchase three or more used vehicles within a calendar year on our transaction platform under the New Regulations if their business activities do not involve the transfer of title of used vehicles exceeding the Title Transfer Limit and are not deemed as used vehicle dealership and/or brokerage by regulatory authorities. In addition, for Professional Buyers who trigger the Title Transfer Limit and/or are considered as used vehicle dealerships and/or brokerage by regulatory authorities, compared to the Existing Regulation, it is easier for them to register as corporate entities under the New Regulations as elaborated above; and

- our transaction volume, user activity level and buyer base continued to grow subsequent to the Title Transfer Limit becoming effective on January 1, 2023. As of December 31, 2022 and 2023, a total of 15,684 and 17,112 registered users, respectively, had placed deposits in their accounts with our transaction platform[1]. In 2022 and 2023, approximately 160,000 and 176,000 units of used vehicles, respectively, were sold through auctions on our transaction platform. Our used vehicle auction commission and service fees also increased by 19.6% from RMB240.0 million in 2022 to RMB287.2 million in 2023. In addition, in Guiyang, Guizhou province, where the Title Transfer Limit has been widely implemented and approximately 32% of our registered users were corporate entities in 2023 (compared to approximately 17% in 2022), our business operations experienced growth: our transaction volume in Guiyang increased by 14.9% from 2022 to 2023, whereas the number of buyers who placed bids with us increased from 485 in 2022 to 641 in 2023.

[1] Only registered users who have placed deposits in their accounts with our platform are able to auction used vehicles on our platform.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, as of the date of this document, save as disclosed above, there has been no material adverse change in our financial performance or business operations since December 31, 2023, the end of the period reported on in the Accountants' Report set out in Appendix I to this document and there is no event since December 31, 2023 which would materially affect the information shown in our consolidated financial statements included in the Accountants' Report in Appendix I to this document.

DEFINITIONS

In this document, unless the context otherwise requires, the following terms shall have the meanings set out below. Certain technical terms are explained in the section headed "Glossary of Technical Terms"

"Accountants' Report"	the report of the Company's reporting accountants, Ernst & Young, dated [●], the text of which is set out in Appendix I of this document
"affiliate"	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"AFRC"	the Accounting and Financial Reporting Council of Hong Kong (formerly known as the Financial Reporting Council of Hong Kong)
"Articles" or "Articles of Association"	the articles of association of the Company (as amended from time to time), conditionally adopted on [●], a summary of which is set out in Appendix III to this document
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	the board of Directors
"business day"	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for business
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate
"Cayman Companies Act" or "Companies Act"	the Companies Act (As Revised) of the Cayman Islands, Cap. 22 (Law 3 of 1961), as amended or supplemented or otherwise modified from time to time
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
"China", "mainland China" or "the PRC"	the People's Republic of China excluding, for the purpose of this document only, except where the context requires otherwise, Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
"CIC"	China Insights Industry Consultancy Limited
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended or supplemented from time to time
"Company", "our Company", or "the Company"	Autostreets Development Limited (汽車街發展有限公司), an exempted company with limited liability incorporated in the Cayman Islands on September 3, 2014
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules

"Constitution"	the constitution of our Company (as amended from time to time), conditionally adopted on [●], [●] and which will become effective upon the [REDACTED], a summary of which is set out in Appendix III to this document
"Director(s)"	the director(s) of our Company
"Extensive Prosperous"	Extensive Prosperous Investment Limited (昌廣投資有限公司), a company incorporated under the laws of the BVI on July 2, 2014, and wholly-owned by Orient Rich Investment Development Limited, which is held by Extensive Success Holding Limited. TMF (Cayman) Ltd., as the trustee of Yang's Family Trust, directly holds all the interests in Extensive Success Holding Limited. Mr. Yang Aihua is the settlor of the trust and the beneficiaries are the descendants and remoter issue of Mr. Yang Aihua
"Extreme Conditions"	the occurrence of "extreme conditions" as announced by any government authority of Hong Kong due to serious disruption of public transport services, extensive flooding, major landslides, large-scale power outage or any other adverse conditions before Typhoon Signal No. 8 or above is replaced with Typhoon Signal No. 3 or below
[REDACTED]	[REDACTED]
"Group", "our Group", "the Group", "we", "us", or "our"	the Company and its subsidiaries from time to time, and where the context requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
"HK$" or "Hong Kong dollar(s)"	Hong Kong dollars, the lawful currency of Hong Kong
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
"Hong Kong Takeovers Code" or "Takeovers Code"	the Code on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Hong Kong [REDACTED]"	the [REDACTED] of the Hong Kong [REDACTED] listed in the section headed "[REDACTED]" in this document
"Hong Kong [REDACTED]"	[the [REDACTED] dated [REDACTED] relating to the [REDACTED] and entered into by, among others, our Company, the Joint Sponsors, [the Largest Shareholders], the [REDACTED] ([for themselves and on behalf of the [REDACTED]]) as described in the section headed "[REDACTED]" in this document]
"IAS"	International Accounting Standards
"ICP License"	Internet Content Provider License
"IFRS"	International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board and the International Accounting Standards and interpretation issued by the International Accounting Standards Board
"Independent Third Party(ies)"	party or parties that is or are not a connected person within the meaning of the Listing Rules
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

[REDACTED]	a group of international [REDACTED] expected to enter into the [REDACTED] to [REDACTED] the [REDACTED]
[REDACTED]	[the [REDACTED] relating to the [REDACTED], which is expected to be entered into by, among others, our Company, [the Largest Shareholders], the [REDACTED], [the [REDACTED], the [REDACTED] and the [REDACTED]] on or about the [REDACTED], as further described in the section headed "[REDACTED]" in this document]
[REDACTED]	[REDACTED]
[REDACTED]	the [REDACTED] as named in the section headed "Directors and Parties Involved in the [REDACTED]" of this document
[REDACTED]	the [REDACTED] as named in the section headed "Directors and Parties Involved in the [REDACTED]" of this document
[REDACTED]	the [REDACTED] as named in the section headed "Directors and Parties Involved in the [REDACTED]" of this document
"Joint Sponsors"	CITIC Securities (Hong Kong) Limited and Haitong International Capital Limited
"Jumbo Create"	Jumbo Create Investment Development Limited, a company incorporated under the laws of the BVI on May 20, 2014, which is wholly-owned by Mr. Yang Zehua (楊澤華)
"Largest Shareholders"	Extensive Prosperous, Orient Rich Investment Development Limited, Extensive Success Holding Limited, TMF (Cayman) Ltd. and Mr. Yang Aihua
"Latest Practicable Date"	January 29, 2024, being the latest practicable date prior to the printing of this document for the purpose of ascertaining certain information contained in this document
[REDACTED]	[REDACTED]
"Listing Committee"	the listing committee of the Stock Exchange

[REDACTED]	the date, expected to be on or [REDACTED] on which the [REDACTED] are [REDACTED] on the Stock Exchange and from which [REDACTED] in the Shares are permitted to commence on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, supplemented or otherwise modified from time to time
"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
"Memorandum" or "Memorandum of Association"	the memorandum of association of the Company (as amended from time to time), conditionally adopted on [●], a summary of which is set out in Appendix III to this document
"MIIT"	the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"NDRC"	the National Development and Reform Commission (中華人民共和國國家發展和改革委員會)
"Nomination Committee"	the nomination committee of our Board
"NYSE"	New York Stock Exchange
[REDACTED]	[REDACTED], at which the [REDACTED] are to be subscribed, to be confirmed in the manner further described in the section headed "[REDACTED]" in this document
[REDACTED]	[REDACTED]
[REDACTED]	the [REDACTED] and the [REDACTED] together with, where relevant, any additional Shares which may be [REDACTED] by us pursuant to the exercise of the [REDACTED]

[REDACTED]	the [REDACTED] expected to be granted by us to the [REDACTED], exercisable by the [REDACTED] (for themselves and on behalf of the [REDACTED]), pursuant to which we may be required to [REDACTED] up to an aggregate of [REDACTED] Shares at the [REDACTED] to, among other things, cover [REDACTED] in the [REDACTED]
[REDACTED]	the [REDACTED] as named in the section headed "Directors and Parties Involved in the [REDACTED]"
"PBOC"	People's Bank of China
"PRC Government" or "State"	the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, as the context requires, any of them
"PRC Legal Adviser"	Zhong Lun Law Firm, our legal adviser on PRC laws
[REDACTED]	the [REDACTED] in our Company made by the [REDACTED], details of which are set out in the sub-section headed "History, Reorganization and Corporate Structure — [REDACTED]" in this document
[REDACTED]	the [REDACTED] as set out in the section headed "History, Reorganization and Corporate Structure — [REDACTED] — Background Information about the [REDACTED]"
"Preferred Shares"	collectively, Series A Preferred Shares and Series B Preferred Shares
"Preferred Shareholders"	Series A Investors and Series B Investor
[REDACTED]	the agreement to be entered into between our Company and the [REDACTED] (for themselves and on behalf of the [REDACTED]) on or about the [REDACTED] to record and fix the [REDACTED]
[REDACTED]	the date, expected to be on or about [REDACTED], on which the [REDACTED] will be determined, or such later time as the [REDACTED] (for themselves and on behalf of the [REDACTED]) and our Company may agree, but in any event, not later than [REDACTED]
[REDACTED]	[REDACTED]

"Professional Buyers"	refer to used vehicle sales business participants that purchase more frequently (i.e., purchasing three or more used vehicles every year) than typical consumers
"QIB"	a qualified institutional buyer within the meaning of Rule 144A
"Regulation S"	Regulation S under the U.S. Securities Act
"Remuneration Committee"	the remuneration committee of our Board
"Reorganization"	the corporate reorganization implemented by our Group in preparation for the [REDACTED] as described in the section headed "History, Reorganization and Corporate Structure — Corporate Reorganization" in this document
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAFE"	State Administration of Foreign Exchange (中華人民共和國國家外匯管理局)
"Series A Financing"	issuance of Series A Preferred Shares to the Series A Investors in 2019, details of which are set out in the section headed "History, Reorganization and Corporate Structure — [REDACTED] — Series A Financing"
"Series A Investors"	Image Frame Investment (HK) Limited and Dazzling Calcite Limited
"Series A Preferred Shares"	series A preferred shares of US$0.00001 of the Company, having the rights, privileges, preferences and restrictions set forth in the Articles
"Series B Financing"	issuance of series B Preferred Shares to CR Matrix Limited in 2022, details of which are set out in the section headed "History, Reorganization and Corporate Structure — [REDACTED] — Series B Financing"
"Series B Preferred Shares"	series B preferred shares of US$0.00001 of the Company, having the rights, privileges, preferences and restrictions set forth in the Articles
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time

"Shanghai Changxin"	Shanghai Changxin Auction Co., Ltd.* (上海常信拍賣有限公司), a company incorporated in the PRC with limited liability on September 29, 2014, which a wholly-owned subsidiary of the Company
"Shanghai Shuxun"	Shanghai Shuxun Electric Commercial Co., Ltd.* (上海澍勛電子商務有限公司), a company incorporated in the PRC with limited liability on March 7, 2014, which is a wholly-owned subsidiary of the Company and a former consolidated affiliated entity of our Group prior to the termination of the contractual arrangements as set out in the sub-section headed "History, Reorganization and Corporate Structure — Corporate Reorganization — (iii) Termination of Shanghai Shuxun's Contractual Arrangements"
"Share(s)"	the ordinary share(s)in the share capital of the Company
"Shareholder(s)"	holder(s) of the Shares
[REDACTED]	[●]
"[REDACTED] Agreement"	the agreement expected to be entered into on or around the [REDACTED] between the [REDACTED] or its affiliates and [●], pursuant to which the [REDACTED] may, on its own or through its affiliates, request [●] to make available to the [REDACTED] or its affiliates up to a total of [●] Shares to cover [REDACTED] in the [REDACTED]
"Stock Exchange" or "HKSE"	The Stock Exchange of Hong Kong Limited
"subsidiary" or "subsidiaries"	has the meaning ascribed thereto under the Listing Rules, unless the context otherwise requires
"substantial shareholder(s)"	has the meaning ascribed to it in the Listing Rules
"Tier 1 cities"	Beijing, Guangzhou, Shanghai and Shenzhen
"Tier 2 cities"	Dongguan, Foshan, Nanjing, Hefei, Tianjin, Chengdu, Hangzhou, Wuhan, Shenyang, Suzhou, Xi'an, Zhengzhou, Chongqing, Changsha, Qingdao, Kunming, Changchun, Jinan, Yantai, Taiyuan, Huizhou, Nanning, Xuzhou, Nanchang, Baoding, Langfang, Shijiazhuang, Taizhou, Wenzhou, Jinhua, Lanzhou, Quanzhou, Fuzhou, Guiyang, Dalian, Harbin, Nantong, Ningbo, Shaoxing, Changzhou, Jiaxing, Wuxi, Zhuhai, Xiamen and Zhongshan
"Track Record Period"	the three financial years ended December 31, 2021, 2022 and 2023

[REDACTED]	the [REDACTED] and the [REDACTED]
[REDACTED]	the [REDACTED] and the [REDACTED]
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. Securities Act"	the United States Securities Act of 1933, as amended from time to time, and the rules and regulations promulgated thereunder
"US$" or "U.S. dollars"	United States dollars, the lawful currency of the United States
"VAT"	value added tax
"WFOE" or "Shanghai Xinbao Botong"	Shanghai Xinbao Botong E-commerce Co., Ltd* (上海信寶博通電子商務有限公司), a wholly foreign-owned enterprise established in the PRC on June 19, 2014, which is wholly-owned by On Top Capital Resources Limited, an indirect wholly-owned subsidiary of our Company
"World Key"	World Key Investment Trading Limited, a company incorporated under the laws of the BVI on November 3, 2014, which is held as to 80% by Mr. Yang Hansong (楊漢松)

In this document, the terms "associate", "close associate", "connected person", "core connected person", "connected transaction", "controlling shareholder", "subsidiary" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

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

Certain amounts and percentage figures included in this document have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them and figures rounded to the nearest thousand, million or billion may not be identical to figures that have been rounded differently to them.

GLOSSARY OF TECHNICAL TERMS

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

"4S dealership store"	an automobile dealership store operated by dealership groups and authorized by OEMs that integrates the four business elements, namely sales, spare parts, services and survey
"ADMS system"	our proprietary used vehicle management system that provides intuitive, easy to use digital tools designed to help dealership groups centrally and systematically manage their used vehicle inventory across their 4S dealership stores, solve the key challenges across different stages of their used vehicle business and enhance the overall transparency, efficiency and profitability of their used vehicle business
"AI"	artificial intelligence, the science of researching and developing theories, methods, technologies, and application system that simulate and extend human intelligence
"API"	application programming interface, a set of defined rules that enable different applications to communicate with each other
"API integration"	the process of connecting two or more applications or systems by using APIs to exchange data and perform actions
"app" or "mobile application"	application software designed to run on smartphone and other mobile devices
"auction"	a process of buying and selling items or services by offering them up for bids, taking bids, and then selling them to the highest bidders
"auctioneer"	host of an auction
"big data"	large and diverse data sets able to uncover hidden patterns, unknown correlations, market trends, customer preferences and other useful information assets under new processing model for greater decision-making power, insight and processing optimization capabilities
"consignment"	for the purposes of this document only, the arrangement in which the upstream sellers leave the used vehicle in our possession and authorize us to auction off these used vehicle on their behalf
"COVID-19"	a viral respiratory disease caused by the severe acute respiratory syndrome coronavirus

"EQS system"	our self-developed evaluation quality system that automatically generates the condition report for used vehicle based on the inspection results uploaded onto the system
"GTV"	gross transaction value, which refers to the total monetary value of transactions processed through a particular marketplace (such as our transaction platform) over a certain time frame
"ICE"	internal combustion engine, traditional engine powered by burning fossil fuel inside itself
"KPIs"	key performance indicators
"mileage"	total miles covered or travelled by the automobile during a given time
"NEV"	new energy vehicle
"OEM"	original equipment manufacturer, which in this document, refers to automobile manufacturer
"passed in"	in the context of auction, a property is passed in when the top bid does not meet the reserve price set for the property
"passenger vehicle"	an automobile designed, constructed and used primarily for the carriage of passengers and typically comprising no more than eight seats in addition to the driver's seat
"reserve price"	for the purposes of this document only, the lowest price the seller is willing to accept for the used vehicle
"R&D"	research and development
"trade-in"	an arrangement in which the owner of a used vehicle uses the used vehicle as a payment or partial payment for purchase of a new vehicle
"used vehicle"	for the purposes of this document only, unless otherwise indicated, "used vehicle" refers to used passenger vehicle
"used vehicle transaction service provider"	refers to a market participant that facilitates used vehicle transactions and provides used vehicle-related services through its used vehicle transaction platform
"vehicle parc"	refers to the total number of registered vehicles within a given geographic region

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

Certain statements in this document are forward-looking statements that are, by their nature, subject to significant risks and uncertainties. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as "will", "expect", "anticipate", "estimate", "believe", "going forward", "ought to", "may", "seek", "should", "intend", "plan", "projection", "potential", "could", "vision", "goals", "aim", "aspire", "objective", "target", "schedules" and "outlook") are not historical facts, are forward-looking and may involve estimates and assumptions and are subject to risks (including but not limited to the risk factors detailed in this document), uncertainties and other factors some of which are beyond our Company's control and which are difficult to predict. Accordingly, these factors could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

Our forward-looking statements have been based on assumptions and factors concerning future events that may prove to be inaccurate. Those assumptions and factors are based on information currently available to us about the businesses that we operate. The risks, uncertainties and other factors, many of which are beyond our control, that could influence actual results include, but are not limited to:

- our operations and business prospects;
- our business and operating strategies and our ability to implement such strategies;
- our ability to develop and manage our operations and business;
- competition for, among other things, capital, technology and skilled personnel;
- our ability to control costs;
- our dividend policy;
- changes to regulatory and operating conditions in the industry and geographical markets in which we operate; and
- all other risks and uncertainties described in the section headed "Risk Factors" in this document.

Since actual results or outcomes could differ materially from those expressed in any forward-looking statements, we strongly caution [REDACTED] against placing undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by the Listing Rules, we undertake no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. Statements of or references to our intentions or those of any of our Directors are made as of the date of this document. Any such intentions may change in light of future developments.

All forward-looking statements in this document are expressly qualified by reference to this cautionary statement.

An [REDACTED] in our Shares involves significant risks. You should carefully consider all of the information set out in this document before making an [REDACTED] in our Shares, including the risks and uncertainties described below in respect of our business and our industry and the [REDACTED]. You should pay particular attention to the fact that we are an exempted company incorporated in the Cayman Islands and that our principal operations are conducted in China and are governed by a legal and regulatory environment that in some respects differs from what prevails in other countries. Our business could be affected materially and adversely by any of these risks.

These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in the section headed "Forward-looking Statements" in this document.

RISKS RELATED TO OUR BUSINESS AND INDUSTRY

Our business is subject to risks related to China's used vehicle industry.

We operate in China's used vehicle industry and our operational and financial results primarily depend on the performance of this industry. Mainly due to the restrictive measures in response to the COVID-19 resurgences in China, the transaction volume of used vehicles in China decreased to 12.5 million units in 2022 from 13.6 million units in 2021. In line with the industry trend, the transaction volume on our platform decreased from approximately 261,000 units in 2021 to approximately 160,000 units in 2022. The transaction volume on our platform increased to 176,000 units in 2023, in line with the trend of recovery of China's used vehicle industry; in 2023, the transaction volume of used vehicles in China amounted to 14.4 million units. We cannot assure you that this industry will continue to grow rapidly in the future.

Our business is affected by various industry-wide risks related to China's used vehicle industry, including but not limited to:

- the growth and evolution of China's automotive industry in general;
- people's general preference for passenger vehicles as the means of transportation, which may affect the mileage driven per vehicle and overall vehicle usage, which in turn may affect the frequency of vehicle disposal and transaction price of used vehicles;
- fluctuations in the sales and prices of new vehicles, which in turn could affect the sales and prices of used vehicles. For instance, changes of retail prices for new vehicles (including those due to OEM's rebates and incentives) relative to that for used vehicles may affect consumers' relative preferences for new vehicles and used vehicles;
- government policies relating to used vehicles in China, such as taxes and other incentives or disincentives related to used vehicle purchases and ownership;
- retail prices of used vehicles;

- the cost of energy, including fuel prices, and the cost of vehicle license plates in various cities with license plate lottery or auction systems;

- consumer acceptance of used vehicles;

- awareness, credibility and popularity of auction as a way for used vehicle transactions;

- vehicle-related environmental concerns and measures taken to address these concerns;

- impact from the COVID-19 pandemic or other epidemics on various aspects of the used vehicle industry, including their impact on the overall economic growth and income level that in turn affected consumers' ability and willingness to purchase used vehicles, as well as the disruption to the supply of used vehicles and offline used vehicle auctions;

- change in the proportion of new energy use in overall energy use, and the increase in the proportion of NEVs in overall passenger car parc in China;

- the improvement of the highway system and availability of parking facilities;

- cost and convenience of the used vehicle transaction process, including tile transfer and ease of directly transacting used vehicles with consumers, which in turn may affect upstream buyers' preference for disposing of used vehicle through our transaction platform;

- ride sharing, public transportation networks, charging network, and other fundamental changes in transportation pattern; and

- other industry-wide issues, including supply and demand of used vehicles, age distribution of vehicles and supply chain challenges.

Regulatory and policy changes have affected, and may continue to lead to uncertainties in the direction and pattern of the development of China's used vehicle industry. For example, the Notice regarding Several Measures for Invigorating the Circulation of Automobiles and Expanding Automobile Consumption (《關於搞活汽車流通擴大汽車消費若干措施的通知》) (the "**New Regulations**"), which were promulgated on July 5, 2022, have implemented a number of changes affecting the used vehicle industry. These measures primarily include:

- ***Enabling more participants to engage in used vehicle sales***. Previously, local regulations imposed various requirements that were difficult or commercially impracticable for used vehicle business participants to fulfill. For example, in order for corporate entities to conduct used vehicle sales, they are required to have business addresses located in the local used vehicle trading markets and the size of their offices must meet certain minimum thresholds. The New Regulations removed these restrictions and corporate entities are now able to conduct used vehicle sales regardless of whether their business addresses are located in the local used vehicle trading markets and the size of their offices.

- ***More efficient title transfer***. Title transfer is a key component of used vehicle transaction and title transfer registration is processed by local used vehicle administration authorities. Previously, in practice, only invoices issued by local used vehicle trading markets were accepted by used vehicle administration authorities for used vehicle title transfer registration. Starting from October 1, 2022, invoices issued by other entities engaged in used vehicle business are also accepted for used vehicle title transfer registration purposes, significantly streamlining and improving the efficiency of used vehicle transactions.

- ***More efficient used vehicle transaction process***. Previously, the transfer of used vehicle ownership would require the registration of title transfer of the used vehicle for each and every used vehicle transaction, including transactions among used vehicle dealers (i.e. a used vehicle dealer would need to first transfer the title of a used vehicle to itself, before it can transact such used vehicle with another dealer), making the used vehicle transaction process very time-consuming and cumbersome (because a used vehicle is typically transferred multiples times among dealers before it reaches the end buyer). Starting from October 1, 2022, used vehicle dealers can obtain a temporary license plate for used vehicle transaction purpose and are no longer required to transfer the title of used vehicles to themselves first, before transferring the same to end buyers, effectively improving the efficiency of used vehicle transactions.

- ***Title transfer limit***. Starting from January 1, 2023, title transfer registration shall not be processed for natural persons who transfer the title of three or more used vehicles that have been held for less than one year within a calendar year (the "**Title Transfer Limit**"). The Title Transfer Limit is designed to further standardize the administration and enhance the transparency of used vehicle transactions in China by encouraging more used vehicle business participants to register as corporate entities, which makes it easier for the relevant authorities to oversee used vehicle business participants in a more systematic manner. As of the Latest Practicable Date, the Title Transfer Limit has not yet been widely implemented in practice.

Although the New Regulations are expected to boost consumer confidence over China's used vehicle industry and accelerate its growth in the long run, the New Regulations may temporarily introduce uncertainties to the used vehicle industry as to how they will be implemented, interpreted and enforced and how the relevant market participants, such as the Professional Buyers, would respond or could remain compliant with these requirements (for example, some of the Professional Buyers may need to adjust the way they operate their business and/or register as corporate entities). Our business operations may accordingly need to accommodate to changes made by Professional Buyers and other used vehicle business participants as a result of the New Regulations and our financial performance may potentially and temporarily be affected.

Our business and operating results would be adversely affected due to significant reduction in number of used vehicle to be disposed of by our sellers, failure to acquire or loss of a significant number of sellers, adverse changes in our relationship with our sellers or their business operation, or otherwise disruption to our upstream supply of used vehicles.

Our business depends on the large, stable and dispersed supply of used vehicles from our sellers, primarily 4S dealership stores which are typically operated by dealership groups and affiliated with OEMs. There are many factors that can adversely affect the volume of used vehicles to be disposed of by our sellers via our transaction platform, many of which are beyond our control. These factors include:

- the size and trend of China's passenger car parc;
- the average age of China's passenger car parc;
- the proportion of used vehicles that were disposed to our sellers by consumers, which in turn depends on their knowledge and awareness of the availability of such 4S dealership stores as a disposal channel and their preference for disposing of their used vehicles through these 4S dealership stores;
- the success of our sellers' used vehicle business and the volume of consumer trade-in vehicles;
- whether the used vehicle business is, or continues to be, a strategically important business segment of our sellers, and whether our sellers accordingly choose to devote a sufficient amount of resources to maintaining, developing and expanding their used vehicle business;
- government policies regarding new and used vehicles, such as government restrictions on the number of car licenses to ease traffic and combat air pollution, which would in turn restrict both supply and demand for passenger vehicles; and
- the availability of competing and alternative channels for used vehicle disposal that may be more favorable or efficient than our transaction platform.

We typically enter into consignment auction agreements for a term of one to three years with our sellers, which set forth how the sellers' used vehicles will be auctioned on our transaction platform, and the respective rights and obligations of the sellers and us before, during and after the auction process. There can be no assurance that our existing agreements with our sellers will not be canceled or that we will be able to enter into future agreements on favorable terms with them. Neither can we assure you that we can continuously acquire new upstream sellers to source used vehicles from them on terms favorable to us, if at all. We work to develop strong relationships with our sellers and their dealership groups and OEMs and provide a variety of value-added services to them, but there is no assurance that we can successfully and continuously satisfy their evolving business demand. If we lose one or more of our large sellers and fail to replace them with newly acquired ones, or if one or more of our large sellers were to significantly reduce the volume of used vehicles disposed of on our transaction platform for any reason, or if the supply or value of used vehicles to be disposed of via our transaction platform otherwise declines significantly, we may not be successful in replacing such business and our profitability and operating results could be materially adversely affected.

In addition, we rely on our sales and marketing team to identify, develop and maintain relationships with our sellers. The process of identifying and hiring sales and marketing professionals with the combination of skills and attributes required can be difficult and require significant commitment of time. Any shortage in sales and marketing professionals or delay in identifying and hiring quality sales and marketing professionals could have a negative impact on our business. If we are not successful in attracting and retaining effective sales and marketing professionals, our transaction platform may become less attractive to our existing sellers and impair our ability to acquire new sellers and thus may have a material adverse impact on our business, financial condition and results of operations.

Our business is subject to risks related to the macro-economic environment.

Our business operation and the development of China's used vehicle industry are subject to various factors affecting China's macro-economic environment, many of which are beyond our control. Such factors include:

- China's economic growth and the growth of disposable household income, which would in turn affect the level of consumption;
- the Chinese government's general approach towards, and specific policies addressing, the COVID-19 pandemic and other epidemic and their impact on the economy;
- the laws, regulations, rules, policies and the general attitude and political stance adopted by the Chinese government towards China's automotive industry and other related industries;
- monetary and fiscal policies adopted by the central banks and financial authorities of some of the world's leading economies, including China, the United States and other major economies, and their near- or long-term impacts of the Chinese and global economies;
- the adoption, modification, extension and cancellation of subsidies and other incentives to consumption in general and vehicle purchases in particular by the governments of the world's leading economies, including China, the United States and other major economies;
- the relationship and the trade disputes between the United States and China, including economic and trade sanctions imposed on certain entities and individuals in China, which may have significant impact on China's economic conditions and the global supply chain;
- the availability and cost of credit available to finance used vehicle purchases;
- geopolitical conflicts involving China and other regions of the world and the resultant fluctuations in prices of energy and other key commodities, including oil; and
- other macro-economic factors that may affect China's general economic situations, including foreign exchange rate of Renminbi and trade policies affecting its import and export.

Any adverse change to these factors could reduce demand for used vehicles and hence demand for our services, and our results of operations and financial condition could be materially and adversely affected.

Our business, financial condition and results of operations may be materially and adversely affected by epidemics (particularly COVID-19) and/or any other natural or human disaster such as earthquake, fire, or act of terrorism.

Our business, financial condition and results of operations may be materially and adversely affected by epidemics (particularly COVID-19), natural disasters, fire, acts of war or terrorism or any other catastrophes. Areas or regions where we operate may be exposed to the outbreak of epidemics, including the COVID-19 pandemic, swine influenza, avian influenza, middle east respiratory syndrome (MERS-CoV) and severe acute respiratory syndrome (SARS-CoV). Government authorities may adopt certain disease control measures, including quarantines of our employees, temporary closures of our offices or auction sites, and various travel, transportation and logistics restrictions. Any of these events and the measures taken by government authorities may materially limit regional or national economic development and may have a material adverse effect on our business operations. Our operations could also be severely disrupted if our used vehicle sellers and buyers are affected by natural disasters, health epidemics or other outbreaks. For example, these events may limit the number of used vehicles to be auctioned through our transaction platform, the availability of auctioneers and other supporting personnel for the auction process, and the availability of vehicle logistics services at a reasonable cost, if at all. Any of the foregoing events may give rise to interruptions, breakdowns, and system, technology platform or internet failures, which could cause the loss or corruption of data or malfunctions of software or hardware and adversely affect our ability to develop and provide services to our sellers and buyers. In addition, consumers' ability and willingness to spend on purchasing used vehicles may be affected during epidemics and by the corresponding containment measures and potential economic slowdowns in China or globally.

In particular, the COVID-19 outbreak has become a global pandemic and, given our business model, it has affected us in a number of specific ways. We are headquartered in Shanghai, and we host a network of auction sites across China. Our business model depends on the operation of offline infrastructure, including the physical gathering, in-person inspection and appraisal of used vehicles, the auctions conducted on site, as well as third-party service providers that are based on our auction sites, all of which cannot be adequately or sufficiently replaced by online services. Our operational efficiency has been adversely affected by the pandemic in 2022, as a result of temporary closures of our offices and some of our auction sites and inability to operate some of our auction sites normally due to restrictive measures imposed by government authorities. For example, in 2022, our headquarters in Shanghai experienced 65 days of closure, adversely affecting our corporate administration and various aspects of business operation. Moreover, in 2022, we cancelled a total of 1,193 scheduled auction sessions due to COVID-19 accounting for 12.4% of total auction sessions that were originally scheduled. As a result, in 2022, 73 of our auction sites across China (including our auction center in Shanghai, an auction site with significant transaction volume) experienced complete shutdown or had at least one scheduled auction session cancelled due to the local COVID-19 policies. As such, in 2022, there were 315 days during which at least one of our auction sites experienced either operation suspension or cancelled auction sessions. In addition, as we generally transport used vehicle across cities to gather at our auction sites before the auctions and arrange the delivery of used vehicles that have been successfully sold to designated locations as instructed by the buyers after the auctions, disruptions in cross-regional logistics network and government-imposed restrictive measures that affected inter-city traffic and transportation system also adversely affected the efficiency of our logistics network. Furthermore, the business operations of our upstream sellers and downstream buyers were similarly adversely affected during the same periods. For example, the 4S dealership stores of our upstream sellers may experience temporary or permanent closure, short-staffing, and disruption to their own vehicle logistics network, which in turn could lead to delays and reduction in their used vehicle transactions through our transaction platform. Similarly, Professional Buyers and other buyers may reduce their participation in our auction sessions and purchasing of used vehicles through our transaction platform as they themselves experienced reduced demand for used vehicles consumers or their own business operation and mobility were adversely affected by the COVID-19 situation. As a result, our normal used vehicle transaction process has been adversely impacted to various degrees, and the transaction volume and our financial conditions have been adversely affected. Furthermore, the COVID-19 situation also adversely affected our other business segments including arrangement for sale of used vehicles and exhibition related services, leading to decreased business volume and cancelation of exhibition and event hosting. In the first quarter of 2023, due to the initial spike in COVID-19 cases, our business operation and financial conditions were also adversely affected. See "Financial Information — Effects of the Covid-19 Pandemic on Our Results of Operations" for detailed discussions of the impact of COVID-19 situation on our business operation and financial conditions.

In general, a significant natural disaster, such as an earthquake, fire, flood or pandemic, occurring at our offices, facilities, or those of our buyers and sellers or service providers could also adversely affect our business operations and financial condition. In addition, natural disasters and acts of terrorism could cause disruptions in our or our buyers and sellers' businesses, national economies or the world economy as a whole, as is the case currently due to the COVID-19 pandemic, any of which could adversely affect our business operations, results of operations, and financial condition.

If we fail to provide satisfactory services and transaction experiences to our buyers, the size of our buyer base and their purchases on our transaction platform could decline, and our business would be materially and adversely affected.

Our growth and success depend on our ability to retain and attract our buyers, primarily Professional Buyers. Our ability to provide a differentiated and superior used vehicle transaction experience to our buyers depends on a number of factors, including, among others:

- our ability to consistently source a large number of used vehicles of relatively high quality from reliable channels;
- our ability to consistently source used vehicles covering a broad spectrum of brand, model, price, age and mileage;
- our ability to continuously facilitate highly efficient and transparent used vehicle auctions;
- our ability to continuously provide satisfactory post-auction services to our buyers, including services provided by third-party service providers that we collaborate with, such as title transfer and logistics services;
- our ability to continuously improve and expand our service offerings to meet the evolving needs of our buyers;
- our ability to maintain and improve the operating efficiency and service quality of our auction sites and personnel;

- our ability to conduct effective sales and marketing activities to attract and retain our buyers and maintain our reputation as a trusted used vehicle transaction service provider;
- our ability to leverage technology and data to improve our services;
- our ability to adequately train and manage our employees; and
- our ability to effectively ensure the quality of services provided by our third-party service providers.

We cannot guarantee that we can provide satisfactory services or a differentiated and superior transaction experience to our buyers as our business continues to evolve. Our failure to do so would materially and adversely affect our business, financial condition and results of operations.

If we are unable to effectively manage our growth or implement our business strategies, such as failure to effectively manage the expansion of our auction site network, our business, results of operations and financial condition may be materially and adversely affected.

Our business and prospects depend in part on our ability to effectively manage our growth and implement our growth strategies. For instance, as part of our business strategies, we intend to increase our offline penetration in existing markets and expand into new geographic markets. Our business model in the markets in which we currently operate may not be applicable to other parts of China. We may not be able to leverage our experience to expand into new geographic markets in China. As a result, our expansion strategies, including sales and marketing efforts designed to attract more used vehicle buyers to use our services and increase our market penetration may not be successful.

Moreover, our rapid expansion may lead to new challenges and risks. To manage the further expansion of our business, we need to continuously expand and enhance our infrastructure and technology, and improve our operational and financial systems, procedures and internal controls. We cannot assure you that our current auction site network and capacity, personnel, infrastructure, systems, procedures and controls will be adequate to support our operations. Effectively managing our growth is dependent on a number of other factors, including our ability to:

- effectively manage and achieve the construction and upgrading schedule for our auction sites to increase our auction site capacity in order to accommodate an increased volume of used vehicle transactions;
- obtain, maintain and successfully renew regulatory filings, permits, licenses and approvals, if any, that are required for executing our business expansion strategies;
- generate a sufficient amount of revenue from the expansion or upgrading of auction sites or other new service offering that can cover the additional costs and expenses that we expect to incur associated with such expansion and new services;
- effectively expand into new geographic markets;
- continue to improve our existing services;
- launch new services and develop new opportunities;

- explore new auction formats;
- stabilize our expenses and enhance our efficiency;
- recruit and retain skilled and experienced employees;
- attract, retain and strengthen relationships with our sellers and buyers;
- enhance our risk management and internal control;
- upgrade our technology and continue to innovate; and
- maintain and enhance the network effects of our transaction platform.

If we fail to effectively manage our growth or implement our business strategies, our business, results of operations and financial condition may be materially and adversely affected.

In particular, the success of our business model and our provision of high-quality used vehicle transaction experience depend on our ability to operate and manage our offline auction site network. As part of our business model and growth strategies, we also consistently seek to maintain, expand and optimize our auction site network by optimizing the operational efficiency and expanding the capacity of our auction sites, and maintaining and increasing the size of our own workforce and number of third-party service providers based at our auction sites. However, expanding our existing auction sites or into new geographical markets will require us to lease more facilities for auction sites and hire additional employees to cover these markets. We also need to train, manage and motivate our growing number of employees and maintain and expand our relationships with our sellers, buyers, third-party service providers and other third parties. We will incur additional capital expenditure, compensation and benefit costs, sales and marketing expenses, office and auction site rental expenses and other costs, as well as experience additional strain on our managerial resources. Moreover, as the scale of our offline auction network increases, the complexities of operating, maintaining and managing our auction site network may significantly increase and we may encounter difficulties and challenges in adapting our organizational structure, logistics and other operational and management systems to the expanded network. Our costs and expenses associated with the maintaining of our auction site network may also increase significantly due to a variety of factors beyond our control, including the local government's restrictive measures in response to the COVID-19 pandemic and other epidemic. Any undetected and unforeseen risks in the management, operation and staffing setup could significantly increase our operation costs and expenses, lower the efficiency and quality of our services, and adversely affect the utilization of our offline infrastructure.

We may not be able to effectively maintain or increase the commissions and service fees we charge for our used vehicle auction and other services in the future or when we expand into new markets, which could adversely affect our business, financial condition and results of operations.

During the Track Record Period, a significant portion of our revenues were derived from the commissions and service fees we charged from buyers for our used vehicle auction services. Our ability to maintain and increase the amount and/or level of commissions and service fees we charge to buyers for our used vehicle auction services depends on a number of factors, including:

- our ability to deliver satisfactory used vehicle transaction experience to our buyers;
- our ability to attract used vehicle buyers and sellers to our transaction platform;
- the average unit price of used vehicles auctioned on our transaction platform, which may fluctuate depending on the types of used vehicle that our upstream sellers intend to dispose of;
- competition in the local markets;
- our ability to charge more types of and/or larger amount of commissions and service fees to our buyers and sellers in the future without materially and adversely affecting their willingness to continue using our transaction platform;
- our ability to maintain relationships with third-party service providers to provide services to our buyers at attractive terms and prices; and
- other factors that may otherwise affect the amount and/or level of commissions and services that we are able to charge, including macro-economic factors and changes in legal and regulatory requirements.

In addition, as we are in the process of expanding our business into lower-tier cities, our ability to maintain or increase the level of commissions and service fees per transaction we charge for our used vehicle auction and other related services in such cities may be affected by certain characteristics of these markets, including:

- the average unit price of used vehicles sold in these markets may be lower than those sold in our existing markets, resulting in lower commission per vehicle we are able to charge;
- we may need to conduct sales and marketing and other promotional activities upon entering into these markets to attract sellers and buyers, such as coupons, and these activities may further reduce the net income we can generate on a per vehicle basis; and
- we may need to maintain commissions and service fee rates at competitive level for a prolonged period of time to in order to expand our business and attract new sellers and buyers in such new markets.

Any failure to adequately and promptly address any of these risks and uncertainties would materially and adversely affect our business and results of operations.

We face risks related to our used vehicle value-added services, including failure to successfully monetize these services and inability to continuously offer value-added services which meet the evolving demand of our sellers and buyers.

In addition to used vehicle auction services, we also offer a variety of used vehicle value-added services to our sellers and buyers to help them streamline their used vehicle transaction process. We believe these services further enhance our cooperation with our sellers and buyers and ultimately increase the number of used vehicles transacted via our transaction platform.

Currently, some of our used vehicle value-added services, such as the use of our ADMS system, are generally offered for free in order to attract, and maintain our relationship with, sellers and buyers. Some of our sellers and buyers may not recognize or be receptive to the importance and value of certain value-added services we provide, regardless of whether they are provided for free or for fees. Moreover, the availability of free services offered by our competitors and other business participants in our industry, regardless of the actual utility and functions, may further reduce the willingness of our sellers and buyers to pay for our value-added services. While we intend to charge fees for value-added services we currently offer for free in the future, we currently do not have a definite timeline of implementing this strategy. There is also no guarantee that we can successfully monetize these services without compromising our relationship with our sellers and buyers or their satisfaction with our services. In addition, there is no assurance that we can successfully monetize the new value-added services we plan to offer in the future, the development and launch of which would incur additional research and development, sales and marketing and other costs and expenses. If our monetization efforts of our value-added services are not successful, we cannot recoup the costs and expenses in rendering our value-added services and will not be able to generate sustainable revenue and profits from the provision of such services.

In addition, in order to maintain the growth of our used vehicle value-added services and our relationship with our sellers and buyers, we must continuously enhance our existing value-added services and launch new value-added services that effectively address our sellers and buyers' pain points and evolving needs in terms of used vehicle operations. We may not be able to identify our sellers and buyers' addressable demands despite substantial investments of time and resources, and even if the demand is identified, we may not have enough resources, as compared with some of our competitors, to develop value-added services fast enough to acquire an advantageous position. In addition, each new service, system and solution launch involves risks, as well as the possibility of unexpected consequences. We may experience a decrease in our existing transaction volume and number of buyers and sellers that we collaborate as a result of our failure to meet their evolving used vehicle related demand. Any of these occurrences could delay or impede our ability to maintain our business relationship with our buyers and sellers and achieve our business objectives, which could have a material adverse effect on our business, results of operations and financial condition.

We are subject to risks and uncertainties related to our other businesses.

In addition to the provision of used vehicle auction and value-added services, we are also engaged in the arrangement for sale of used vehicles, provision of exhibition related services and other services. We are accordingly subject to specific risks and uncertainties related to certain characteristic features of our business models for these business segments. For instance, for arrangement for sale of used vehicles, we collaborate with certain dealership groups to arrange for the sale of consumer trade-in vehicles at these dealership groups' 4S dealership stores. These used vehicles are entrusted to us by consumers or 4S dealership stores and subsequently disposed of mainly through auctions on our transaction platform. There is no assurance that we can successfully dispose of such used vehicles on our transaction platform or through other channels. Even if we can dispose of the used vehicle, there is no assurance that we are able to dispose of such used vehicles at a profit. If we are required to dispose of such used vehicles at a loss or otherwise unable to timely dispose of the used vehicles, our business, results of operations and financial condition may be adversely affected. For our exhibition business, we are responsible for hosting exhibitions and placing advertisements for exhibition participants. However, there is no assurance that we are able to attract a sufficient number of participants to attend the exhibitions, nor can we assurance you that the relevant income we generate from such businesses can adequately cover the costs we incur.

Although our other businesses are not our strategic focus, if their revenue and profitability are adversely affected, our overall results of operations and financial performance will accordingly be adversely affected.

We work with a variety of third-party service providers. Certain actions of third-party service providers are outside of our control and could adversely affect our business, financial condition and results of operations.

We work with third parties in providing post-auction services offered on our transaction platform, including title transfer and logistics services, and other used vehicle transaction related services. In 2021, 2022 and 2023, our costs attributable to the use of third-party service providers for our post-auction services amounted to RMB57.8 million, RMB64.4 million and RMB61.5 million, respectively, accounting for 22.9%, 35.2% and 34.3% of our total cost of sales in the same periods. We carefully select our third-party service providers and most of our third-party service providers for our post-auction services are based at or in close proximity with our auction sites, but we are not able to fully control their actions. If these third parties fail to perform as we expect, experience difficulties in meeting our requirements or standards, fail to conduct their business ethically, fail to provide satisfactory services to our buyers and sellers, receive negative press coverage, violate applicable laws or regulations, or breach the agreements with us, or if the agreements we have entered into with the third parties are terminated or not renewed, our business operations, reputation and our relationship with our buyers and sellers could be adversely affected. In addition, if such third-party service providers cease operations, either temporarily or permanently, face financial distress or other business disruptions, increase their fees, or if our relationships with them deteriorate, we may suffer from increased costs, be involved in legal or administrative proceedings with or against our third-party service providers and experience delays in providing used vehicles buyers with similar services until we find a suitable alternative. In addition, if we are unsuccessful in identifying high-quality third-party service providers, or establishing cost-effective relationships with them, or effectively managing these relationships, the user experience of our transaction platform could be adversely affected and we may lose buyers and sellers. As a result, our business, results of operations and financial condition would be adversely affected.

We face competition, which may lead to loss of market share, reduced revenue, increased expenses, departures of qualified employees, and disputes with competitors.

We face competition in the industry we operate, which is China's used vehicle industry. Our direct competitors primarily consist of other used vehicle transaction service providers targeting the used vehicle wholesale market of China's used vehicle industry. We also face indirect competition from other traditional offline used vehicle transaction platforms. Our direct competitors may have more resources than we do, including financial, technological, marketing and others and may be able to devote greater resources to the development and promotion of their platforms and services. As a result, they may have more extensive relationships with OEMs, dealership groups, 4S dealership stores and Professional Buyers than we do, and may be able to attract more talent than we can, including approaching our qualified employees with more attractive compensation packages. This could allow them to develop new services, adapt more quickly to changes in technology and to undertake more extensive marketing campaigns, which may render our transaction platform less attractive to buyers and sellers and cause us to lose market share. We also expect that new competitors will continue to enter the used vehicle industry with competing brands, business models, products and services, which could have an adverse effect on our business, financial condition and results of operations. Competitors may also attempt to replicate our business model and compete directly with us for the sourcing and sale of used vehicles. Our competitors may be acquired and consolidated by, or cooperate with, industry conglomerates who are able to further invest with significant resources into our operating space and compete with us in various aspects of our business operations. Moreover, competition in the markets we operate in may reduce our transaction volume, commission, service fees and revenue, increase our operating expenses and capital expenditures, and lead to departures of our qualified employees. We may also be harmed by negative publicity instigated by our competitors, regardless of its validity. We may in the future encounter disputes with our competitors, including lawsuits involving claims asserted under intellectual property laws, unfair competition laws and defamation which may adversely affect our business and reputation. Failure to compete with current and potential competitors could materially harm our business, financial condition and our results of operations.

We are subject to dispute resolution risks for used vehicles transacted through our transaction platform.

We are exposed to dispute resolution risks in connection with unsuccessful transactions of used vehicles on our transaction platform. Complains and disputes on our transaction platform can generally be categorized into three types: (i) failure to sell or purchase a used vehicle that has been auctioned, (ii) perceived deviation in vehicle condition from our inspection report, and (iii) disputes related to the title transfer of used vehicles. See "Business — Used Vehicle Auction Business — Our Transaction Process — Step 8: Dispute resolution" for more details. We have encountered and may continue to experience complaints and disputes in our business operation.

If the dispute is related to the failure to sell or purchase a used vehicle that has been successfully auctioned in the auction process, such as due to the buyer or seller's change of mind, we will penalize the breaching party by charging a fine and compensate the non-breaching party. While we are not subject to any potential liabilities or financial loss in this type of disputes, if such failure to sell or purchase used vehicles occurs too frequently, our reputation as a trustworthy and reliable used vehicles transaction service provider may be jeopardized and used vehicle sellers and buyers may be more reluctant to trade used vehicles through our transaction platform. As a result, our business, results of operations and financial condition may be adversely affected.

If the dispute is related to the perceived deviation in vehicle condition from our inspection report, we will conduct dispute resolution pursuant to our dispute resolution policies. If the dispute resolution result concludes that the vehicle's actual condition materially deviates from the inspection result such that the cost required for vehicle repair and re-conditioning exceeds the relevant threshold value, the transaction will be annulled and we are liable for compensating the buyer for such vehicle. In 2021, 2022 and 2023, the compensation we paid amounted to RMB0.6 million, RMB0.6 million and RMB0.6 million, respectively. There is no assurance that the systems and measures that we have adopted in connection with these risks will be effective in preventing the complaints and disputes and eliminating the relevant risks. If this type of disputes occurs too frequently, not only will we incur financial loss as a result of the compensation, we may further suffer reputational loss and used vehicle buyers may be less willing to purchase used vehicles through our transaction platform. As a result, our business, results of operations and financial condition may be adversely affected.

If the dispute is related to failure to complete title transfer of the used vehicle within an agreed period of time, we will determine whether such failure is due to the fault of the seller, buyer or us. If such failure is due to our fault, we will compensate the buyer accordingly. In 2021, 2022 and 2023, the compensation we paid to buyers amounted to approximately RMB63,000, RMB40,000 and RMB46,000, respectively. If such failure is due to the fault of the seller or the buyer, we will impose a fine on the breaching party and/or compensate the non-breaching party accordingly. A seller might fail to transfer the title of the used vehicle because the seller does not have the right to dispose of the used vehicle. Pursuant to the Auction Law of the PRC (《中華人民共和國拍賣法》), objects of auction shall be the articles or goods or property rights which are owned by the seller or which the seller may dispose of according to law, and the seller shall provide the ownership certificate or other materials testifying that the seller may dispose of the objects of auction as requested. We require our sellers to provide ownership certificates of the used vehicles to be auctioned. We also require our sellers to make representation in the consignment auction agreements we enter with them that they have the right to dispose of the used vehicle to be auctioned, but we may not always be able to collect materials testifying their disposal right. As of the Latest Practicable Date, we did not have any material disputes related to seller's failure to transfer title due to lack of right to dispose of the used vehicle, nor have we been subject to any administrative penalties therefore. However, we cannot assure you that we will not encounter such disputes in the future, or that the relevant administrative authorities will deem our practice to be fully compliant with the relevant laws and regulations. If such dispute occurs, we may be required to compensate the buyer or the actual owner of the used vehicle and subject to relevant administrative measures.

Failure to obtain, maintain or renew certain filings, approvals, licenses, permits and certificates required for our business operations may materially and adversely affect our business, financial condition and results of operations.

As our core business segment and service offering, we conduct online-offline integrated auction to facilitate the transaction of used vehicle on our transaction platform. Our used vehicle auction business is subject to regulatory supervision of various PRC government authorities, and we need to obtain and timely renew relevant licenses and permits in accordance with applicable laws and regulations. Among others, we are specifically required to apply for and obtain the License for Auction Business (拍賣經營批准證書) issued by the provincial commerce authorities. For details, please see the section headed "Regulatory Overview" and "Business — Licenses and Permits."

Failure to complete, obtain, maintain or renew any of the required licenses or make the necessary filings may result in enforcement actions and subject us to various penalties, such as suspension or termination of the licenses, imposition of fines, discontinuation or restriction of our operations, adoption of corrective measures such as disposal of assets associated with such entities. In addition, the PRC legal system is evolving, further amendments and changes or further interpretation and enforcement of laws and regulations could impose more stringent standards for us to renew relevant licenses or require us to obtain additional licenses. Any changes to the licensing requirements for any of our licenses could affect our ability to maintain or renew the licenses. We cannot guarantee that we will be successful in renewing all of our licenses on a periodic basis. The suspension, termination or expiration of one or more of these licenses may disrupt our business operations and materially and adversely affect our business, results of operations and financial conditions.

We are subject to various risks relating to Third-party Settlement Practice.

During the Track Record Period, there were instances of Third-party Settlement Practice on our transaction platform, where the Relevant Buyers settled their payments with us through the Actual Payors, who are typically family members and business partners of the Relevant Buyers. In 2021 and 2022, (i) our commission and service fees generated from transactions involving Third-party Settlement Practice were RMB92.2 million and RMB35.5 million, respectively, representing 27.6% and 14.8% of our aggregate amount of commission and service fees under our used vehicle auction business, respectively, (ii) the total fund inflow from transactions involving Third-party Settlement Practice was RMB3,631.0 million and RMB1,243.3 million, respectively, representing 26.5% and 18.4%, respectively, of our total fund inflow from the relevant business involving Third Party Settlement Practice, and (iii) our revenue generated from transactions involving Third-party Settlement Practice was RMB100.1 million and RMB36.3 million, respectively, representing 14.8% and 7.8% of our total revenue, respectively. Since October 1, 2022 and up to the Latest Practicable Date, we have not been involved in any transactions involving Third-party Settlement Practice. See "Business — Third-party Settlement Arrangement" for more details.

We were subject to various risks relating to such Third-party Settlement Practice during the Track Record Period, including possible claims from Actual Payors for return of funds as they were not contractually indebted to us and possible claims from liquidators of Actual Payors. Furthermore, while we have implemented relevant measures such as imposing more stringent bidder identity verification requirement and collaboration with a bank to set up a card-account registration system, we may be subject to exposure to potential money laundering risks as we have limited knowledge about the source and purpose of the funds utilized by the Actual Payors. While we have not experienced such incidents during the Track Record Period and up to the Latest Practicable Date, in the event of any claims from Actual Payors or their liquidators, or legal proceedings (whether civil or criminal) instituted or brought against us in respect of Third-party Settlement Practice, we will have to spend significant financial and managerial resources to defend against such claims and legal proceedings. If we were to be involved in legal proceedings for money laundering charges, our reputation may also be adversely affected and we may face difficulties in maintaining our existing sellers and buyers and other business partners. As a result, our financial condition and results of operations may as a result be adversely affected.

If our competitors conduct large-scale sales and marketing activities or if our sales and marketing activities are not effectively and efficiently conducted, our business would be harmed.

We expect to continue to invest substantial financial and other resources on sales and marketing initiatives and promote our transaction platform and business model to grow the base of our sellers and buyers. We currently advertise through a combination of online and offline channels with the goal of driving more visitors to our mobile application and auction sites. For example, we typically host opening ceremonies for our new auction sites and invite press and media to report on these ceremonies, which we believe can increase the local awareness and exposure of our brand, allowing us to effectively and efficiently attract new local sellers and buyers. We also launch promotion and other marketing activities to build our brand awareness. In general, however, we only spent a moderate amount of selling and distribution expenses during the Track Record Period compared to some of our competitors. In 2021, 2022 and 2023, our selling and distribution expenses were RMB79.8 million, RMB88.9 million and RMB90.0 million, respectively, accounting for 11.8%, 19.0% and 18.3% of our total revenue for the same periods, respectively. We face both direct and indirect competition from other used vehicle disposal channels, including other used vehicle transaction service providers targeting the wholesale market as well as other traditional offline used vehicle transaction platforms, all of which may have greater financial and marketing resources, and may be more willing to spend a more substantial amount of financial resources to sales and marketing activities than we do; this in turn may force us to invest more resources on sales and marketing activities and incur the relevant expenses in the future, which, however, may not achieve the desired results. If our competitors substantially increase their marketing investment and successfully enhance their brand recognition, our market share could be negatively affected.

Moreover, a number of factors could prevent us from successfully promoting our brands, including user dissatisfaction with their experience with our transaction process and mobile application, negative publicity involving our business, our directors and management, our third-party service providers, our relationship with our sellers and buyers and other business partners, the failure of our sales and marketing activities, employee relationship and welfare, regulatory compliance and financial conditions. If we fail to maintain and enhance our brands or conduct our sales and marketing activities effectively and efficiently, or if our marketing campaigns are not successful, our growth, results of operations and financial condition would be materially and adversely affected.

Negative media coverage related to our business and industry, regardless of its validity, could adversely affect our business, financial position and results of operations.

Negative news or media coverage of our business, our industry, our employees, our third-party service providers, our directors and management or our shareholders, including alleged failure to comply with applicable laws and regulations, alleged fraudulent vehicle listings, alleged misrepresentation by our sales representatives, breach of data security, failure to protect user privacy, inappropriate business practices or disclosure of inaccurate operating data, regardless of their validity, could damage our reputation. If we fail to correct or mitigate misinformation or negative information about us, including information spread through social media or traditional media channels, sellers and buyers' trust in us may be undermined, which would have a material adverse effect on our business, results of operations and financial condition.

We collect, process, store, share, disclose and use personal information and other data, and any actual or perceived failure to protect such information and data could damage our reputation and brand and harm our business and results of operations.

In the ordinary course of our business, we collect and store a variety of data, primarily including personal information relating to our individual registered bidders (such as name, bank account, ID card information and phone number) and vehicle information in relation to the transactions (such as vehicle brand, milage, age and transaction price) to the extent that is required for our used vehicle transactions and in compliance with the relevant laws and regulations. Although we have spent significant resources to protect our user and transaction data against security breaches, our internal control mechanism may not be sufficient and our security measures may be compromised. Computer and network systems are susceptible to breaches by computer hackers. Any failure or perceived failure to maintain the security of personal and other data that are provided to or collected by us could harm our reputation and brand and may expose us to legal proceedings and potential liabilities, any of which could adversely affect our business and results of operations.

Cybersecurity and data privacy and security issues are subject to increasing legislative and regulatory focus in China. Practices regarding the collection, use, storage, transmission and security of personal information by companies operating over the internet and mobile platforms have recently come under increased public scrutiny. There are numerous laws and regulations regarding privacy and the collection, processing, storing, sharing, disclosing, using and protecting of personal information and other data, the scope of which are changing and subject to differing interpretations. As China's internet industry continues to evolve, PRC government has been strengthening the supervision and regulation on data privacy on the internet. In particular, the Chinese laws and regulations in relation to data privacy and cybersecurity are still evolving, and it is uncertain whether new legislation, regulations or interpretations governing our business activities may be promulgated or adopted in the future. Excessive collection or illegal collection and use of personal information through the internet or app are facing increasingly heavier penalties. We cannot rule out the possibility that our business operations may be interpreted as non-compliance under the applicable laws and regulations in the future.

PRC government has promulgated a series of laws and regulations to strengthen the protection of privacy and data of civil subjects and consumers, such as the Civil Code of the PRC (《中華人民共和國民法典》), which was promulgated in May 2020 and came into effect in January 2021, and the E-Commerce Law of the PRC (《中華人民共和國電子商務法》) (the "**E-Commerce Law**"), which was promulgated in August 2018 and became effective in January 2019. Pursuant to the Cyber Security Law of the PRC (《中華人民共和國網絡安全法》), which was promulgated in November 2016 and became effective in June 2017, network operators should adopt technical measures and other necessary measures to safeguard the safety and stability of network operations, effectively respond to network security incidents, prevent illegal and criminal activities, and maintain the integrity, confidentiality and availability of network data. The Cyber Security Law of the PRC also reaffirms certain basic principles and requirements on personal information protection. On September 14, 2022, the Cyberspace Administration of China (中華人民共和國國家互聯網信息辦公室) (the "**CAC**"), issued the Decision on Amending the Cyber Security Law of the PRC (Draft for Comments) (關於修改《中華人民共和國網絡安全法》的決定(徵求意見稿)), increased the penalty cap, so after the amendment comes into effect, it could have an increased impact on our financial condition if we breach the Cyber Security Law of the PRC.

In addition, the Data Security Law of the PRC (《中華人民共和國數據安全法》), which took effect on September 1, 2021, applies to data processing activities, including the collection, storage, use, processing, transmission, availability and disclosure of data, and security supervision of such activities within the territory of the PRC. On August 20, 2021, the Standing Committee of the National People's Congress (the "**SCNPC**") promulgated the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》) (the "**PIPL**"), which took effect on November 1, 2021. The PIPL further emphasizes processors' obligations and responsibilities for personal information protection and sets out the basic rules for processing personal information and the rules for cross-border transfer of personal information. See "Regulatory Overview — Regulations on cybersecurity" "Regulatory Overview — Regulations on data security and personal information protection" for more details. On January 4, 2022, together with 12 other Chinese regulatory authorities, the CAC released the revised Cybersecurity Review Measures (《網絡安全審查辦法》) (the "**Revised CAC Measures**"), which came into effect on February 15, 2022. Pursuant to the Revised CAC Measures, critical information infrastructure operators (the "**CIIOs**") procuring network products and services, and online platform operators carrying out data processing activities which affect or may affect national security, shall conduct a cybersecurity review pursuant to the provisions therein. In addition, online platform operators possessing personal information of more than 1 million users seeking to be listed on foreign stock markets must apply for a cybersecurity review. Other than that, according to Article 16 of the Revised CAC Measures, member organizations of the cybersecurity review working mechanism (the "**Working Members**") may initiate cybersecurity review towards network products, network services, and data processing activities ex officio, which means we may be also subject to cybersecurity review when the Working Members initiate such cybersecurity review ex officio.

Regulatory requirements on cybersecurity and data privacy are constantly evolving and can be subject to significant changes, which may result in uncertainties regarding the scope of our relevant responsibilities. For example, The Regulations on the Administration of Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) (the "**Draft Cyber Data Security Regulations**") was released by CAC on November 14, 2021. According to the Draft Cyber Data Security Regulations, data processors seeking a public listing in Hong Kong that affect or may affect national security are required to apply for cybersecurity review. The scope of and threshold for determining what "affects or may affect national security" is still subject to uncertainty and further elaboration by the CAC. The term "national security" is defined as "the status of national regime, sovereignty, unity and territorial integrity, people's well-being, sustainable economic and social development, and other major national interests that are relatively safe and free from internal and external threats, as well as the ability to ensure continuous security in the National Security Law of the PRC (《中華人民共和國國家安全法》)." In the absence of further explanation or interpretation, the PRC government authorities may have wide discretion in the interpretation of "affects or may affect national security."

The Draft Cyber Data Security Regulations were released for public comment only as of the Latest Practicable Date and their operative provisions and the anticipated adoption or effective date may be subject to substantial uncertainty. Therefore, we cannot predict the impact of these regulations, if any, at this stage, and we will closely monitor and assess any development in the rule-making process. If the Draft Cyber Data Security Regulations are fully implemented as is, subject to further official guidance and related implementation rules, and our activities are deemed as "affect or may affect national security", we may be subject to a cybersecurity review and failure to conduct such review could result in warnings and fines; and if we refuse to rectify or have caused severe consequences such as endangering data security, we may be further subject to suspension of our non-compliant operations, revocation of relevant approvals or business licenses or other sanctions, which could materially and adversely affect our business and results of operations.

According to Article 10 of Regulations on the Security Protection of Critical Information Infrastructure, the security protection departments of critical information infrastructure will timely notify the identification results to the operators. As of the Latest Practicable Date, we had not received such notification. In addition, the network products and services that we purchase and use are general network products and services available in the marketplace without significant risks of supply chain disruption. Therefore, our PRC Legal Adviser is of the view that we should not be deemed as CIIO. Moreover, we have not been subject to any material administrative penalties or other sanctions by any competent regulatory authorities in relation to cybersecurity, data and personal information protection. Our business does not involve the cross-border transfer of personal information and important data, and if it does in the future, we will take necessary technical and organizational measures to protect the security of the data, including using data encryption to secure personal information when it is in transit. During the Track Record Period and up to the Latest Practicable Date, there had not been a significant cybersecurity or data protection incident regarding theft, leakage, damage or loss of data or personal information. According to the Revised CAC Measures and the Draft Cyber Data Security Regulations if enacted as currently proposed, we do not expect ourselves to become subject to cybersecurity review by the CAC for this [REDACTED], given that: (i) data we handle in our business operations, either by its nature or in scale, do not normally trigger significant concerns over national security of China; and (ii) we have not processed, and do not anticipate to process in the foreseeable future, personal information for more than one million users or persons. Based on the above and the information currently available, we believe the impact of the CAC's increasing oversight over data security on our business is immaterial as of the Latest Practicable Date.

We strive to comply with applicable laws, regulations, policies, and legal obligations relating to privacy and data protection, to the extent possible, and we intend to closely monitor the evolving laws and regulations in this area and take all reasonable measures to mitigate compliance risks. However, measures that we have taken may still be determined as insufficient, improper, or even as user-privacy invasive, by the relevant authorities which may result in penalties against us. Moreover, it is possible that these obligations may be interpreted and applied in new or inconsistent ways and may conflict with other rules or our practices, or that new regulations may be enacted. In addition, significant capital and other resources may be required, and our management and directors' attention may be directed, to protect against information security breaches or to alleviate problems caused by such breaches or to comply with our privacy policies or privacy-related legal obligations. The resources required may increase over time as, on one hand, the methods used by hackers and others engaged in online criminal activities are increasingly sophisticated, well-funded and constantly evolving, and, on the other hand, more efforts are required to integrate and upgrade the protective measures to satisfy the evolving legal and regulatory requirements. Any failure or perceived failure by us to comply with our privacy policies, privacy-related obligations to users or other privacy, data protection and information security-related legal obligations, or any compromise of security that results in the unauthorized release or transfer of sensitive information, such as personally identifiable information or other users' data, may result in governmental enforcement actions, litigation or public statements against us by consumer advocacy groups or others and could cause users (including used vehicle buyers) to lose trust in us, which could have an adverse effect on our business. Third parties that we work with may also violate applicable laws or our policies, putting our buyers' information at risk. Any perception by the public that online transactions or the privacy of user information is becoming increasingly unsafe or vulnerable to attacks could inhibit the growth of online platform and services generally, which may reduce the number of transactions through our transaction platform and harm our reputation, business and results of operations.

We depend on our systems and technology for critical functions of our business. Failure to properly maintain or promptly upgrade our technology may result in disruptions to or lower quality of our services and our business, results of operations and financial condition may be materially and adversely affected.

We rely on our systems and technology, including mobile applications, ADMS system, EQS system, pricing model, and our proprietary big data analytics models and algorithms, for critical functions of our business operations. See "Business — Used Vehicle Auction Business — Our Transaction Process" for details on how these systems and technology are used in our business operations and "Business — Research and Development — Our Ongoing R&D Efforts" for our ongoing research projects and technological initiative. Our systems and technology are potentially vulnerable to damage or interruption as a result of earthquakes, floods, fires, extreme temperatures, power loss, telecommunications failures, technical error, computer viruses, hacking or similar events. We may encounter problems when upgrading our systems or technology and undetected programming errors could adversely affect the performance of the software we use to provide our services. The development and implementation of software upgrades and other improvements to our internet and mobile services is a complex process, and issues not identified during pre-launch testing of new services may only become evident when such services are made available to our entire user base. Maintaining and upgrading our technology carry certain risks, including the risk of disruptions caused by significant design or deployment errors, delays or deficiencies, which has made and may continue to make our platform and services unavailable. We may also implement additional or enhanced technology in the future to accommodate our growth and to provide additional capabilities and functionalities. The implementation of new or enhanced technologies may be disruptive to our business and can be time-consuming and expensive, and may increase management responsibilities and divert management attention. Additionally, our proprietary ADMS system includes algorithms which are based on data-driven collection and analytics. If we do not have a large amount of data or the quality of data available to us for analysis is unsatisfactory, or if our algorithms have deficiencies, our proprietary ADMS system may fail to perform effectively. If we fail to properly maintain or promptly upgrade our technology, our services may be disrupted, and our results of operations and financial condition may be materially and adversely affected.

In addition, we rely on cloud services and other network facilities provided by third parties. Any disruption to these network facilities may result in service interruptions, decreases in connection speed, degradation of our services or the permanent loss of user data and uploaded content. If we experience frequent or persistent service disruptions, whether caused by failures of our own systems or those of third-party service providers, our reputation or relationships with our users or customers may be damaged and our users and customers may switch to our competitors, which may have a material adverse effect on our business, financial condition and results of operations.

Any breaches to our security measures, including unauthorized access, computer viruses and "hacking" may adversely affect our software and systems and reduce use of our services and damage our reputation and brand name.

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

We depend heavily on our management team and other key professional personnel to manage our business. If we fail to retain their services or to attract talents, our ability to run and grow our business could be severely impaired.

Our future success is highly dependent on the ongoing efforts of our senior management and key professional personnel. We rely on our management team for their extensive knowledge and deep understanding of and experience in China's automotive industry and used vehicle industry, business environment and regulatory regime. Our senior management team is crucial to executing our business strategies. The loss of the services of one or more of our senior executives or key personnel may have a material adverse effect on our business, financial condition and results of operations. Competition for senior management and key professional personnel is intense, and the pool of suitable candidates is very limited, and we may not be able to retain the services of our senior executives or key professional personnel, or attract and retain senior executives or key professional personnel in the future. We have not obtained any "key person" insurance on our key personnel. If we fail to retain our senior management, our business and results of operations could be materially and adversely affected. In addition, if any members of our senior management or any of our key professional personnel join a competitor or form a competing company, we may not be able to replace them easily and we may lose used vehicle buyers and sellers and key staff members. Each of our executive officers and key employees has entered into an employment agreement and a non-compete agreement with us. However, if any dispute arises between our executive officers or key employees and us, the non-competition provisions contained in their non-compete agreements may not be enforceable, especially in China, where these executive officers reside, on the ground that we have not provided adequate compensation to them for their non-competition obligations, which is required under relevant PRC laws.

In particular, given the nature of our business, our success also critically depends on a team of qualified professionals who possess in-depth industry and professional knowledge and extensive working experience, including our auctioneers. Pursuant to the Measures for the Administration of Auctions (《拍賣管理辦法》), a person is required to pass a qualification examination before he can be certified as a professional auctioneer. As such, the number of professional auctioneers in China is limited and, while the number of professional auctioneers in China may continue to increase, it may not increase significantly within a short period of time. Meanwhile, as our business and China's used vehicle industry continue to grow and as other industries that incorporate auction as their business model continue to grow, the demand for auctioneers may increase accordingly. We may not be able to attract or retain all the auctioneers we need. As we build our brand and our business model becomes more successful and well known, our competitor or other companies may be more likely to poach our talent, including our auctioneers. We may need to offer better remuneration and other benefits to attract and retain our auctioneers and therefore cannot assure you that we will have the resources to fully achieve our staffing needs or that our costs and expenses will not increase significantly as a result of increased talent acquisition and retention costs. Any increase in staffing costs to retain our auctioneers may have a negative impact on our ability to maintain our competitive position and to grow our business.

Our performance and future success also depend on our ability to identify, hire, develop, motivate and retain skilled personnel for all areas of our organization. Competition in the automotive and used vehicle industries for qualified employees is intense, and if competition in these industries further intensifies, it may be more difficult for us to hire, motivate and retain highly skilled personnel without incurring significant costs. If the personnel holding key positions at our company are not as qualified as we expect or if we do not succeed in attracting additional highly skilled personnel or retaining or motivating our existing personnel, we may be unable to grow effectively or at all.

We are exposed to concentration risk of reliance on our major suppliers and customers.

We rely on our suppliers, primarily including established and respected dealership groups and third-party used vehicle service providers in China, mainly in connection with our used vehicle auction business, used vehicle value-added services and arrangement for sale of used vehicles business. Purchases from our five largest suppliers in each year of the Track Record Period amounted to approximately 33.3%, 19.7% and 20.8% of our total purchases for the respective periods. Meanwhile, during the Track Record Period, we generated a material portion of our revenue from our major customers, primarily including major dealership groups in China, mainly in connection with our used vehicle value-added services and arrangement for sale of used vehicles business. Revenue from our five largest customers in each year of the Track Record Period amounted to approximately 26.8%, 25.7% and 25.3% of our total revenue for the respective periods.

Our reliance on these major suppliers and customers subjects us to the concentration and counter-party risk from these suppliers and customers. We cannot assure you that we will be able to maintain our relationships with our major suppliers and customers in the future. Moreover, we cannot guarantee that our major suppliers or customers will not have a change of business scope or business model or will continue to maintain their market position and reputation. Any material adverse change to the operation, financial performance or financial condition of our major suppliers and customers may result in material adverse impact on their business with us. For example, if the supply of used vehicle value-added services is disrupted or delayed, or if our major customers cease their business cooperation with us, there can be no assurance that we will be able to find a replacement with similar supply capacity or revenue contribution on comparable commercial terms within a reasonable period of time, or at all. As a result, our reputation as a transaction platform that can provide a wide variety of used vehicle related services may be adversely affected. Should this situation occur, our business, financial condition, results of operations and profitability may be adversely affected.

Our use of certain leased properties could be challenged by third parties or governmental authorities, which may expose us to potential fines and negatively affect our ability to use the properties we lease.

We lease office spaces and auction sites from third parties for our operations in various cities across China. Any limitations on the leased properties, or lessors' title to such properties, may impact our use of the offices and auction sites, or in extreme cases, result in relocation, which may in turn adversely affect our business operations.

Certain lease agreements of our leased properties in China have not been registered with the local land and real estate administration bureau as required by applicable PRC laws and regulations, and although failure to do so does not in itself invalidate the leases, we may be exposed to potential fines if we fail to rectify the situation within the prescribed timeframe after relevant notice from PRC government authorities. As of the Latest Practicable Date, we have 47 lease concerning property located in China, with a total of approximately 97,973.19 sq.m. of office space and auction sites for daily operation, that have not been registered with the relevant PRC government authorities. The relevant authorities may require parties to the lease agreements to complete lease registration within a prescribed period of time, and failure to do so may subject the parties to penalty ranging from RMB1,000 to RMB10,000 for each unregistered lease, at the discretion of the relevant authority. As such, our maximum potential penalty for non-registration of the 47 leases is RMB470,000. In the event that any fine is imposed on us for our failure to register our lease agreements within a prescribed period of time, we may not be able to recover such losses from the lessors. As of the Latest Practicable Date, we were not aware of any notice or allegation of penalty from PRC government authorities for our failure on the registration of lease agreements. However, we cannot assure you that we will not be fined by such authorities, or required to have our leases registered in the future, which in turn may increase our compliance costs.

In addition, we are subject to other risks related to our leased properties. As of the Latest Practicable Date, we have 20 leased properties with a gross floor area of approximately 25,805.12 sq.m. where the respective lessors have not provided us with valid property ownership certificates or any other documentation proving their right to the leased properties or they have the rights to lease the properties. Such leased properties contributed to 16.1%, 16.4% and 20.1% of our total revenue in 2021, 2022 and 2023, respectively. During the Track Record Period, these properties were primarily used as our offices and for our used vehicle auction business, including the provision of services, vehicle parking and vehicle displays. As of the Latest Practicable Date, we are not aware of any actions or claims raised by any third parties challenging our use of these properties we currently lease or the land where our leased property is located, nor have we received any notices from the PRC government authorities. However, if our lessors are not the owners of the properties or they have not obtained consents from the owners or their lessors or permits from the relevant government authorities, our leases could be invalidated and we may have to compensate the actual owners or relocate to alternative premises, in which case we estimate that we may incur up to RMB4.2 million for such compensation and relocation. The occurrence of the foregoing could have an adverse material effect on our results of operations and financial condition.

As of the Latest Practicable Date, five of our leased properties were mortgaged to certain third parties in China before they were leased to us. These properties are being used as our offices, used vehicle auction, vehicle parking and vehicles showcases with a total gross floor area of approximately 4,546 sq.m., contributing to 0.4%, 0.7% and 0.9% of our total revenue in 2021, 2022 and 2023, respectively. According to the relevant PRC laws and regulations, our right to use the mortgaged properties are subordinate to the rights of mortgages relating to the relevant properties. In case such properties we leased are transferred due to the enforcement of mortgages, which had been set before the properties were leased to us, we may be required to relocate. We estimate that we may incur up to RMB1.0 million for relocation if such enforcement occurs. According to the relevant lease agreements and confirmation letter of the lessors for such leased properties, all the lessors have agreed to compensate us any losses in the event that the leased properties cannot be used for the leased purpose or the leased properties are repossessed early during the subsequent lease period. As of the Latest Practicable Date, we are not aware of any enforcement of the mortgages of the above-mentioned properties. However, we cannot assure you that in the future, we may not encounter such challenges or we would be able to enforce in full the lessors' compensation obligations in the event of any mortgage enforcement. In the event of relocation, we may incur additional costs, which could adversely affect our daily operation and cause an impact on our financial condition.

In addition, the title certificate usually records the approved use of the property by the government and the property owner is obligated to follow the approved use requirement when making use of the property. As of the Latest Practicable Date, we use 16 of our leased properties with a total gross floor area of approximately 43,381.89 sq.m. in a way that may be considered to fall outside the scope of the approved use of the property. We primarily use these properties as offices and for our used vehicle auction business, including provision of services, vehicle parking and vehicle displays. Such leased properties contributed to 22.4%, 21.7% and 23.7% of our total revenue in 2021, 2022 and 2023, respectively. In the case of failure to utilize the property in accordance with the approved use, the relevant administration authorities may order the tenant to cease utilizing the premises or even invalidate the lease agreement between the lessor and the tenant. In the event that the relevant administration authorities determine that our use of the leased property does not comply with the approved use, we may be unable to continue to use the property and may have to relocate to alternative premises, in which case we estimate that we may incur up to RMB4.0 million for relocation. Any occurrence of the foregoing may cause disruption to our business and cause an impact on our financial condition.

Our business is susceptible to employee misconduct, improper business practices and other fraudulent conduct by or between our employees and third parties.

We rely on our employees to carry out our operating objectives. We are exposed to many types of operational risks, including the risk of misconduct and errors by our employees. Our business depends on our employees to interact with potential buyers, promote our services and business model to upstream sellers, conduct inspections on used vehicles, lead auction processes, process large numbers of transactions and provide support for other key aspects of our business, all of which involve specific legal and regulatory requirements and are susceptible to human errors and mistakes on the part of our employees.

We could be materially adversely affected if our auction processes and transactions were redirected, misappropriated or otherwise improperly executed, if personal information was disclosed to unintended recipients, if intellectual property rights of third parties are infringed upon, or if an operational breakdown or failure in the processing of transactions occurred, whether as a result of human error, purposeful sabotage or fraudulent manipulation of our operations or systems. It is not always possible to identify and deter misconduct or errors by employees, and the precautions we take to detect and prevent potential misconducts and human errors may not be effective in controlling risks or losses. If any of our employees infringe upon the intellectual property of third parties, take, convert or misuse funds, documents or data, or fail to follow protocol when interacting with our buyers and sellers and among themselves, we could be subject to claims, liable for damages and subject to regulatory actions and penalties. We could also be perceived to have facilitated or participated in the illegal misappropriation of funds, documents or data, or the failure to follow protocol, and therefore be subject to regulatory sanctions and civil or criminal liability. Our employees may also engage in improper business practices and other fraudulent conduct with third parties. As a result of these potential damaging activities, we could suffer reputational harm and incur significant losses. In addition, the defense and response to related legal and administrative proceedings can be both costly and time consuming and may significantly divert the efforts and resources of our technical and management personnel. Any occurrence of the foregoing could have a material adverse effect on our results of operations and financial condition.

We may be subject to penalties from the PBOC or adverse judicial rulings as a result of extending assistant funds to our business partners during the Track Record Period.

During the Track Record Period, we provided assistant funds to certain dealership groups we collaborate with, to deepen our business collaboration with them. As of December 31, 2021, 2022 and 2023, our outstanding balance of assistant funds to these business partners amounted to RMB299.0 million, RMB294.8 million and RMB61.9 million, respectively. In 2021, 2022 and 2023, interest income from assistant funds to business partners amounted to RMB20.8 million, RMB14.3 million and RMB9.0 million, respectively. The interest rates of the outstanding balance of assistant funds as of December 31, 2023 were between 1.7% and 4.5%. We may selectively extend assistant funds to business partners based on our criteria as their needs rise in the future. See "Business — Assistant Funds to Business Partners" and "Financial Information — Analysis of Selected Consolidated Statements of Financial Position — Prepayments, Deposits and Other Receivables — Assistant Funds to Business Partners" for details.

According to the General Lending Provisions (《貸款通則》), an administrative regulation promulgated by the PBOC in 1996, only financial institutions may legally engage in the business of extending loans, and enterprises shall not engage in lending or disguised lending and financing business in violation of laws and regulations. According to the Provisions of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Private Lending Cases (《最高人民法院關於審理民間借貸案件適用法律若干問題的規定》) (the "**Judicial Interpretations on Private Lending Cases**") promulgated on August 6, 2015, revised on August 19, 2020 and December 29, 2020 and became effective on January 1, 2021, in terms of a private lending contract concluded between legal persons or non-legal-person organizations or between a legal person and a non-legal-person organization for their production and operational need with interest rates that do not exceed four times the market interest rate for loans with a maturity of one year or less at the conclusion of the contract, except under any of the circumstances as prescribed in Articles 146, 153 and 154 of the Civil Code of the PRC and Article 13 thereof, relevant people's court shall recognize the validity of the private lending contract. According to the General Lending Provisions (《貸款通則》), the PBOC may impose penalties on the lender equivalent to one to five times of the income generated (being interests charged) from loan advancing activities.

Our Directors confirm that (1) all the assistant funds to business partners during the Track Record Period arose from ordinary course of business with such parties, (2) the assistant funds are generally made for the purpose of such parties' normal business operation and their capital needs for their used vehicle businesses, (3) we do not conduct the assistant fund arrangement as a money-lending business; we made such arrangement to deepen our collaboration with business partners rather than making profit out of interest collection, and (4) our provisions of assistant funds to business partners did not involve the circumstances as set forth in Articles 146, 153 and 154 of the Civil Code of the PRC or Article 13 of the Judicial Interpretations on Private Lending Cases. The interest rates of the assistant funds to business partners did not exceed four times the market interest rate for loans with a maturity of one year or less at the conclusion of the contract. As of the Latest Practicable Date, we had not been subject to any administrative penalties, investigations, enforcement actions or received any notice from any regulatory authority with respect to any administrative penalties, investigations or enforcement actions as a result of extending these assistant funds to business partners. During the Track Record Period and up to the Latest Practicable Date, (1) we did not encounter any material default of these assistant funds, and (2) we did not have any material disputes with such dealership groups in relation to these assistant funds.

According to the PBOC's response to our inquiry on the PBOC headquarters' website, it was confirmed that the General Lending Provisions regulate lending behaviors between a borrower and a lender (which, according to the General Lending Provisions, refers to a Chinese-invested financial institution lawfully established in the PRC that is engaged in the loan business), and our assistant fund arrangement described in the inquiry (where a private company using its own funds to support its business partners while receiving compensation in return) does not constitute behaviors regulated under the General Lending Provisions.

In addition, during the Track Record Period, our assistant fund arrangements were mainly made through two of our local subsidiaries. In September 2023, we conducted interviews with the PBOC Wenzhou Branch and the PBOC Guizhou Provincial Branch, the two PBOC branches that are the competent regulatory authorities for the regions where these two subsidiaries are located, and we were confirmed that the PBOC does not regulate our private lending as set forth above.

According to the interviews conducted by our PRC Legal Adviser and the PRC legal adviser of the Joint Sponsors with the major business partners that we have assistant funds arrangement with as of June 30, 2023, these business partners confirmed that (1) they have established a long-term partnership with us, and the assistant funds is a part of the wide range of services we provided; (2) they applied for assistant funds from us as needed for their used vehicle business from time to time; and (3) they have used the assistant funds only for their used vehicle business matters, and not for other purposes.

Based on the above, our PRC Legal Adviser is of the view that (1) the assistant funds agreements with our business partners as set forth above are valid and legally binding; (2) the risk of us being penalized thereby in respect of the assistant funds as set forth above is remote; and (3) the assistant fund arrangement as set forth above is in compliance with the applicable PRC laws and regulations in all material aspects.

Nevertheless, the final determination of the relevant regulatory authorities could be different, and we cannot assure you that we will not be subject to a penalty fine from the PBOC and in the event that we are ordered by the PBOC to pay penalties, our business, results of operations and financial condition could be adversely affected.

Failure to adequately protect our intellectual property and proprietary information could materially harm our business and operating results.

We believe our patents, trademarks, software copyrights, trade secrets, our brand and other intellectual property rights and proprietary information are critical to our success. Any unauthorized use of our intellectual property rights and proprietary information could harm our business, reputation and competitive advantages.

We rely on a combination of patent, trademark, trade secret and copyright law, our internal control mechanism, and contractual arrangements to protect our intellectual property. However, legal protection may not always be effective. Infringement of intellectual property rights continues to pose a serious risk in doing business. The practice of intellectual property rights enforcement action by Chinese regulatory authorities is in its early stage of development. In the event that we have to resort to litigation and other legal proceedings to enforce our intellectual property rights, such action, litigation or other legal proceedings could result in substantial costs and diversion of our management's attention and resources and could disrupt our business. There is no assurance that we will be able to enforce our intellectual property rights effectively or otherwise prevent others from the unauthorized use of our intellectual property.

We try, to the extent possible, to protect our intellectual property, technology, and confidential information by requiring our employees and most of our business partners to enter into confidentiality and assignment of inventions agreements. Due to potential willful or unintentional conduct of personnel who have access to our confidential and proprietary information, these agreements and control measures may not effectively prevent unauthorized use or disclosure of our confidential information, intellectual property, or technology and may not provide an adequate remedy in the event of unauthorized use or disclosure of our confidential information, intellectual property, or technology. The enforceability of confidentiality agreements may vary from jurisdiction to jurisdiction. Failure to obtain or maintain trade secrets and/or confidential know-how protection could adversely affect our competitive position.

Competitors may adopt service names or trademarks similar to ours, thereby harming our ability to build brand identity and possibly leading to user confusion. Our competitors may independently develop substantially equivalent proprietary information and may even apply for patent protection. If successful in obtaining such patent protection, our competitors could limit our use of our trade secrets and confidential know-how, and our financial position and operating results would be adversely affected.

We may be subject to intellectual property infringement claims or other allegations by third parties, which may materially and adversely affect our business, results of operations and prospects.

We depend to a large extent on our ability to develop and maintain our intellectual property rights. We have devoted considerable resources to the development and improvement of systems and technology, including mobile application, ADMS system, EQS system, pricing model and our proprietary big data analytics models and algorithms. We cannot be certain that third parties will not claim that our business infringes upon or otherwise violates patents, trademarks, copyrights or other intellectual property rights that they hold. Companies operating online businesses and provide technology-based services are frequently involved in litigation related to allegations of infringement of intellectual property rights. The validity, enforceability and scope of protection of intellectual property rights, including in China, are still evolving. Moreover, third parties may submit intellectual property infringement claims against us to the app stores where our mobile application is available. In such cases, our mobile application may be taken down by the relevant app stores until such claims have been resolved, which could significantly restrict our users from downloading or updating our mobile application and thus adversely affect our business and results of operations. In addition, we may be subject to legal proceedings and claims from time to time relating to the intellectual property of others in the ordinary course of our business. We could also be subject to claims based upon the content that is displayed on our website, our mobile application or accessible from our website through links to other websites or information on our website and mobile application supplied by third parties. We may in the future be subject to intellectual property infringement claims from time to time. As we face increasing competition and as litigation becomes a more common method for resolving commercial disputes in China, we face a higher risk of being the subject of intellectual property infringement claims.

Defending against intellectual property claims is costly and can impose a significant burden on our management and resources, and favorable final outcomes may not be obtained in all cases. Such claims, even if they do not result in liability, may harm our reputation. Any resulting liability or expenses, or changes required to our services to reduce the risk of future liability, may have a material adverse effect on our business, results of operations and prospects.

Given that the internet business is highly regulated in China, we, as a transaction platform, are subject to intensified government regulation in China. Our failure to obtain and maintain any requisite approvals, licenses or permits applicable to our online live-streaming auctions or any changes in government policies or regulations, could harm our business.

We utilize the internet and online platform for various aspects of our business operations, primarily including our website, mobile application, and live streaming for our online-offline integrated auction. According to the Administrative Provisions on Internet Audio-visual Programs Services (《互聯網視聽節目服務管理規定》) which was jointly promulgated by the State Administration for Radio, Film and Television, which is the predecessor of the State Administration of Press, Publication, Radio, Film and Television (國家新聞出版廣電總局), which is the predecessor of the National Radio and Television Administration (國家廣播電視總局), came into effect on January 31, 2008, and amended on August 28, 2015, a license for online transmission of audio-visual programs (信息網絡傳播視聽節目許可證) (the "**AVSP**") or a record filing for online transmission of audio-visual programs (視聽許可備案) is required to engage in the business of providing internet audio-visual program services. On May 24, 2023, we conducted a consultation with the Division of Media Organization Management of Shanghai Municipal Administration of Culture and Tourism (上海市文化和旅游局傳媒機構管理處) (the "**Division**"). During the Consultation, the Division confirmed that we are currently not required to obtain the AVSP or other licenses for online transmission of audio-visual programs with respect to our operation of live-streaming auction, which is currently not deemed within the scope of internet audio-visual program services under the applicable laws and regulations. As advised by our PRC Legal Adviser, the Division is the competent regulatory authority in charge of supervising the online transmission of audio-visual programs. While we were not required to obtain the AVSP or complete relevant record filing as of the Latest Practicable Date in order to carry out our business operations, as the relevant laws, regulations and policies continue to evolve, we cannot assure you that the government authorities will not require us to obtain the AVSP or the record filing in the future. In addition, we may be required to obtain additional license or permits relevant to our business operations, and we cannot assure you that we will be able to timely obtain, maintain or renew all the required licenses or permits or make all the necessary filings in the future. If we fail to obtain, hold or maintain any of the required licenses or permits or make the necessary filings on time or at all, we may be subject to various penalties, such as confiscation of the revenues that were generated through the unlicensed activities, the imposition of fines and the discontinuation or restriction of our operations. Any such penalties may disrupt our business operations and materially and adversely affect our business, financial condition and results of operations.

We and our directors and officers may be subject to legal proceedings in the ordinary course of our business. If the outcomes of these proceedings are adverse to us or our directors and officers, it could have a material adverse effect on our business, results of operations and financial condition.

We and our directors and officers may be subject to legal proceedings from time to time in the ordinary course of our business, which could have a material adverse effect on our business, results of operations and financial condition. Claims arising out of actual or alleged violations of law could be asserted against us or our directors and officers by persons that utilize our platform and services, by competitors, or by governmental entities in civil or criminal investigations and proceedings or by other entities. These claims could be asserted under a variety of laws, including auction laws, product liability laws, consumer protection laws, intellectual property laws, unfair competition laws, privacy laws, labor and employment laws, securities laws, real estate laws, tort laws, contract laws, property laws and employee benefit laws. We may also be subject to lawsuits due to actions by our third-party providers of various services, such as logistics and title transfer services. Our business may also face intellectual property infringement claims that expose us to the risk of reputation damage. Such claims, suits, and government investigations are inherently uncertain and their results cannot be predicted with certainty. Regardless of the outcome, any of these types of legal proceedings can have an adverse impact on us and our directors and officers due to the legal costs, diversion of management resources, negative publicity and other factors involved therein. It is possible that one or more of such proceedings could result in substantial fines and penalties that could adversely affect our business.

Fair value changes in our financial instruments issued to investors and related valuation uncertainty may materially affect our financial position and performance.

We have historically issued several series of convertible redeemable preferred shares to investors. Each holder of our convertible redeemable preferred shares has the right, at such holder's sole discretion, to convert all or any portion of the convertible redeemable preferred shares into ordinary shares at any time by the conversion price then in effect at the date of the conversion. Additionally, the foregoing investors have the right to require us to redeem such preferred shares if this [REDACTED] is not consummated on or prior to certain date or upon the occurrence of some specified events. For the identity and background of the foregoing investors, see "History, Reorganization and Corporate Structure." The convertible redeemable preferred shares are not traded in an active market and the respective fair value is determined by using valuation techniques, including the discounted cash flow method and the equity allocation model. Considerable judgment is required to interpret market data used in the valuation techniques. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts. Any change in these assumptions may lead to different valuation results and, in turn, changes in the fair value of these financial instruments issued to investors. As of December 31, 2021, 2022 and 2023, the carrying amount of our convertible redeemable preferred shares was RMB180.1 million, RMB291.7 million and RMB372.4 million, respectively. In 2021, 2022 and 2023, we recorded losses on fair value changes of convertible redeemable preferred shares of RMB26.7 million, RMB12.6 million and RMB85.9 million, respectively. In addition, factors beyond our control can significantly influence and cause adverse changes to the estimates we use and thereby affect the fair value of such liabilities, including general economic condition, changes in market interest rates and stability of the capital markets. Any of these factors, as well as others, could cause our estimates to vary from actual results, which could materially and adversely affect our results of operation and financial condition. To the extent we need to revalue the convertible redeemable preferred shares prior to the closing of the [REDACTED], any change in fair value of convertible redeemable preferred shares and related valuation uncertainty could materially affect our financial position and performance. After the conversion of the convertible redeemable preferred shares into ordinary shares upon [REDACTED], we do not expect to recognize any further gains or losses on fair value changes from these convertible redeemable preferred shares in the future.

We may be exposed to impairment loss risks associated with our trade receivables and our prepayments, deposits and other receivables.

As of December 31, 2021, 2022 and 2023, we recorded trade receivables of RMB9.4 million, RMB13.3 million and RMB16.3 million, respectively. Our trade receivables represent outstanding trade receivables from customers for our used vehicle value-added services business and exhibition related service business. Our trade receivables are unsecured and non-interest-bearing. In 2021, 2022 and 2023, we recognized impairment losses on trade receivables of RMB1.8 million, RMB1.8 million and nil, respectively. For details, see "Financial Information — Analysis of Selected Consolidated Statements of Financial Position — Trade Receivables" and Note 20 to the Accountants' Report in Appendix I to this document. We may continue to record impairment losses on trade receivables in the future, which may adversely affect our business, results of operations and financial condition.

As of December 31, 2021, 2022 and 2023, we recorded prepayments, deposits and other receivables of RMB336.1 million, RMB454.2 million and RMB90.2 million, respectively. Our prepayments, deposits and other receivables consist of (i) assistant funds to business partners, which represent funds extended to certain dealership groups, (ii) capital injection due from shareholders, (iii) advances to suppliers, which mainly represent our payment to consumers or 4S dealership stores for consumer trade-in vehicles entrusted to us under our arrangement for sale of used vehicles business, (iv) other receivables, which primarily represent certain payments we paid on behalf of our employees, (v) deposits, which represent rental deposits we paid for our auction sites and exhibition sites, which will be returned to us upon the termination of lease, (vi) prepaid [REDACTED], which represent professional services provided by third parties in connection with this [REDACTED], (vii) interests receivables from the business partners that we provided assistant funds, (viii) deductible value-added tax, (ix) prepaid lease payments for our offices and auction sites, and (x) amounts due from related parties. Our prepayments, deposits and other receivables are generally expected to be recovered or recognized as expenses within one year and therefore are all classified as current assets. For details, see "Financial Information — Analysis of Selected Consolidated Statements of Financial Position — Prepayments, Deposits and Other Receivables" and Note 21 to the Accountants' Report in Appendix I to this document. In the event that our counterparties fail to perform their obligations in a timely manner, we may incur impairment losses of our prepayments, deposits and other receivables and our results of operations and financial condition could be materially and adversely affected.

We face exposure to fair value change of financial assets at fair value through profit or loss and equity investment designated at fair value through other comprehensive income and valuation uncertainty due to the use of unobservable inputs.

As of December 31, 2021, 2022 and 2023, we had financial assets at fair value through profit or loss of RMB21.4 million, RMB77.2 million and RMB3.5 million, respectively, and equity investment designated at fair value through other comprehensive income of RMB0.9 million, RMB1.0 million and nil, respectively. We face exposure to fair value change of financial assets at fair value through profit or loss and equity investment designated at fair value through other comprehensive income.

We cannot assure you that we can recognize comparable fair value gains in the future and we may on the contrary recognize fair value losses, which would affect our result of operations for future periods. In addition, the valuation of fair value change of financial assets at fair value through profit or loss and equity investment designated at fair value through other comprehensive income are subject to uncertainties in estimations. Such estimated changes in fair values involve the exercise of professional judgment and the use of certain bases, assumptions and unobservable inputs, which, by their nature, are subjective and uncertain. As such, the valuation of financial assets at fair value through profit or loss and equity investment designated at fair value through other comprehensive income have been, and will continue to be, subject to uncertainties in estimations, which may not reflect the actual fair value of these financial assets and result in fluctuations in profit or loss from year to year.

Acquisitions, strategic alliances and investments could be costly, difficult to integrate, disrupt our business and adversely affect our results of operations and the value of your investment.

As we continue to expand our operations, we have entered, and may in the future continue to enter, into strategic alliances or to acquire substantial asset or equities from a pool of candidates that fit our criteria. We are not certain that we will be able to consummate any such transactions in the future or identify those candidates that would result in the most successful combinations, or that future acquisitions will be able to be consummated at reasonable prices and terms. In addition, increased competition for acquisition candidates could result in fewer acquisition opportunities for us and higher acquisition prices. Strategic investments or acquisitions will involve risks commonly encountered in business relationships, including:

- lack of suitable acquisition candidates;
- intense competition with other transaction service providers or new industry consolidators for suitable acquisitions;
- deterioration of our financial capabilities;
- write-offs of investments or acquired assets;
- non-performance by, or conflicts of interest with, the parties with whom we enter into investments or alliances;
- difficulties in, and the cost of, assimilating and integrating the operations, personnel, systems, data, technologies, products and services of the acquired business;
- inability of the acquired technologies, products or businesses to achieve expected levels of revenue, profitability, productivity or other benefits;
- difficulties in, and the cost of, retaining, training, motivating and integrating key personnel;
- diversion of management's time and resources from our normal daily operations;
- difficulties in, and the cost of, successfully incorporating licensed or acquired technology and rights into our platform and service offerings;
- difficulties in, and the cost of, maintaining uniform standards, controls, procedures and policies within the combined organizations;
- difficulties in, and the cost of, retaining relationships with buyers, sellers, employees and third-party service providers of the acquired business;
- risks of entering markets in which we have limited or no prior experience;
- regulatory risks, including remaining in good standing with existing regulatory bodies or receiving any necessary pre-closing or post-closing approvals, as well as being subject to new regulators with oversight over an acquired business;

- assumption of contractual obligations that contain terms that are not beneficial to us, require us to license or waive intellectual property rights or increase our risk for liability;
- failure to successfully further develop the acquired technology or maintain acquired facilities;
- liability for activities of the acquired business before the acquisition, including intellectual property infringement claims, violations of laws, commercial disputes, tax liabilities and other known and unknown liabilities;
- potential disruptions to our ongoing businesses; and
- unexpected costs and unknown risks and liabilities associated with strategic investments or acquisitions.

We may not make any investments or acquisitions, or any future investments or acquisitions may not be successful, may not benefit our business strategy, may not generate sufficient revenues to offset the associated acquisition costs or may not otherwise result in the intended benefits. In addition, we cannot assure you that any future investment in or acquisition of new businesses or technology will lead to the successful development of new or enhanced service offerings and that any new or enhanced technology or services, if developed or offered, will achieve market acceptance or prove to be profitable. In addition, if we finance acquisitions by issuing equity or convertible debt securities, our existing shareholders may be diluted, which could affect the market price of our Shares. Furthermore, we may fail to identify or secure suitable acquisition, investment and other strategic opportunities, or our competitors may capitalize on such opportunities before we do, which could impair our ability to compete with our competitors and adversely affect our growth prospects and results of operations.

We may need additional capital to achieve our business targets and respond to market opportunities. If we could not obtain sufficient capital through either debt or equity, our business, operating results and financial condition could be materially harmed.

Since we launched our business, we have raised substantial financing to support the growth of our business. We may require additional capital to pursue our business objectives and respond to business opportunities, challenges or unforeseen circumstances, including to improve our brand awareness, build and maintain our offline facilities, develop new products or services or further improve existing products and services, and acquire complementary businesses and technologies. However, additional funds may not be available when we need them on reasonable terms, or at all.

If we raise additional funds through further issuances of equity or convertible debt securities, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our common stock. Our ability to retain our existing financial resources and obtain additional financing on acceptable terms is subject to a variety of uncertainties, including:

- economic, political and other conditions in China;
- PRC governmental policies relating to bank loans and other credit facilities;
- PRC governmental regulations of foreign investment and the automotive industry in China;

- conditions of capital markets in which we may seek to raise funds; and
- our future results of operations, financial condition and cash flows.

If we are unable to obtain adequate financing or financing on satisfactory terms, or at all, our ability to continue to pursue our business objectives and to respond to business opportunities, challenges or unforeseen circumstances could be significantly limited, and our business, results of operations, financial condition and prospects could be adversely affected.

We do not have any business liability, disruption or litigation insurance.

The insurance industry in China is still at an early stage of development. Insurance companies in China offer limited business insurance products and are, to our knowledge, not well-developed in the field of business liability insurance. While business disruption insurance is available to a limited extent in China, we have determined that the risks of disruption, cost of such insurance and the difficulties associated with acquiring such insurance on commercially reasonable terms make it impractical for us to have such insurance. As a result, we do not have any business liability, disruption or litigation insurance coverage for our operations in China. In the event that we incur substantial losses or liabilities and that our insurance is unavailable or inadequate to cover such losses or liabilities, our business, results of operations, financial condition and prospects could be materially adversely affected.

Failure to renew our current leases or locate desirable alternatives for our facilities could materially and adversely affect our business.

We lease properties for our offices and offline auction site network. Some of our leases will expire soon. We may not be able to successfully extend or renew such leases upon expiration of the current term on commercially reasonable terms or at all, and may therefore be forced to relocate our affected operations. This could disrupt our operations and result in significant relocation expenses, which could adversely affect our business, financial condition and results of operations. Moreover, we compete with other businesses for premises at certain locations or of desirable sizes. As a result, even though we could extend or renew our leases, rental payments may significantly increase as a result of the high demand for the leased properties. In addition, we may not be able to locate desirable alternative sites for our facilities as our business continues to grow and failure in relocating our affected operations could adversely affect our business and operations.

Certain of our practices with respect to social insurance and housing provident fund contribution may subject us to penalties.

We are required by PRC labor laws and regulations to pay various statutory employee benefits, including pensions insurance, medical insurance, work-related injury insurance, unemployment insurance, maternity insurance and housing fund, to designated government agencies for the benefit of our employees. Companies registered and operating in China are required under the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), the Provisional Regulations for the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) and the Regulations on Management of Housing Fund (《住房公積金管理條例》) to apply for social insurance registration and housing fund deposit registration within 30 days of their establishment and to pay for their employees different social insurance including pension insurance, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance and housing provident fund to the extent required by law. During the Track Record Period, we used third-party human resources agencies to make social insurance and housing provident fund contributions on behalf of us for some of our employees that are based at auction sites of limited sizes. We cannot assure you that the relevant government authorities will deem such practice to be fully compliant with the relevant labor laws. As advised by our PRC Legal Adviser, in the event that the relevant government authorities find our historical arrangement of engaging the third-party human resources service providers to pay social security funds and housing provident funds for some employees to be non-compliant with applicable laws and regulations, we may be ordered to pay the outstanding social insurance or housing provident fund contributions within a prescribed time limit. For social insurance, we may be subject to an overdue charge of 0.05% or 0.2% of the delayed payment per day from the due date, as the case may be. If such payment is not made within the stipulated period, the competent authority may further impose a fine of one to three times the amount of any overdue payment. For housing provident fund, if we fail to make the required contributions within the stipulated time period, the competent authority may make an application to the PRC courts for compulsory enforcement. As of the Latest Practicable Date, we had not been subject to any administrative penalties for the aforementioned matters, nor were we aware of any material employee complaint or dispute with respect to social insurance or housing provident fund contribution. As of the Latest Practicable Date, we made social insurance and housing provident fund contributions directly for all of our employees, and we plan to continue to make social insurance and housing provident fund contributions directly for our employees in the future. However, we cannot assure you that we will not receive any complaint, penalty or enforcement action for our historical practices with respect to social insurance and housing provident fund contributions. If we are otherwise subject to investigations related to non-compliance with labor laws and are imposed severe penalties or incur significant legal fees in connection with labor law disputes or investigations, our financial condition and results of operations could be adversely affected. See "Business — Employees" for more information.

We acquire certain data and services from third parties.

We rely on certain technologies and databases developed, owned and maintained by third parties, through which we provide our users access to these third-party databases if they are looking for certain data and information related to the used vehicles, including repair and maintenance records and insurance claims history. In return, we are obligated to make the relevant payment for each piece of information. If we are unable to maintain our contractual relationships with these third parties or if such third parties substantially increase the price for each piece of information, we may not be able to find replacement technologies and databases to allow our users to conduct vehicle information search on a timely and cost-effective basis, in which case our reputation, our business, results of operations and financial condition may also be adversely affected.

Our business is dependent on the performance of the internet and mobile internet infrastructure and telecommunications networks in China, which affect the user experience with our platform.

Certain aspects of our business operation, including users searching and reviewing used vehicle on our mobile application, livestreaming of auction session, and customers' online participation of bidding, are heavily dependent on the performance and reliability of China's internet infrastructure, the continual accessibility of bandwidth and servers to our service providers' networks, and the continuing performance, reliability and availability of our technology platform. We use the internet to maintain our online platform and deliver relevant services to our used vehicle sellers and buyers, who access our mobile application on the internet.

We rely on major Chinese telecommunication companies to provide us with bandwidth for our services, and we may not have any access to comparable alternative networks or services in the event of disruptions, failures or other problems. Internet access may not be available in certain areas due to national disasters, such as earthquakes, or local government decisions. Surges in internet traffic on our platform, regardless of the cause, may seriously disrupt services we provide through our transaction platform or cause our technology systems and our platform to shut down. If we experience technical problems in delivering our services over the internet either at national or regional level or system shut downs, user experience with our online platform could be adversely affected and we could experience reduced demand for our services, lower revenues and increased costs. Consequently, our business, results of operations and financial condition would be adversely affected.

Our business is subject to seasonality.

The transaction volume of used vehicles on our platform would correspond to the seasonal fluctuations in China's used vehicle industry. Sales volume of used vehicles in China are typically higher in the first quarter (particularly before the Chinese New Year) and fourth quarter of a year, traditionally the major selling seasons for used vehicles. In addition, our exhibition related services business is subject to seasonal fluctuations. In line with industry practice, most of our auto shows and exhibitions take place in the second half of the year. As such, our revenue generated from exhibition related services is typically higher in the second half of the year.

During low seasons, we may not be able to obtain sufficient amount of commissions and service fees from our users to fully support our normal operation when our employees and professional personnel, rent of auction sites and maintenance of system may experience idle periods instead of generating revenue. On the other hand, during peak seasons, we may not have sufficient capacity to meet all of our sellers and buyers' demands, which in turn may limit our revenue or even adversely affect our business relationships with our sellers and buyers. As a result, our business and results of operations may be adversely affected.

Increasing focus with respect to environmental, social and governance ("ESG") matters may impose additional costs on us or expose us to additional risks. Failure to comply with the laws and regulations on ESG matters may subject us to penalties and adversely affect our business, financial condition and results of operation.

The PRC government and public advocacy groups have been increasingly focused on ESG issues in recent years, making our business more sensitive to ESG issues and changes in governmental policies and laws and regulations associated with environment protection and other ESG-related matters. For example, Chinese government has published a series of vehicle emission limitation standards, which include emission limitations for carbon monoxide, non-methane hydrocarbon, nitric oxide and particle matter exhaust. If used vehicles fail to meet certain vehicle exhaust gas limitations, the use or sales of such used vehicles may be prohibited. Chinese government may publish more stringent regulations on vehicle exhaust gas, which may adversely affect the sales of used vehicles. As a result, our business and results of operations could be materially and adversely affected. In addition, investor advocacy groups, certain institutional investors, investment funds, and other influential investors are also increasingly focused on ESG practices and in recent years have placed increasing importance on the implications and social cost of their investments. Regardless of the industry, increased focus from investors and the PRC government on ESG and similar matters may hinder access to capital, as investors may decide to reallocate capital or to not commit capital as a result of their assessment of a company's ESG practices. Any ESG concern or issue could increase our regulatory compliance costs. If we do not adapt to or comply with the evolving expectations and standards on ESG matters from investors and the PRC government or are perceived to have not responded appropriately to the growing concern for ESG issues, regardless of whether there is a legal requirement to do so, we may suffer from reputational damage and the business, financial condition, and the [REDACTED] could be materially and adversely effected.

Our operation is affected by government grants.

During the Track Record Period, we received government grants of RMB7.1 million, RMB13.1 million and RMB8.0 million in 2021, 2022 and 2023, respectively, accounting for 1.0%, 2.8% and 1.6% of our revenue for the respective periods. These government grants mainly include government grants received from local governments in connection with our payment of taxes and local government's support of our business operation. The award of government grants may be discretionary and subject to certain selection criteria and procedures stipulated by the local governments, which we may not qualify in the future. There can be no assurance whether and when we will be able to receive any such government grants in the future, or at all. If we do not receive government grants in any subsequent periods at the same level as we did during the Track Record Period, our profitability for these periods may be adversely affected.

RISKS RELATED TO DOING BUSINESS IN THE REGION WHERE WE OPERATE

A severe or prolonged downturn in the PRC or global economy could materially and adversely affect our business, results of operations and financial condition.

The global macroeconomic environment is facing challenges, including the economic slowdown in the Eurozone since 2014, potential impact of the United Kingdom's exit from the EU on January 31, 2020, and the adverse impact on the global economies and financial markets as the COVID-19 outbreak continues to evolve into a worldwide health crisis in 2020. The growth of the PRC economy has slowed down since 2012 compared to the previous decade and the trend may continue. There is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies adopted by the central banks and financial authorities of some of the world's leading economies, including the United States and China. There have been concerns over unrest and terrorist threats in the Middle East, Europe and Africa, over the conflicts involving Ukraine, Syria and North Korea. There have also been concerns on the relationship among China and other Asian countries, which may result in or intensify potential conflicts in relation to territorial disputes, and the trade disputes between the United States and China. The ongoing trade tensions between the United States and China may have material adverse impact on the economies of not merely the two countries concerned, but the global economy as a whole. It is unclear whether these challenges and uncertainties will be contained or resolved, and what effects they may have on the global political and economic conditions in the long term.

Economic conditions in China are sensitive to global economic conditions, changes in domestic economic and political policies, and the expected or perceived overall economic growth rate in China. While the economy in China has grown significantly over the past decades, growth has been uneven, both geographically and among various sectors of the economy, and the rate of growth has been slowing in recent years. Any severe or prolonged slowdown in the global or PRC economy may materially and adversely affect our business, results of operations and financial condition.

Changes in the economic, political and social conditions could have a material adverse effect on our business, financial condition and results of operations and may result in our inability to sustain our growth and expansion strategies.

Substantially all of our assets and operations are located in the PRC, and all of our revenues during the Track Record Period have historically been sourced from the PRC. Accordingly, our business, financial condition, results of operations and prospects may be influenced to a significant degree by political, economic and social conditions in China generally.

Any economic downturn, whether actual or perceived, further decrease in economic growth rates or an otherwise uncertain economic outlook could affect our business, financial condition and results of operations. In addition, the global macroeconomic environment is facing challenges. It is unclear whether these challenges and uncertainties will be contained or resolved, and what effects they may have on the global political and economic conditions, and our business operations in the long term. Any prolonged slowdown in the global and Chinese economy may reduce the demand for our services and materially and adversely affect our business and results of operations.

Development in the PRC legal system could affect us.

We conduct our business primarily through our subsidiaries in the PRC. Our operations are mainly conducted in the PRC and are governed by PRC laws, rules and regulations. The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions under the civil law system may be cited for reference but have limited precedential value.

As the laws and regulations are relatively new and the PRC legal system continues to evolve, there may be room for discretion in the implementation of these laws and regulations. As these laws and regulations are evolving in response to changing economic and other conditions, factors related to the application and implementation of these laws and regulations may affect our business, financial condition, results of operations and prospects.

We may be required to obtain prior approval or subject to filings or other requirements from the CSRC, CAC or other PRC regulatory authorities for the [REDACTED].

The Rules on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the "M&A Rules") include, among other things, provisions that purport to require that an offshore special purpose vehicle formed for the purpose of an overseas listing of securities in a PRC company obtain the approval of the CSRC prior to the [REDACTED] of such special purpose vehicle's securities on an overseas stock exchange. On September 21, 2006, the CSRC published on its official website procedures regarding its approval of overseas listings by special purpose vehicles. However, substantial uncertainty remains regarding the scope and applicability of the M&A Rules to offshore special purpose vehicles. In addition, the PRC government has recently heightened its oversight and control over securities offering and other capital markets activities conducted overseas by a PRC company, and competent PRC regulatory authorities may require approval or filing from us in connection with this [REDACTED].

For example, on February 24, 2023, the CSRC, the MOF, the National Administration of State Secrets Protection and the National Archives Administration of China jointly issued the Confidentiality and Archives Administration Provisions, which took effect on March 31, 2023, according to which, overseas securities regulators and competent overseas authorities may request to inspect, investigate or collect evidence from a domestic company concerning its overseas offering and listing or from the domestic securities companies and securities service providers that undertake relevant businesses for such domestic companies, such inspection, investigation and evidence collection shall be conducted under a cross-border regulatory cooperation mechanism, and the CSRC or other competent Chinese authorities will provide necessary assistance pursuant to bilateral and multilateral cooperation mechanisms. The domestic company, securities companies and securities service providers shall first obtain approval from the CSRC or other competent Chinese authorities before cooperating with the inspection and investigation by the overseas securities regulator or competent overseas authority, or providing documents and materials requested in such inspection and investigation. As the Confidentiality and Archives Administration Provisions are relatively new, and therefore there are substantial uncertainties with respect to their interpretation and implementation.

If the regulatory authorities, such as the CSRC, CAC or other relevant PRC regulatory agencies, subsequently determine that approval or filing is required for this [REDACTED], we cannot guarantee that we will be able to obtain such approval or filing in a timely manner, or at all. The CSRC, CAC or other PRC regulatory agencies also may take actions requiring us, or making it advisable for us, not to proceed with this [REDACTED]. If we proceed with any of such [REDACTED] without obtaining the relevant PRC regulatory agencies' approval or filing to the extent it is required, or if we are unable to comply with any new approval or filing requirements, we may face regulatory actions or other sanctions from the CSRC, CAC or other PRC regulatory agencies. These regulatory agencies may impose fines and penalties on our operations in China, limit our ability to pay dividends outside of China, limit our operating privileges in China, delay or restrict the repatriation of the [REDACTED] into China or take other actions that could have a material adverse effect on our business, financial condition, results of operations and prospects.

Furthermore, if there are any other approvals, filings and/or other administration procedures to be obtained from or completed with the CSRC, CAC or other PRC regulatory agencies as required by any new laws and regulations for this [REDACTED], we cannot assure you that we can obtain the required approval or complete the required filings or other regulatory procedures in a timely manner, or at all. Any failure to obtain the relevant approvals or complete the filings and other relevant regulatory procedures may subject us to regulatory actions or other sanctions from relevant PRC regulatory agencies, which may have a material adverse effect on our business, financial condition or results of operations.

Certain PRC regulations establish more complex procedures for acquisitions conducted by foreign investors and overseas investment conducted by domestic enterprises that could make it more difficult for us to grow through acquisitions.

Certain PRC regulations established additional procedures and requirements that are expected to make merger and acquisition activities in China by foreign investors and overseas investment by PRC domestic enterprises more time-consuming and complex. For example, the M&A Rules, require that the MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise if (i) any important industry is concerned, (ii) such transaction involves factors that have or may have impact on the national economic security, or (iii) such transaction will lead to a change in control of a domestic enterprise which holds a famous trademark or PRC time-honored brand. The approval from the MOFCOM shall be obtained in circumstances where overseas companies established or controlled by PRC enterprises or residents acquire affiliated domestic companies. Mergers, acquisitions or contractual arrangements that allow one market player to take control of or to exert decisive impact on another market player must also be notified in advance to the anti-monopoly authority under the State Council when the threshold under the Provisions on Thresholds for Prior Notification of Concentrations of Undertakings (《國務院關於經營者集中申報標準的規定》), or the Prior Notification Rules, issued by the State Council in August 2008 and amended and effective in September 2018, is triggered. In addition, the General Office of the State Council promulgated a Notice on Establishing the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《國務院辦公廳關於建立外國投資者併購境內企業安全審查制度的通知》) in 2011, also known as Circular 6, which officially established a security review system for mergers and acquisitions of domestic enterprises by foreign investors. Further, MOFCOM promulgated the Regulations on Implementation of Security Review System for the Merger and Acquisition of Domestic Enterprises by Foreign Investors (《商務部實施外國投資者併購境內企業安全審查制度的規定》), effective in September 2011, to implement Circular 6. The Circular 6 specifies that mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise "national security" concerns are subject to strict review by the MOFCOM, and the rules prohibit any activities attempting to bypass a security review, including by structuring the transaction through a proxy or contractual control arrangement. Furthermore, as required by the Measures for the Security Review of Foreign Investment (《外商投資安全審查辦法》), promulgated by the NDRC and the MOFCOM on December 19, 2020 and effective as of January 18, 2021, investments in military, national defense-related areas or in locations in proximity to military facilities, or investments that would result in acquiring the actual control of assets in certain key sectors, such as critical agricultural products, energy and resources, equipment manufacturing, infrastructure, transport, cultural products and services, information technology, Internet products and services, financial services and technology sectors, are required to obtain approval from designated governmental authorities in advance.

In addition, the Measures on the Administration of Overseas Investment (《境外投資管理辦法》) was promulgated by the MOFCOM on September 6, 2014 and became effective on October 6, 2014, according to which an enterprise must conduct the filing or approval procedures with the MOFCOM and its provincial counterpart based on different circumstances in advance of an overseas investment. A Certificate of Enterprise Overseas Investment will be granted after the approval has been obtained or the filing procedure has been conducted. If there is any change in the items specified in the original Certificate afterwards, the enterprise must re-apply with the original authorities for modification. Moreover, the overseas reinvestment by the holding overseas enterprise of the local enterprise must be reported to the competent commerce authority by the local enterprise after the overseas legal procedure is completed. We have conducted, and may from time to time conduct, overseas and domestic investment or acquisition through our PRC subsidiaries for the group restructuring or to grow our business in part. Complying with the requirements of the relevant regulations to complete these transactions could be time-consuming, and any required approval or filing processes, including approval from or filing to the NDRC, MOFCOM and other PRC governmental authorities, may delay or inhibit our ability to complete such transactions, and the interpretation and application of these regulations remain unclear, as such there is no assurance that the approval or filing procedure and any amendment under these regulations have been completed or will be completed in a timely manner, which could affect our operation and ability to expand our business or maintain our market share. See "Regulatory Overview — Regulations on Foreign Investment" and "Regulatory Overview — Regulations on Foreign Exchange."

Our business is susceptible to changes in government policies, including policies on automobile purchases, ownership, taxation, vehicle title transfer, used vehicle transactions across regions and provinces, auctions and online trading. Failure to adequately respond to such changes could adversely affect our business.

Government policies on automobile purchases and ownership may have a material impact on our business, both in direct and indirect manners, due to their influence on consumer behaviors. For example, since 2009, the PRC government has changed the vehicle purchase tax on automobiles with 1.6 liter or smaller engines several times. In addition, in August 2014, several PRC governmental authorities jointly announced that from September 2014 to December 2017, purchases of new energy vehicles designated on certain catalogs will be exempted from vehicle purchase taxes. In April 2015, several PRC governmental authorities also jointly announced that from 2016 to 2020, purchasers of new energy vehicles designated on certain catalogs will enjoy subsidies. In December 2016, relevant PRC governmental authorities further adjusted the subsidy policy for new energy automobiles. We cannot predict whether government subsidies will remain in the future or whether similar incentives will be introduced, and if they are, their impact on sales of new vehicles and used vehicles in China, especially on the relative mix of new energy vehicles and fuel-based vehicles. It is possible that the sales of new energy vehicles will continue to rise as a result of, or even despite the absence of, existing and new government subsidies and incentives. As the sales of new energy vehicles primarily consist of new vehicle sales, any increase in the proportion of new energy vehicles may reduce the demand for fuel-based vehicles, including used vehicles, and our revenues and results of operations may be materially and adversely affected.

Some local governmental authorities in China impose restrictions on the number of automobile licenses in order to ease urban traffic and reduce environmental pollution. For example, Beijing municipal authorities adopted regulations and implemented rules in December 2010 to limit the total number of license plates issued to new automobiles in Beijing each year. Guangzhou municipal authorities also announced similar regulations in July 2013. There are similar policies that restrict the issuance of new automobile license plates in Shanghai, Tianjin, Hangzhou, Guiyang and Shenzhen. In September 2013, the State Council released a plan for the prevention and remediation of air pollution, which requires large cities, such as Beijing, Shanghai and Guangzhou, to further restrict the number of motor vehicles. In October 2013, the Beijing government issued an additional regulation to limit the total number of vehicles in Beijing to no more than six million by the end of 2017. In addition to the quantity control of automobiles, some local governmental authorities have also adopted environmental protection policies and regulations in recent years, pursuant to which an automobile, failing to meet certain environmental protection requirements or standards, will not be able to obtain the license plate issued by relevant local governmental authorities. As some used vehicles cannot meet the environmental protection standards required in some regions, the above policies and regulations may restrict or adversely impact the cross-region transactions of such used vehicles. Such evolving regulatory developments of restrictions on the number of automobile licenses may adversely affect the demand for automobiles, particularly passenger vehicles, and the growth prospects of China's automobile industry, which in turn may have a material adverse impact on our business and results of operations.

We may rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to make payments to us could have a material and adverse effect on our ability to conduct our business.

We are a Cayman Islands holding company and we rely principally on dividends and other distributions on equity from our PRC subsidiaries for our cash requirements, including for services of any debt we may incur. Our PRC subsidiaries' ability to distribute dividends is based upon their distributable earnings. Current PRC regulations permit our PRC subsidiaries to pay dividends to their respective shareholders only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, each of our PRC subsidiaries are required to set aside at least 10% of its after-tax profits each year, if any, to fund a statutory reserve until such reserve reaches 50% of each of their registered capitals. These reserves are not distributable as cash dividends. If our PRC subsidiaries incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other payments to us. Any limitation on the ability of our PRC subsidiaries to distribute dividends or other payments to their respective shareholders could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our businesses, pay dividends or otherwise fund and conduct our business.

In recent years, the PBOC and SAFE have implemented a series of capital control measures, including stricter vetting procedures for PRC-based companies to remit foreign currency for overseas acquisitions, dividend payments and shareholder loan repayments. For instance, the Circular on Promoting the Reform of Foreign Exchange Management and Improving Authenticity and Compliance Review, or the SAFE Circular 3, issued on January 26, 2017, provides that the banks shall, when dealing with dividend remittance transactions from domestic enterprise to its offshore shareholders of more than US$50,000, review the relevant board resolutions, original tax filing form and audited financial statements of such domestic enterprise based on the principal of genuine transaction. The PRC government may continue to strengthen its capital controls and our PRC subsidiaries' dividends and other distributions may be subject to tightened scrutiny in the future. Any limitation on the ability of our PRC subsidiaries to pay dividends or make other distributions 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.

In addition, the Enterprise Income Tax Law and its implementation rules provide that a withholding tax at a rate of 10% will be applicable to dividends payable by Chinese companies to non-PRC-resident enterprises unless reduced under treaties or arrangements between the PRC central government and governments of other countries or regions where the non-PRC resident enterprises are tax resident. Pursuant to the tax agreement between China and the Hong Kong Special Administrative Region, the withholding tax rate in respect to the payment of dividends by a PRC enterprise to a Hong Kong enterprise may be reduced to 5% from a standard rate of 10% if the Hong Kong enterprise (i) directly holds at least 25% of the PRC enterprise, (ii) is a tax resident in Hong Kong and (iii) could be recognized as a beneficial owner of the dividend from PRC tax perspective. Under the Notice of the State Administration of Taxation on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》), or SAT Circular 81, promulgated and took effect on February 20, 2009 by the State Administration Taxation (the "**SAT**"), a Hong Kong resident enterprise must meet the following conditions, among others, in order to apply the reduced withholding tax rate: (i) it must be a company; (ii) it must directly own the required percentage of equity interests and voting rights in the PRC resident enterprise; and (iii) it must have directly owned such required percentage in the PRC resident enterprise throughout the 12 months prior to receiving the dividends. Pursuant to the Announcement of the SAT on Issuing the Measures for the Administration of Treaty Benefits for Nonresident Taxpayers (《國家稅務總局關於發佈〈非居民納稅人享受協定待遇管理辦法〉的公告》), published in October 2019 and effective in January 2020, nonresident enterprises are not required to obtain pre-approval from the relevant tax authority in order to enjoy the reduced withholding tax. Instead, nonresident enterprises and their withholding agents may, by self-assessment and on confirmation that the prescribed criteria to enjoy the tax treaty benefits are met, directly apply the reduced withholding tax rate, and file necessary forms and supporting documents when performing tax filings, which will be subject to post-tax filing examinations by the relevant tax authorities. Accordingly, our Hong Kong subsidiary may be able to benefit from the 5% withholding tax rate for the dividends it receives from our PRC subsidiaries, if it satisfies the conditions prescribed under SAT Circular 81 and other relevant tax rules and regulations. However, if the relevant tax authorities consider the transactions or arrangements we have are for the primary purpose of enjoying a favorable tax treatment, the relevant tax authorities may adjust the favorable withholding tax in the future. Accordingly, there is no assurance that the reduced 5% will apply to dividends received by our Hong Kong subsidiary from our PRC subsidiaries. This withholding tax will reduce the amount of dividends we may receive from our PRC subsidiaries.

PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident beneficial owners or our PRC subsidiaries to liability or penalties, limit our ability to inject capital into our PRC subsidiaries, limit our PRC subsidiaries' ability to increase their registered capital or distribute profits to us, or may otherwise adversely affect us.

In July 2014, SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Administration of Domestic Residents' Overseas Investment, Financing and Round-Trip Investment Through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》), or SAFE Circular 37, to replace the Notice on Relevant Issues Concerning Foreign Exchange Administration for Domestic Residents' Financing and Roundtrip Investment Through Offshore Special Purpose Vehicles, or SAFE Circular 75, which ceased to be effective upon the promulgation of SAFE Circular 37. SAFE Circular 37 requires PRC residents (including PRC individuals and PRC corporate entities) to register with SAFE or its local branches in connection with their direct or indirect offshore investment activities. SAFE Circular 37 is applicable to our shareholders who are PRC residents and may be applicable to any offshore acquisitions that we make in the future.

In particular, SAFE Circular 37 requires registration with, and approval from, Chinese government authorities in connection with direct or indirect control of an offshore entity by PRC residents. The term "control" under SAFE Circular 37 is broadly defined as the operation rights, beneficiary rights or decision- making rights acquired by PRC residents in the offshore special purpose vehicles, or SPVs, by means of acquisition, trust, proxy, voting rights, repurchase, convertible bonds or other arrangements. In addition, any PRC resident who is a direct or indirect shareholder of an SPV is required to update its filed registration with the local branch of SAFE with respect to that SPV, to reflect any material change. On February 13, 2015, the SAFE promulgated a Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving Foreign Exchange Administration Policy on Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), or SAFE Notice 13, which became effective on June 1, 2015. Under SAFE Notice 13, applications for foreign exchange registration of inbound foreign direct investments and outbound overseas direct investments, including those required under SAFE Circular 37, will be filed with qualified banks instead of SAFE. The qualified banks will directly examine the applications and accept registrations under the supervision of SAFE.

These regulations may have a significant impact on our present and future structuring and investment. We intend to structure and execute our future offshore acquisitions in a manner consistent with these regulations and any other relevant legislation. However, because it is presently uncertain how the SAFE regulations and any future legislation concerning offshore or cross-border transactions will be interpreted and implemented by the relevant government authorities in connection with our future offshore financings or acquisitions, we cannot provide any assurances that we will be able to comply with, qualify under, or obtain any approvals required by the regulations or other legislation. Furthermore, we cannot assure you that any PRC shareholders of our company or any PRC company into which we invest will be able to comply with those requirements. Any failure or inability by such individuals or entities to comply with SAFE regulations may subject us to fines or legal sanctions, such as restrictions on our cross-border investment activities or our PRC subsidiaries' ability to distribute dividends to, or obtain foreign exchange-denominated loans from, our company or prevent us from making distributions or paying dividends. As a result, our business operations and our ability to make distributions to you could be materially and adversely affected.

Furthermore, as these foreign exchange regulations are still relatively new and their interpretation and implementation has been constantly evolving, it is unclear how these regulations, and any future regulation concerning offshore or cross-border transactions, will be interpreted, amended and implemented by the relevant government authorities. For example, we may be subject to a more stringent review and approval process with respect to our foreign exchange activities, such as remittance of dividends and foreign-currency-denominated borrowings, which may adversely affect our financial condition and results of operations. In addition, if we decide to acquire a PRC domestic company, we cannot assure you that we or the owners of such company, as the case may be, will be able to obtain the necessary approvals or complete the necessary filings and registrations required by the foreign exchange regulations. This may restrict our ability to implement our acquisition strategy and could adversely affect our business and prospects.

PRC regulations on loans and direct investments by offshore holding companies to PRC entities may delay or prevent us from making loans or additional capital contributions to our PRC entities, which could adversely affect our liquidity and our ability to fund and expand our business.

We are an offshore holding company conducting our operations in China through our PRC subsidiaries. We may make loans to our PRC subsidiaries subject to the approval from governmental authorities and limitation of amount, or we may make additional capital contributions to our PRC subsidiaries in China. Any loans to our PRC subsidiaries in China, which are treated as foreign-invested enterprises under PRC law, are subject to PRC regulations and foreign exchange loan registrations. For example, loans by us to our PRC subsidiaries in China to finance their activities cannot exceed statutory limits and must be registered with the local counterpart of SAFE. In addition, a foreign invested enterprise shall use its capital pursuant to the principle of authenticity and self-use within its business scope. The capital of a foreign invested enterprise shall not be used for the following purposes: (i) directly or indirectly used for payment beyond the business scope of the enterprises or the payment prohibited by relevant laws and regulations; (ii) directly or indirectly used for investment in securities investments other than banks' principal-secured products unless otherwise provided by relevant laws and regulations; (iii) the granting of loans to non-affiliated enterprises, except where it is expressly permitted in the business license; and (iv) paying the expenses related to the purchase of real estate that is not for self-use (except for the foreign-invested real estate enterprises).

SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》), or SAFE Circular 19, effective in June 2015 and last amended in March 2023, in replacement of the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises, the Notice from the State Administration of Foreign Exchange on Relevant Issues Concerning Strengthening the Administration of Foreign Exchange Businesses, and the Circular on Further Clarification and Regulation of the Issues Concerning the Administration of Certain Capital Account Foreign Exchange Businesses. Although SAFE Circular 19 allows RMB capital converted from foreign currency-denominated registered capital of a foreign-invested enterprise to be used for equity investments within China, it also reiterates the principle that RMB converted from the foreign currency-denominated capital of a foreign-invested company may not be directly or indirectly used for purposes beyond its business scope. Thus, it is unclear whether SAFE will permit such capital to be used for equity investments in China in actual practice. SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》), or SAFE Circular 16, effective on June 9, 2016, which reiterates some of the rules set forth in SAFE Circular 19, but changes the prohibition against using RMB capital converted from foreign currency-denominated registered capital of a foreign-invested company to issue RMB entrusted loans to a prohibition against using such capital to issue loans to non-associated enterprises. Violations of SAFE Circular 19 and SAFE Circular 16 could result in administrative penalties. SAFE Circular 19 and SAFE Circular 16 may significantly limit our ability to transfer any foreign currency we hold, including the [REDACTED] from this [REDACTED], to our PRC subsidiaries, which may adversely affect our liquidity and our ability to fund and expand our business in China.

On October 23, 2019, SAFE issued Notice by the State Administration of Foreign Exchange of Further Facilitating Cross-border Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》), or Circular 28, which took effect on the same day. Circular 28, subject to certain conditions, allows foreign-invested enterprises whose business scope does not include investment, or non-investment foreign-invested enterprises, to use their capital funds to make equity investments in China. Since Circular 28 was issued only recently, its interpretation and implementation in practice are still subject to substantial uncertainties.

In light of the various requirements imposed by PRC regulations on loans to and direct investment in PRC entities by offshore holding companies, we cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, if at all, with respect to future loans to our PRC subsidiaries or future capital contributions by us to our wholly foreign-owned subsidiaries in China. As a result, uncertainties exist as to our ability to provide prompt financial support to our PRC subsidiaries when needed. If we fail to complete such registrations or obtain such approvals, our ability to use the [REDACTED] we expect to receive from this [REDACTED] and to capitalize or otherwise fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

We may be treated as a resident enterprise for PRC tax purposes under the PRC Enterprise Income Tax Law, and we may therefore be subject to PRC income tax on our global income.

Under the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) (the "**EIT Law**") and its implementing rules, enterprises established under the laws of jurisdictions outside of China with "de facto management bodies" located in China may be considered PRC tax resident enterprises for tax purposes and may be subject to the PRC enterprise income tax at the rate of 25% on their global income. "De facto management body" refers to a managing body that exercises substantial and overall management and control over the production and operations, personnel, accounting and assets of an enterprise. The SAT issued the Notice Regarding the Determination of Chinese-Controlled Offshore-Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (《國家稅務總局關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》), or Circular 82, on April 22, 2009, which was most recently amended on December 29, 2017. Circular 82 provides certain specific criteria for determining whether the "de facto management body" of a Chinese-controlled offshore-incorporated enterprise is located in China. Although Circular 82 only applies to offshore enterprises controlled by PRC enterprises, not those controlled by foreign enterprises or individuals, the determining criteria set forth in Circular 82 may reflect the State Administration of Taxation's general position on how the "de facto management body" test should be applied in determining the tax resident status of offshore enterprises, regardless of whether they are controlled by PRC enterprises. If we were to be considered a PRC resident enterprise, we would be subject to PRC enterprise income tax at the rate of 25% on our global income. In such case, our profitability and cash flow may be materially reduced as a result of our global income being taxed under the Enterprise Income Tax Law. In addition, we will be required to comply with PRC enterprise income tax reporting obligations, and gains realized on the sale or other disposition of our Shares may be subject to PRC tax, at a rate of 10% in the case of non-PRC enterprises or 20% in the case of non-PRC individuals (in each case, subject to the provisions of any applicable tax treaty), if such gains are deemed to be from PRC sources. We believe that none of our entities outside of China is a PRC resident enterprise for PRC tax purposes. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term "de facto management body."

We face uncertainty with respect to indirect transfers of equity interests in PRC resident enterprises by their non-PRC shareholders.

In February 2015, the SAT issued a Public Notice Regarding Certain Corporate Income Tax Matters on Indirect Transfer of Properties by Non-Tax Resident Enterprises (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》), or SAT Public Notice 7, which was last amended in December 2017. SAT Public Notice 7 extends its tax jurisdiction to transactions involving transfer of other taxable assets through offshore transfer of a foreign intermediate holding company. In addition, SAT Public Notice 7 provides clear criteria for assessment of reasonable commercial purposes and has introduced safe harbors for internal group restructurings and the purchase and sale of equity through a public securities market. SAT Public Notice 7 also brings challenges to both foreign transferor and transferee (or other person who is obligated to pay for the transfer) of taxable assets. In October 2017, the SAT issued the Announcement of the State Administration of Taxation on Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source (《國家稅務總局關於非居民所得稅源泉扣繳有關問題的公告》), or SAT Bulletin 37, which came into effect on December 1, 2017 and was last amended in June 2018. The Bulletin 37 further clarifies the practice and procedure of the withholding of nonresident enterprise income tax. Where a non-resident enterprise transfers taxable assets indirectly by disposing of the equity interests of an overseas holding company, which is an indirect transfer, the non-resident enterprise as either transferor or transferee, or the PRC entity that directly owns the taxable assets, may report such Indirect Transfer to the relevant tax authority. Using a "substance over form" principle, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC tax. As a result, gains derived from such indirect transfer other than transfer of Shares acquired and sold on public markets may be subject to PRC enterprise income tax, and the transferee or other person who is obligated to pay for the transfer is obligated to withhold the applicable taxes, currently at a rate of 10% for the transfer of equity interests in a PRC resident enterprise. Both the transferor and the transferee may be subject to penalties under PRC tax laws if the transferee fails to withhold the taxes and the transferor fails to pay the taxes.

We face uncertainties as to the reporting and other implications of certain past and future transactions that involve PRC taxable assets, such as offshore restructuring, sale of the shares in our offshore subsidiaries and investments. Our company may be subject to filing obligations or taxed if our company is transferor in such transactions, and may be subject to withholding obligations if our company is transferee in such transactions, under SAT Public Notice 7 or Bulletin 37, or both. For transfer of shares in our company by [REDACTED] who are non-PRC resident enterprises, our PRC subsidiaries may be requested to assist in the filing under SAT Public Notice 7 and Bulletin 37. As a result, we may be required to expend valuable resources to comply with SAT Public Notice 7 and Bulletin 37, or to request the relevant transferors from whom we purchase taxable assets to comply with these circulars, or to establish that our company should not be taxed under these circulars, which may have a material adverse effect on our financial condition and results of operations.

We are subject to regulatory requirements over currency exchange.

The exchange of the Renminbi must comply with the applicable laws and regulations in the PRC. We receive substantially all of our revenues in Renminbi. Under our current corporate structure, our Cayman Islands holding company primarily relies on dividend payments from our PRC subsidiaries to fund any cash and financing requirements we may have. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval of SAFE by complying with certain procedural requirements. Specifically, under the existing exchange restrictions, without prior approval of SAFE, cash generated from the operations of our PRC subsidiaries in China may be used to pay dividends to our company. However, approval from or registration with appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. As a result, we need to obtain SAFE approval to use cash generated from the operations of our PRC subsidiaries to pay off their respective debt in a currency other than Renminbi owed to entities outside the PRC, or to make other capital expenditure payments outside the PRC in a currency other than Renminbi. In addition, any potential amendments to relevant regulatory requirements may prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our shareholders, including holders of our Shares.

Fluctuations in exchange rates of the Renminbi could result in foreign currency exchange loss and could materially reduce the value of your [REDACTED].

The value of the Renminbi against the Hong Kong dollar, U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in political and economic conditions in the PRC and by the PRC's foreign exchange policies. Renminbi has fluctuated against Hong Kong dollars and the U.S. dollars, at times significantly and unpredictably. Any significant appreciation or depreciation of Renminbi may materially and adversely affect our revenues, earnings and financial position, and the value of, and any dividends payable on, our Shares in foreign currency. To the extent that we need to convert Hong Kong dollars we receive from this [REDACTED] into Renminbi for our operations, appreciation of the Renminbi against the Hong Kong dollars would have an adverse effect on the Renminbi amount we would receive. Conversely, if we decide to convert our Renminbi into Hong Kong dollars for making payments for dividends on our ordinary shares or for other business purposes, appreciation of the Hong Kong dollars against the Renminbi would have a negative effect on the Hong Kong dollar amount. With the development of the foreign exchange market and progress towards interest rate liberalization and Renminbi internationalization, the PRC government may in the future announce further changes to the exchange rate system, and we cannot assure you that the Renminbi will not appreciate or depreciate significantly in value against the Hong Kong dollar, U.S. dollar or other foreign currencies in the future. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between Renminbi and other foreign currencies in the future. Any significant fluctuation of Renminbi against the Hong Kong dollar and U.S. dollar could adversely affect our business, results of operations and financial condition, and the value of any dividends payable in Hong Kong dollars.

Very limited hedging options are available in China to reduce our exposure to exchange rate fluctuations. As of the Latest Practicable Date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited and we may not be able to adequately hedge our exposure or at all. In addition, our currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert Renminbi into foreign currency or to convert foreign currency into Renminbi.

The discontinuation of any preferential tax treatments available to us in China could adversely affect our results of operations and financial conditions.

Under PRC tax laws and regulations, certain of our PRC subsidiaries enjoyed, or are qualified to enjoy, certain preferential income tax benefits. The modified EIT Law, effective on December 29, 2018, and its implementation rules generally impose a uniform income tax rate of 25% on all enterprises, but grant preferential treatment to the enterprises that meet certain preferential tax policies to enjoy a reduced enterprise income tax rate. During the Track Record Period, some of our PRC subsidiaries enjoyed a reduced enterprise income tax rate, including but not limited to: (i) our Xinjiang Huihan Automobile Auction Service Co., Ltd and Xinjiang Baoqian Motor Vehicle Auction Service Co., Ltd. were subject to a preferential income tax rate of 0% pursuant to Notice of the Preferential Policies of Enterprise Income Tax in the Two Special Economic Development Zones of Kashgar and Horgos in Xinjiang (《財政部、國家稅務總局關於新疆喀什霍爾果斯兩個特殊經濟開發區企業所得稅優惠政策的通知》); such preferential tax treatment will terminate on December 31, 2025; (ii) our Guizhou Xintong Used Vehicle Auction Co., Ltd. was subject to a reduced enterprise income tax of 15% pursuant to

Announcement about Continuing to Implement Preferential Enterprise Income Tax Policies for Western Development (《關於延續西部大開發企業所得稅政策的公告》) as it makes investments in encouraged industries in China's Western Regions, and such preferential tax treatment will expire on December 31, 2030; and (iii) our Changchun Baorui International Exhibition Co., Ltd was subject to a reduced enterprise income tax of 15% as it was accredited as high and new technology enterprise that will expire in September 2023. During the Track Record Period, certain of our subsidiaries were qualified as small and micro enterprises and are entitled to a preferential corporate income tax rate of 20%. In addition, all enterprises and individuals that engage in the sale of goods, the provision of processing, repair and replacement services, the sale of services, intangible assets or immovable properties and the importation of goods within the territory of the PRC must pay value-added tax (the "**VAT**"), and certain small-scale taxpayers are exempted from VAT, pursuant to which our Ningbo Changxin Automobile Sales and Service Co., Ltd and Tianjin Jiexin Vehicle Service Co., Ltd were exempted from VAT during the Track Record Period. For further details, see "Regulatory Overview — Regulations on Taxation" and "Financial information — Principal Components of Consolidated Statements of Profit or Loss — Income Tax Expenses" in this document. In the event the preferential tax treatment for these PRC subsidiaries is discontinued or is not verified by the local tax authorities, and the affected entity fails to obtain preferential tax treatment based on other qualifications, such entity will become subject to the standard PRC enterprise income tax rate of 25% or a higher VAT, and it may not be able to claim tax deductible expenses. Any occurrence of the foregoing could cause our income tax expenses to increase and have a material adverse effect on our results of operations.

You may experience difficulties in effecting service of legal process, enforcing foreign judgments against us or our management named in the document based on foreign laws.

We are an exempt company with limited liability incorporated under the laws of the Cayman Islands, we conduct substantially all of our operations in China and substantially all of our assets are located in China. In addition, some of our senior executive officers reside within China for a significant portion of the time and are PRC nationals. As a result, it may be difficult for our shareholders to effect service of process upon us or those persons inside China. In addition, China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the Cayman Islands and many other countries and regions.

On July 14, 2006, the PRC Supreme Court and the Hong Kong government signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the China and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》), or the Arrangement, which came into effect on August 1, 2008. Under this Arrangement, where any designated people's court of the PRC or any designated Hong Kong court has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing by the parties, any party concerned may apply to the relevant people's court of the PRC or Hong Kong court for recognition and enforcement of the judgment. On January 18, 2019, the PRC Supreme Court and the Hong Kong government signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》), or the New Arrangement, which seeks to establish a mechanism with greater clarity and certainty for recognition and enforcement of judgments in wider range of civil and commercial matters between Hong Kong and the PRC. The New Arrangement discontinued the requirement for a choice of court agreement for bilateral recognition and enforcement. The New Arrangement will only take effect after the promulgation of a judicial interpretation by the Supreme Court and the completion of the relevant legislative procedures in the Hong Kong. The New Arrangement will, upon its effectiveness, supersede the Arrangement. Therefore, before the New Arrangement comes into effect it may be difficult or impossible to enforce a judgment rendered by a Hong Kong court in China if the parties in the dispute do not agree to enter into a choice of court agreement.

Increases in labor costs and enforcement of stricter labor laws and regulations in the PRC may adversely affect our business and our results of operations.

China's overall economy and the average wage in China have increased in recent years and are expected to continue to grow. The total wage expenses for our employees have also increased in recent years. We expect that our labor costs, including wages and employee benefits, will continue to increase. Unless we are able to pass on these increased labor costs to those who pay for our services, our profitability and results of operations may be materially and adversely affected.

Furthermore, in recent years, the PRC Government has implemented policies to strengthen the protection of employees and obligate employers to provide more benefits to their employees. As we conduct substantially all of our business in China, we are subject to PRC laws and regulations on labor and employee benefits. The Labor Contract Law of the PRC (《中華人民共和國勞動合同法》), which was amended and became effective in 2013, and its implementation rules, which became effective in 2008, require more benefits to be provided to employees, such as an increase in pay or compensation for termination of employment contracts. In addition, the Employment Contract Law and its implementation rules contain provisions that are more favorable to employees than the prior labor laws and regulations in China. For example, an employer is obligated to compensate an employee if the employer decides not to renew an existing employment contract, unless the employee refuses the employer's offer to renew the expiring employment contract with the same or better terms. As a result of the implementation of the Employment Contract Law and its implementation rules, we may have greater difficulty terminating under-performing employees and may incur higher levels of labor costs in order to comply with the provisions of the new law and regulation, which may adversely affect our business, financial condition and operating results.

RISKS RELATED TO THE [REDACTED]

There has been no prior [REDACTED] for our Shares and the liquidity and [REDACTED] of our Shares may be volatile.

Prior to the completion of the [REDACTED], there has been no [REDACTED] for our Shares. The [REDACTED] is the result of negotiation between us and the [REDACTED] (for themselves and on behalf of the [REDACTED]), which may not be indicative of the price at which our Shares will be traded following completion of the [REDACTED]. In addition, there can be no guarantee that an active trading market for our Shares will develop; or, if it does develop, that it will be sustained following completion of the [REDACTED]; or that the [REDACTED] of our Shares will not decline below the [REDACTED].

The trading price of our Shares is likely to be volatile, which could result in substantial losses to you.

The trading price of the Shares is likely to be volatile and could fluctuate widely due to factors beyond our control, including general market conditions of the securities markets in Hong Kong and elsewhere in the world. In particular, the performance and fluctuation of the market prices of other companies with business operations located mainly in the PRC that have listed their securities in Hong Kong may affect the volatility in the price of and trading volumes for our Shares. A number of PRC-based companies have listed their securities, or are in the process of preparing for listing their securities, in Hong Kong. Some of these companies have experienced significant volatility, including significant price declines after their [REDACTED]. Some of these companies have experienced significant volatility in the price of their shares, including significant price declines after their [REDACTED]. The trading performances of the securities of these companies at the time of or after their [REDACTED] may affect the overall investor sentiment towards PRC-based companies listed in Hong Kong and consequently may impact the trading performance of our Shares. These broad market and industry factors may significantly affect the [REDACTED] and volatility of our Shares, regardless of our actual operating performance.

In addition to market and industry factors, the price and trading volume for our Shares may be highly volatile for factors specific to our own operations, including the following:

- variations in our revenues, earnings and cash flow;
- announcements of new investments, acquisitions, strategic partnerships or joint ventures by us or our competitors;
- announcements of new offerings, solutions and expansions by us or our competitors;
- changes in financial estimates by securities analysts;
- detrimental adverse publicity about us, our services or our industry;
- additions or departures of key personnel;
- release of lock-up or other transfer restrictions on our outstanding equity securities or sales of additional equity securities; and
- potential litigation or regulatory investigations.

Any of these factors may result in large and sudden changes in the volume and price at which our Shares will trade.

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

The [REDACTED] of our Shares is expected to be determined on the [REDACTED]. However, our Shares will not commence [REDACTED] on the Stock Exchange until they are delivered, which is expected to be several business days after the [REDACTED]. As a result, you may not be able to sell or otherwise [REDACTED] in our Shares during that period. Accordingly, the price of our Shares could fall before trading begins due to adverse market conditions or other adverse developments between the time of sale and the date on which the trading begins.

The actual or perceived sale or availability for sale of substantial amounts of our Shares, especially by our Directors, executive officers and current shareholders, could adversely affect the [REDACTED] of our Shares.

The price of our Shares could decline as a result of future sales of a substantial number of our Shares or other securities relating to our Shares in the [REDACTED], or the issuance of new shares or other securities, or the perception that such sales or issuances may occur. Future sales, or anticipated sales, of substantial amounts of our securities, including any future [REDACTED], could also materially and adversely affect our ability to raise capital at a specific time and on terms favorable to us. In addition, our Shareholders may experience dilution in their holdings if we [REDACTED] more securities in the future. New shares or shares-linked securities issued by us may also confer rights and privileges that take priority over those conferred by the Shares.

You will incur immediate and substantial dilution and may experience further dilution in the future.

As the [REDACTED] of our Shares is higher than [REDACTED] per Share immediately prior to the [REDACTED], purchasers of our Shares in the [REDACTED] will experience an immediate dilution in [REDACTED] less liabilities of the Group attributable to owners of the Company. In addition, holders of our Shares may experience further dilution of their interest if we [REDACTED] additional shares in the future to raise additional capital.

If securities or industry analysts do not publish research or reports about our business, or if they adversely change their recommendations regarding our Shares, the [REDACTED] for our Shares and trading volume could decline.

The trading market for our Shares will be influenced by research or reports that industry or securities analysts publish about our business. If one or more analysts who cover us downgrade our Shares, the [REDACTED] for our Shares would likely decline. If one or more of these analysts cease to cover us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause the [REDACTED] or trading volume for our Shares to decline.

We may not declare dividends on our Shares in the future.

During the Track Record Period, our Company did not declare any dividends. In 2021, 2022 and 2023, certain subsidiaries of our Group declared dividends to their respective non-controlling shareholders in the aggregate amount of RMB14.7 million (which has been fully paid), RMB271.3 million (which has been fully paid), and RMB136.6 million (RMB76.4 million of which has been fully paid while the remaining portion of declared dividends is expected to be paid prior to the [REDACTED]), respectively. The amount of dividends actually distributed to our Shareholders after the [REDACTED] will depend upon our earnings and financial condition, operating requirements, capital requirements and any other conditions that our Directors may deem relevant and will be subject to the approval of our Shareholders. For details, see "Financial Information — Dividends." There can be no assurance that dividends of any amount will be declared or distributed in any year in the future. Our historical dividend policy should not be taken as indicative of our dividend policy in the future.

Our management has significant discretion as to the use for a portion of the [REDACTED] from this [REDACTED] and we may use these [REDACTED] in ways with which you may not agree.

We have not determined a specific use for a portion of the [REDACTED] of this [REDACTED] and our management will have considerable discretion in deciding how to apply these [REDACTED]. You will not have the opportunity to assess whether the [REDACTED] are being used appropriately before you make your [REDACTED] decision. We cannot assure you that the [REDACTED] will be used in a manner that would improve our results of operations or increase the [REDACTED], nor that these [REDACTED] will be placed only in investments that generate income or appreciate in value. We plan to use the [REDACTED] from the [REDACTED] to, among others, upgrade and expand our auction site network, enhance our relationships with sellers and buyers, develop and diversify our service offering and exploring new growth areas, conduct research and development activities, and form potential strategic partnerships and alliances and make potential investments. For details, see "Future Plans and [REDACTED]." However, our management will have discretion as to the actual [REDACTED] of our [REDACTED]. You are entrusting your funds to our management, whose judgment you must depend on, for the specific use we will make of the [REDACTED] from this [REDACTED].

You may face difficulties in protecting your interests, and your ability to protect your rights through Hong Kong courts may be limited, because we are incorporated under Cayman Islands law.

We are an exempted company with limited liability incorporated under the laws of the Cayman Islands. Our corporate affairs are governed by our Memorandum and Articles of Association, as amended from time to time, the Cayman Companies Act and the common law of the Cayman Islands. The rights of Shareholders to take action against our Directors, actions by our minority Shareholders and the fiduciary duties of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from the common law of England and Wales, the decisions of whose courts are of persuasive authority, but are not binding, on a court in the Cayman Islands. The rights of our Shareholders and the fiduciary duties of our Directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedent in some jurisdictions. In particular, the Cayman Islands have a less developed body of securities laws than Hong Kong. Hong Kong has more fully developed and judicially interpreted bodies of corporate law than the Cayman Islands. In addition, Cayman Islands companies may not have standing to initiate a shareholder derivative action in Hong Kong courts.

Shareholders of Cayman Islands exempted companies like us have no general rights under Cayman Islands law to inspect corporate records (other than the memorandum and articles of association, the register of mortgages and charges and any special resolutions passed by shareholders) or to obtain copies of lists of Shareholders of these companies. Our Directors have discretion under our memorandum and articles of association to determine whether or not, and under what conditions, our corporate records may be inspected by our shareholders, but are not obliged to make them available to our shareholders. This may make it more difficult for you to obtain the information needed to establish any facts necessary for a shareholder motion or to solicit proxies from other shareholders in connection with a proxy contest. As a result of all of the above, our [REDACTED] may have more difficulty in protecting their interests in the face of actions taken by our management or Directors than they would as [REDACTED] a company incorporated in Hong Kong. For a summary of certain Cayman Islands laws, see "Appendix III — Summary of Our Constitution of the Company and Cayman Islands Company Law" to this document.

There can be no assurance of the accuracy or completeness of certain facts, forecasts and other statistics obtained from various government publications, market data providers and other independent third-party sources, including the industry expert reports, contained in this document.

We have derived certain facts, forecasts and statistics in this document relating to the PRC and its economy, as well as the used vehicle industry from various official government publications, other publicly available publications and the market research report prepared by CIC, who is commissioned by us. However, our Directors cannot guarantee the quality or reliability of the facts, forecasts and statistics obtained from official government publications. We believe that the sources of the said information are appropriate sources for such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. While we have taken reasonable care in the extraction and reproduction of the information, these facts, forecasts and statistics, which may not be prepared on a comparable basis or may not be consistent with other information compiled within or outside of the PRC, have not been independently verified by us, the Joint Sponsors, the [REDACTED], the [REDACTED], [REDACTED], [REDACTED], any of the [REDACTED], any of their respective directors and advisers, or any other persons or parties. No representation is given as to its accuracy. In all cases, our [REDACTED] should consider carefully how much weight or importance should be attached to or placed on such facts or statistics.

You should read the entire document carefully and should not rely on any information contained in press articles or other media regarding us and the [REDACTED].

We may be subject to press and media coverage prior to the publication of this document, and subsequent to the date of this document but prior to the completion of the [REDACTED]. The press and media may include certain financial information, industry comparisons, profit forecasts and other information about us that does not appear in this document.

You should rely solely upon the information contained in this document, the [REDACTED] and any formal announcements made by us in Hong Kong in making your [REDACTED] decision regarding the Shares. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding ourselves or the [REDACTED].

We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information, reports or publications. Accordingly, prospective [REDACTED] should not rely on any such information, reports or publications in making their [REDACTED] decisions regarding the [REDACTED].

In making their decisions as to whether to [REDACTED] in our Shares, prospective [REDACTED] should only rely on the financial, operational and other information included in this document, the [REDACTED] and any formal announcements made by us in Hong Kong. By [REDACTED] to purchase our Shares in the [REDACTED], you will be deemed to have agreed that you will not rely on any information other than that contained in this document, the [REDACTED] and any formal announcements made by us in Hong Kong.

In preparation for the [REDACTED], we have sought the following waivers from strict compliance with certain provisions of the Listing Rules.

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, we must have sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Since we have our principal operations in the PRC, our executive Directors have been and will continue to participate in day-to-day management of our Company in the PRC.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules. In order to maintain effective communication with the Stock Exchange, we will put in place the following measures in order to ensure that regular communication is maintained between the Stock Exchange and us:

(a) we have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Stock Exchange. The two authorized representatives are Ms. Gao Kun (高鵾) and Ms. Chan Sau Ling (陳秀玲), who will be able to meet with the relevant members of the Stock Exchange on reasonable notice and will be readily contactable by telephone and email;

(b) each of the authorized representatives will have all necessary means to contact all the Directors (including the independent non-executive Directors) promptly at all times, as and when the Stock Exchange wishes to contact the Directors on any matter;

(c) all the Directors who are not ordinarily resident in Hong Kong have or can apply for valid travel documents to visit Hong Kong for business purposes and would be able to meet with the Stock Exchange upon reasonable notice;

(d) our Company will retain a Hong Kong legal adviser to advise on matters relating to the application of the Listing Rules and other applicable Hong Kong laws and regulations after [REDACTED];

(e) Anglo Chinese Corporate Finance, Limited, our compliance adviser, will act as an additional channel of communication with the Stock Exchange; and

(f) each Director will provide his or her contact details, including mobile phone numbers, office phone numbers, fax numbers and e-mail address to the Stock Exchange.

CONNECTED TRANSACTIONS

We have entered into, and are expected to continue, certain transactions which would constitute continuing connected transactions of our Company under the Listing Rules following the completion of the [REDACTED].

We have applied to the Stock Exchange for, and the Stock Exchange [has granted] waivers from strict compliance with (where applicable) the announcement requirement (as applicable) set out in Chapter 14A of the Listing Rules for such continuing connected transactions. Further details of such continuing connected transactions are set out in the section headed "Connected Transactions" in this document.

JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, the company secretary must be an individual who, by virtue of his or her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

Pursuant to Note 1 to Rule 3.28 of the Listing Rules, the Stock Exchange considers the following academic or professional qualifications to be acceptable:

(a) a member of The Hong Kong Chartered Governance Institute;

(b) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); and

(c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

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

(a) length of employment with the issuer and other issuers and the roles they played;

(b) familiarity with the Listing Rules and other relevant law and regulations including the Securities and Futures Ordinance, Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;

(c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and

(d) professional qualifications in other jurisdictions.

Our Company has appointed Ms. Gao Kun (高鵾) ("**Ms. Gao**") as one of the joint company secretaries of our Company. Ms. Gao has extensive experience in our business operations and corporate governance matters but presently does not possess any of the qualifications under Rules 3.28 and 8.17 of the Listing Rules. While Ms. Gao may not be able to solely fulfil the requirements of the Listing Rules, our Company believes that it would be in the best interests of our Company and the corporate governance of our Company to appoint Ms. Gao as our joint company secretary due to her thorough understanding of the internal administration and business operations of our Group. Our Company has also appointed Ms. Chan Sau Ling (陳秀玲) ("**Ms. Chan**") to act as the other joint company secretary. Ms. Chan is a Chartered Secretary, a Chartered Governance Professional and a fellow of both The Hong Kong Chartered Governance Institute (HKCGI) (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (CGI) (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom, who fully meets the qualification requirements stipulated under Note 1 to Rule 3.28 of the Listing Rules and is in compliance with Rule 8.17 of the Listing Rules to act as the other joint company secretary and to provide assistance to Ms. Gao for an initial period of three years from the [REDACTED] to enable Ms. Gao to acquire the "relevant experience" under Note 2 to Rule 3.28 of the Listing Rules so as to fully comply with the requirements set forth under Rules 3.28 and 8.17 of the Listing Rules.

Since Ms. Gao does not possess the formal qualifications required of a company secretary under Rule 3.28 of the Listing Rules, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules such that Ms. Gao may be appointed as a joint company secretary of our Company. Pursuant to Chapter 3.10(13) of the Guide for New Listing Applicants, the waiver will be for a fixed period of time (the "**Waiver Period**") on the conditions that: (i) the proposed company secretary must be assisted by a person who possesses the qualifications or experience as required under Rule 3.28 of the Listing Rules and is appointed as a joint company secretary throughout the Waiver Period; and (ii) the waiver can be revoked if there are material breaches of the Listing Rules by our Company. The waiver is valid for an initial period of three years from the [REDACTED], and is granted on the condition that Ms. Chan, as a joint company secretary of our Company, will work closely with, and provide assistance to, Ms. Gao in the discharge of her duties as a joint company secretary and in gaining the relevant company secretary experience as required under Rule 3.28 of the Listing Rules and to become familiar with the requirements of the Listing Rules and other applicable Hong Kong laws and regulations. Given Ms. Chan's professional qualifications and experience, she will be able to explain to both Ms. Gao and our Company the relevant requirements under the Listing Rules. Ms. Chan will also assist Ms. Gao in organizing Board meetings and Shareholders' meetings of our Company as well as other matters of our Company which are incidental to the duties of a company secretary. She is expected to work closely with Ms. Gao, and will maintain regular contact with Ms. Gao, the Directors and the senior management of our Company. The waiver will be revoked immediately if Ms. Chan ceases to provide assistance to Ms. Gao as a joint company secretary for the three-year period after the [REDACTED] or where there are material breaches of the Listing Rules by our Company. In addition, Ms. Gao will comply with annual professional training requirement under Rule 3.29 of the Listing Rules and will enhance her knowledge of the Listing Rules during the three-year period from the [REDACTED].

In the course of preparation of the [REDACTED], Ms. Gao attended a training seminar on the respective obligations of the Directors and senior management and our Company under the relevant Hong Kong laws and the Listing Rules provided by our Company's Hong Kong legal adviser and has been provided with the relevant training materials. Our Company will further ensure that Ms. Gao has access to and Ms. Gao will attend the relevant training and support that would enhance her understanding of the Listing Rules and the duties of a company secretary of an [REDACTED] on the Stock Exchange, and Ms. Gao will receive updates on the latest changes to the applicable Hong Kong laws, regulations and the Listing Rules. Furthermore, both Ms. Gao and Ms. Chan will seek and have access to advice from our Company's Hong Kong legal and other professional advisers as and when required. Our Company has appointed Anglo Chinese Corporate Finance, Limited as the Compliance Adviser upon our [REDACTED] pursuant to Rule 3A.19 of the Listing Rules, which will act as our Company's additional channel of communication with the Stock Exchange, and provide professional guidance and advice to our Company and its joint company secretaries as to compliance with the Listing Rules and all other applicable laws and regulations.

Before the end of the three-year period, the qualifications and experience of Ms. Gao will be re-evaluated to determine whether the requirements as stipulated in Rules 3.28 and 8.17 of the Listing Rules can be satisfied and whether the need for on-going assistance of Ms. Chan will continue. We will liaise with the Stock Exchange before the end of the three-year period to enable it to assess whether Ms. Gao, having benefited from the assistance of Ms. Chan for the preceding three years, will have acquired the skills necessary to carry out the duties of company secretary and the "relevant experience" within the meaning of Note 2 to Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

Please refer to the section headed "Directors and Senior Management" in this document for further information regarding the qualifications of Ms. Gao and Ms. Chan.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
Yang Aihua (楊愛華)	Flat B, 29/F, Aster Sky Union Square The Cullinan I 1 Austin Road West, Kowloon Hong Kong	Chinese
Yang Hansong (楊漢松)	Flat A, 28/F Tower 2, The Coronation 1 Yau Cheung Road Yau Ma Tei, Kowloon Hong Kong	Chinese
Gao Kun (高鵾)	Room 301, No. 21 Lane 299, Huxing Road Minhang District Shanghai PRC	Chinese
Non-executive Directors		
Rob Huting	1865 Duke Road Atlanta, GA 30341 United States of America	American
Zhu Yi (朱奕)	Room 901, 7/F No. 501, Kangding Road Jingan District Shanghai PRC	Chinese
Yang Chuyu	Flat B, 29/F, Aster Sky Union Square The Cullinan I 1 Austin Road West, Kowloon Hong Kong	Canadian

Name	Residential Address	Nationality
Independent Non-executive Directors		
Li Mochou (李莫愁)	Hill 55, Block 154 Xujiahui Road Xuhui District Shanghai PRC	Chinese
Wang Jianping (王建平)	Room 1703, No. 32 Lane 2588, Jinxiu Road Pudong New District Shanghai PRC	Chinese
Yan Jonathan Jun	Room 3601, Building 3 Jinxingge, Golden Eagle International Garden No. 100 Shigu Road Nanjing, Jiangsu Province PRC	Australian

Please see the section headed "Directors and Senior Management" in this document for further details.

PARTIES INVOLVED IN THE [REDACTED]

Joint Sponsors	**CITIC Securities (Hong Kong) Limited** 18/F, One Pacific Place 88 Queensway Hong Kong
	Haitong International Capital Limited Suites 3001–3006 and 3015–3016 One International Finance Centre No. 1 Harbour View Street Central, Hong Kong
Sponsor-[REDACTED]	**CLSA Limited** 18/F, One Pacific Place 88 Queensway Hong Kong
	Haitong International Securities Company Limited 22/F Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
[REDACTED]	**CLSA Limited** 18/F, One Pacific Place 88 Queensway Hong Kong
	Haitong International Securities Company Limited 22/F Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
[REDACTED]	**CLSA Limited** 18/F, One Pacific Place 88 Queensway Hong Kong
	Haitong International Securities Company Limited 22/F Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong

Legal Advisers to Our Company	*As to Hong Kong and U.S. laws:* **Cleary Gottlieb Steen & Hamilton (Hong Kong)** 37/F, Hysan Place 500 Hennessy Road Causeway Bay Hong Kong *As to PRC law:* **Zhong Lun Law Firm** Floor 6/10/11/16/17, Two IFC 8 Century Avenue Pudong New Area Shanghai PRC *As to Cayman Islands law:* **Maples and Calder (Hong Kong) LLP** 26/F, Central Plaza 18 Harbor Road Wan Chai Hong Kong
Legal Advisers to the Joint Sponsors and the [REDACTED]	*As to Hong Kong and U.S. laws:* **Paul Hastings** 22/F, Bank of China Tower 1 Garden Road Central Hong Kong *As to PRC law:* **Jingtian & Gongcheng** Room 1401A, Tower 2 Kerry Center Qianhai Qianhai Avenue Shenzhen, Guangdong Province PRC
Auditor and Reporting Accountants	**Ernst & Young** *Certified Public Accountants* *Registered Public Interest Entity Auditor* 27/F, One Taikoo Place 979 King's Road Quarry Bay Hong Kong

Industry Consultant	**China Insights Industry Consultancy Limited** 10/F, Block B, Jing'an International Center 88 Puji Road Jing'an District Shanghai China
[REDACTED]	[●]

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The information and statistics set out in this section and other sections of this document were extracted from the report prepared by CIC, which was commissioned by us, and from various official government publications and other publicly available publications. We engaged CIC to prepare the CIC Report, an independent industry report, in connection with the [REDACTED]. The information from official government sources has not been independently verified by us, the Joint Sponsors, the [REDACTED], the [REDACTED], any of their respective directors and advisers, or any other persons or parties involved in the [REDACTED], and no representation is given as to its accuracy.

SOURCE OF INFORMATION

We commissioned CIC, a market research and consulting company founded in Hong Kong and engaged in the provision of professional consulting services across multiple industries, to conduct an analysis and report of the used vehicle market in China. The CIC Report was prepared by CIC independent of our influence. We have extracted certain information from the CIC Report in this section, as well as in "Summary", "Risk Factors", "Business", "Financial Information", and elsewhere in this document to provide our potential [REDACTED] with a more comprehensive presentation of the industries where we operate. Except as otherwise noted, all of the data and forecasts contained in this section are derived from the CIC Report. We incurred a total of RMB760,000 in fees and expenses for the preparation of the CIC Report.

The information and data collected by CIC have been analyzed, assessed, and validated using CIC's in-house analysis models and techniques. Primary research was conducted via interviews with key industry experts and leading industry participants. Secondary research involved analyzing data from various publicly available data sources, such as the National Bureau of Statistics of PRC, China Automobile Dealers Association, and various industry associations. The information and data collected by CIC has been analyzed, assessed, and validated using CIC's in-house analysis models and techniques.

The market projections in the CIC Report are based on the following key assumptions: (i) the overall social, economic, and political environment in China is expected to remain stable during the forecast period, (ii) related key industry drivers are likely to continue driving growth in the used vehicle market during the forecast period, including supportive policies, advancement of digital technology, expanding vehicle parc and etc., and (iii) there will be no extreme force majeure or unforeseen industry regulations in which the market may be affected in either a dramatic or fundamental way during the forecast period.

CHINA'S PASSENGER VEHICLE MARKET

China's passenger vehicle industry has experienced rapid growth in the past decade, and is expecting several new trends in the coming years:

- ***Expanding passenger vehicle parc driven by increasing purchasing power.*** As of December 31, 2022, China had the largest automotive market in the world with passenger vehicle parc of 273.6 million units. In 2022, the passenger vehicle per capita in China was 193.8 units per 1,000 people, compared to 768.9 units per 1,000 people in the U.S., indicating further growth potential for China's passenger vehicle market. Due to the unbalanced development among regions and cities of different tiers, the distribution of passenger vehicle parc in China is highly uneven. In 2022, the passenger vehicle parc per capita in Tier 1 and Tier 2 cities reached 216.8 units and 276.6 units per 1,000 people, respectively, while that of lower-tier cities was only 161.1 units per 1,000 people, indicating greater potential for vehicle ownership in lower-tier cities in the future. As people's income and purchasing power continue to grow, the passenger vehicle parc in lower-tier cities and in China overall is expected to further expand.

- ***Aging fleets contributing to used vehicle supply.*** The average age of passenger vehicle parc in China increased from 4.9 years in 2018 to 6.2 years in 2022, and is expected to reach 8.0 years in 2027. In countries with mature markets such as Japan and the U.S., the used vehicle market will reach the tipping point when the average age of passenger vehicle exceeds eight years. In 2022, the average ages of passenger vehicle parc in Japan and the U.S. were 8.9 and 12.2 years, respectively. In China, the number of passenger vehicles of age over eight years was 96.5 million units in 2022, which accounted for 35.2% of total vehicle parc in 2022, and is expected to reach 169.5 million units in 2027, which is expected to account for 45.3% of total vehicle parc in 2027, indicating that a considerable number of used vehicles are expected to enter into the used vehicle market between 2022 and 2027.

- ***Increasing non-first-time purchase of new vehicles.*** With the ever-increasing passenger vehicle parc, more non-first-time purchases are expected to occur in the new passenger vehicle market in China. Non-first-time purchase accounted for approximately 55% of the total new passenger vehicle sales in 2022 and the proportion is expected to further reach approximately 70% in 2027. Since mid- and high-income consumers tend to pursue more premium vehicles while trading in their used vehicles, more used vehicles are expected to enter into the used vehicle market, thereby increasing the total supply. Therefore, with the increasing proportion of trade-in vehicles over the years, 4S dealership stores, which is the primary channel for used vehicle trade-ins, are expected to be increasingly important in the used vehicle transaction process.

CHINA'S USED VEHICLE[1] MARKET

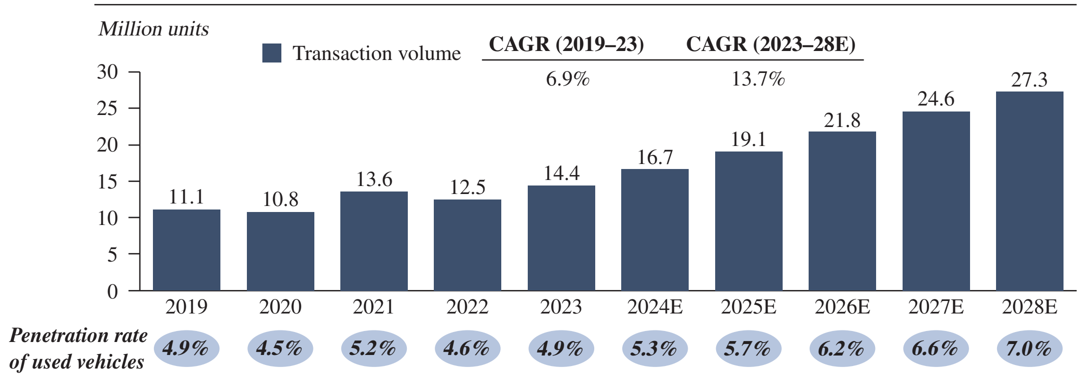
Overview of China's Used Vehicle Market

China's used vehicle market is still at the eve of rapid growth, as evidenced by the relatively low ratio between used vehicle and new vehicle sales and the low penetration rate of used vehicles[2], as compared to the U.S. In 2023, used vehicle transactions only accounted for 35.3% of total passenger vehicle sales[3] in China. Furthermore, in 2023, the penetration rate of used vehicle was merely 4.9% in China, indicating significant upside for China's used vehicle market size. China's used vehicle market is expected to continuously grow and exhibit similar features of mature markets such as the U.S., along with the continued governmental policy support that facilitates the transaction process of used vehicles and continuous growing market demand. In particular, the new governmental policy, Several Measures for Invigorating the Circulation of Automobiles and Expanding Automobile Consumption (《關於搞活汽車流通擴大汽車消費若干措施的通知》), introduced in July 2022 fundamentally established that used vehicles should be traded as commodities as opposed to fixed assets, thereby significantly facilitating the circulation of used vehicles in China. See "— Market Drivers of China's Used Vehicle Market — Favorable policies and regulations" and "Regulatory Overview — Regulations on the Circulation of Used Vehicles" for further details.

Market Size of China's Used Vehicle Market

The transaction volume of used vehicles in China increased from 11.1 million units in 2019 to 13.6 million units in 2021 with a CAGR of 10.8% during the same period, and decreased to 12.5 million units in 2022. The decrease was mainly due to the restrictive measures in response to the COVID-19 resurgences in China. Driven by supportive policies and regulations, increasing cross-regional transactions, the development of social media channels and technological advancement, the total transaction volume of used vehicles in China has recovered to reach 14.4 million in 2023 and is expected to reach 27.3 million units in 2028, representing a CAGR of 13.7% from 2023 to 2028. The following diagram sets forth the historical and forecast size of China's used vehicle market from 2019 to 2028.

Transaction volume of used vehicles in passenger vehicle market, China, 2019–2028E



Source: China Automobile Dealers Association, CIC

1 Hereinafter refers to used passenger vehicle, unless otherwise indicated.
2 Used vehicle penetration rate is calculated as used vehicle transaction volume divided by total passenger vehicle parc.
3 Total passenger vehicle sales is calculated as the sum of (i) the sales volume of new passenger vehicles and (ii) the transaction volume of used vehicles.

Market Players and Transaction Flow of China's Used Vehicle Market

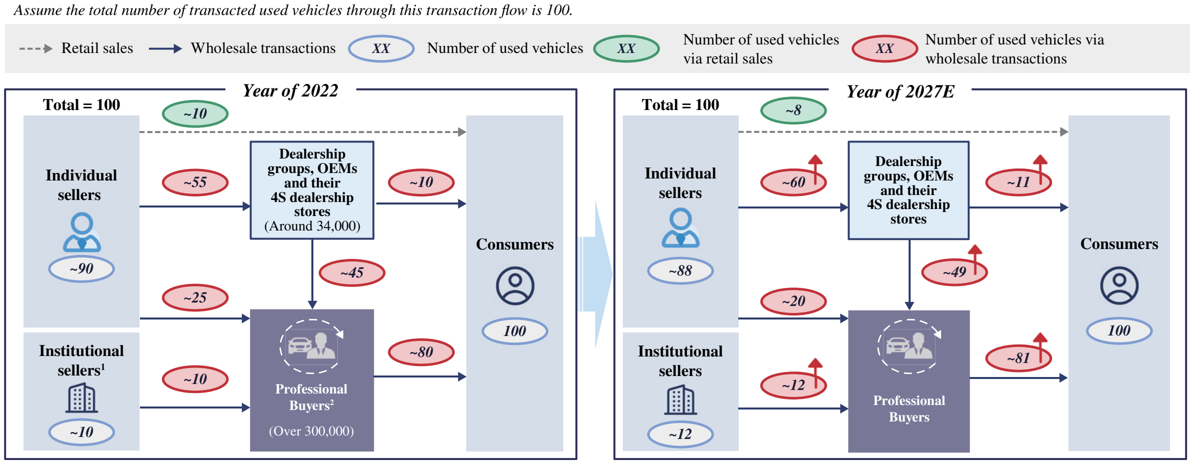
Retail versus Wholesale

Based on the nature of business participants in a used vehicle transaction, China's used vehicle market can be divided into the retail sector and wholesale sector. The retail sector consists of transactions between individual sellers and consumers either through direct sales or through intermediaries such as online platforms, and the wholesale sector consists of other used vehicle transactions, including (i) transactions between individual sellers and wholesale marketplaces[4], (ii) transactions between wholesale marketplaces, and (iii) transactions between institutional sellers and Professional Buyers[5]. In general, used vehicles are transacted multiple times before arriving in the hands of consumers. As discussed under "— Characteristics of China's Used Vehicle Market", wholesale transactions account for the vast majority of used vehicle transactions in China.

The following diagram sets forth the transaction flow of used vehicle market in China in 2022 and the expected transaction flow of used vehicle market in China in 2027.

Market players and transaction flow of used vehicle market in China, 2022 and 2027E

Assume the total number of transacted used vehicles through this transaction flow is 100.



Notes: [1] *Institutional sellers include financial institute, governments and public institution, judicial sales and others*

[2] *Professional Buyers would transact with each other.*

Source: CIC

Traditional Offline Transactions vs. Online Transactions on Transaction Platform

Based on transaction method, used vehicle transactions in China can be divided into two categories: traditional offline transactions and transactions on used vehicle transaction platforms maintained by the used vehicle transaction service providers. Used vehicle transaction platforms are marketplaces empowered by digital tools and technologies to match the used vehicle supply and demand and facilitate used vehicle transactions with higher efficiency. Through used vehicle transaction platforms, used vehicle transaction service providers also typically provide buyers with additional used vehicle-related services, such as inspection and appraisal, logistics and delivery, and title transfer.

4 Used vehicle wholesale marketplaces in China consist of used vehicle transaction service providers, used vehicle dealers (including Professional Buyers) and dealership groups.

5 Professional Buyers refer to used vehicle sales business participants that purchase more frequently (i.e., purchasing three or more used vehicles every year) than typical consumers.

Purely Online Transaction Platform vs. Online-offline Integrated Transaction Platform

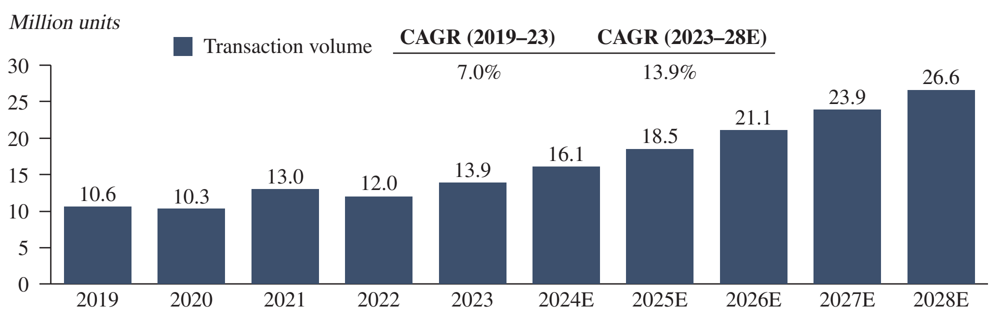
Used vehicle transaction platforms maintained by the used vehicle transaction service providers can be further divided into two types, depending on transaction channels: (i) purely online platforms, which solely utilize digital systems to facilitate used vehicle transactions, and (ii) online-offline integrated platforms, which also provide offline services in addition to facilitating used vehicle transactions online. Different from purely online platforms, online-offline integrated platforms usually own physical business operation sites, such as offline auction sites, where interested buyers can view the conditions of the used vehicles in person before they make the purchase decisions and acquire localized services in a convenient and efficient manner. As used vehicles are non-standard products and usually have highly technical, complex and opaque vehicle conditions, buyers generally prefer taking a look at the used vehicles in person before making purchase decisions. As such, they tend to have more trust in online-offline integrated transaction platforms that offer such facilities and services. Moreover, buyers typically need localized services, including vehicle repair and reconditioning, title transfer, and vehicle registration services following the vehicle sales, making these offline sites crucial to their used vehicle transactions. In mature used vehicle markets such as the U.S. and Japan, online-offline integrated transaction platforms take up a significant market share, which lead to economies of scale. For example, Manheim, a leading U.S. used vehicle transaction service provider that maintains an online-offline integrated used vehicle transaction platform, takes up a 48% market share in the U.S. used vehicle auction market (which constitutes approximately 35% of the U.S. wholesale market), while USS, a Japanese used vehicle transaction service provider that maintains an online-offline integrated used vehicle transaction platform, takes up a 40% market share in Japan's used vehicle auction market. Consequently, it is foreseeable that, as China's used vehicle market gradually matures, used vehicle transaction service providers that maintain online-offline integrated used vehicle transaction platforms, which are characterized by transparency and high efficiency, will play an increasingly important role in the market.

As a result of the dominance of the wholesale market in China's used vehicle market, used vehicle transaction service providers primarily serve the wholesale market. However, the penetration of used vehicle transaction service providers in the wholesale market remains relatively low.

Characteristics of China's Used Vehicle Market

Wholesale transactions account for the vast majority of the market. Wholesale transactions account for the vast majority of used vehicle transactions in China. In 2023, the volume of used vehicle wholesale transactions reached 13.9 million units, accounting for nearly 96.3% of the total transaction volume of used vehicles in China. The wholesale sector is expected to grow further in the future along with the upward trend of China's used vehicle market and as more large-scale transactions are expected to occur as supported by the emergence of used vehicle transaction service providers and used vehicle auctions. In 2028, the volume of used vehicle wholesale transactions is expected to reach 26.6 million units, representing a CAGR of 13.9% from 2023 to 2028. The following diagram sets forth the historical and forecast size of used vehicle wholesale market in China from 2019 to 2028.

Transaction volume of used vehicle wholesale market, China, 2019–2028E



Source: China Automobile Dealers Association, CIC

China's used vehicle market currently exhibits features of a seller's market but will reach the supply-demand equilibrium in the future. A seller's market is a market condition characterized by the relative shortage of goods available for sale as compared to the number of interested buyers, giving sellers the power to set the price and other conditions of the transactions. China's used vehicle market currently remains a seller's market.

On the supply side, the penetration rate of used vehicles remains relatively low, and the supply of used vehicles is highly dispersed, resulting in a relatively scarce and scattered supply in a given local market. In more mature markets such as the U.S. and Japan, more than 40% of the used vehicle are sourced from institutional sellers. In contrast, in China, large-scale institutional suppliers of used vehicles (such as car leasing companies and financial leasing companies) have not emerged, and the majority of used vehicles are sourced from individual sellers scattered across China who exhibit diverse vehicle use patterns and were unfamiliar with the used vehicle transaction process. In 2022, approximately 90% of used vehicles in China were sourced from individual sellers.

On the demand side, consumers have shown an increasing interest in used vehicles owing to their value-for-money. The inconvenience of cross-regional used vehicle transactions as a result of the restrictive vehicle relocation policies in certain cities in China in the past further makes it difficult to satisfy the demand of used vehicle, especially in lower-tier cities. Consumers of used vehicles are also geographically dispersed in China, locating in cities of different tiers with distinctive local culture, development stages, income levels and consumption habits. For example, consumers in Tier 2 and above cities typically have more disposable income and tend to prefer used vehicles of higher quality, while consumers from lower-tier cities usually have lower disposal income and tend to prefer used vehicles that offer value-for-money.

As a result of the geographic dispersion of individual sellers and consumers as well as the differences in their views towards used vehicles, it is difficult to cost-effectively collect and gather used vehicles in China in a way to satisfy the local buyers' need and, accordingly, the local demand for used vehicle cannot be fulfilled, making China's used vehicle market a seller's market.

Recently, supportive government policies have contributed to the commodification of used vehicles and facilitated the transaction process of used vehicles, which are expected to contribute to the increase in used vehicle supply. Meanwhile, marketing activities on social media further promoted the awareness among consumers of the affordability and convenience of used vehicles, generating higher market demand for used vehicles. As such, while the used vehicle market in China has remained a seller's market thus far, the supply and demand dynamics of China's used vehicle market may reach equilibrium in the next two to three years.

Increasing importance of used vehicle transaction platforms. Facilitated by digital technology, used vehicle transaction platforms are more accessible to a larger and more diverse buyer base, which significantly enhances the transaction efficiency, information transparency and overall transaction experience. The emergence of used vehicle transaction platforms has drastically facilitated information acquisition and cross-regional transactions, addressing the issues created by the mismatch between the arising consumer demand for more affordable used vehicles and the shortage of vehicle supply in lower-tier cities. In particular, compared with purely online transaction platforms, online-offline integrated transaction platforms can provide localized offline services, while further enhancing the transparency of the transaction process through the utilization of digital technologies. These features and offering can boost consumer confidence in online-offline integrated used vehicle transaction platforms in particular and China's used vehicle market in general, thereby benefiting the overall development of China's used vehicle market in the long term.

The important role of dealership groups and OEMs in vehicle sourcing. As the main channel for consumer used vehicle trade-ins, 4S dealership stores are the starting point for used vehicle transaction process, which possess an abundance of high-quality used vehicles that have not been transacted, and are able to provide a large, stable and centralized supply of used vehicles for used vehicle transaction service providers. At the same time, dealership groups are increasingly focused on developing their used vehicle business as a way to promote their new vehicle sales, introducing promotional policies such as subsidies for new vehicle sales in exchange for used vehicle trade-ins. In 2022, approximately 91% of dealership groups in China had already engaged in used vehicle business. However, while 4S dealership stores were the largest used vehicle disposal channel, in 2022, the income of 4S dealership groups in China from their used vehicle business represented only 3.1% of their total income, while that of AutoNation, a renowned U.S. automotive retailer, represented approximately 36% of its total income for the same year. Such difference indicates that 4S dealership groups have a significant growth potential in their used vehicle business. In addition, although 4S dealership stores possess an ample source of used vehicles, they lack the ability to effectively dispose of such a large volume of used vehicles in an efficient and profitable manner. As such, they need to cooperate with used vehicle transaction service providers which serve as an efficient disposal channel for their used vehicles.

The essential role of Professional Buyers. Used vehicles are highly technical products, and the transaction process for used vehicles is complex and time-consuming. At the same time, used vehicles are usually large purchase items for households of ordinary income level and are usually purchased as durable goods with low frequency. Moreover, because used vehicles are non-standard products featured with ambiguous information for consumers who generally lack professional experience, the information, condition and pricing estimation of used vehicles are typically complicated and opaque to consumers. As such, it can be challenging for consumers to make purchase decisions of used vehicles. In contrast, Professional Buyers typically possess a large amount of first-hand information on vehicle conditions and consumer demands and have more professional experience in the used vehicle industry. Professional Buyers can provide consumers with professional advice related to used vehicle condition, inspection and valuation while providing localized and trustworthy services, leading to successful transactions. As a result, consumers usually rely on Professional Buyers as their agents and intermediaries for used vehicle purchase. Meanwhile, used vehicle transactions between Professional Buyers are active and frequent, taking up, and are expected to continue to take up, an important share in the used vehicle transaction market. Accordingly, Professional Buyers play an essential role in facilitating used vehicles transactions and constitute an irreplaceable part of China's used vehicle market. Most Professional Buyers are engaged in the used vehicle transaction process as individuals.

Pain Points of China's Used Vehicle Market

Fixed assets as opposed to commodities. Before the introduction of the transformative policy in July 2022 (See "— Market Drivers of China's Used Vehicle Market — Favorable policies and regulations" for further details), used vehicles were traded as fixed assets. Whenever a used vehicle changes hands, transacting parties need to undergo a formal title transfer process if the buyer (including Professional Buyers who purchase the used vehicle on behalf of, or for purposes of further selling to, consumers) wants to become the legal owner of the used vehicle. As a result, the transaction process (especially the formal title transfer process) is typically lengthy and complicated with high transaction costs including handling fee and certification fee related to the formal title transfer. To expedite the transaction process, Professional Buyers who are in physical possession of the used vehicles typically do not undergo title transfer to take legal ownership of the used vehicles. Such practice restricts Professional Buyers from acquiring inventory financing services and thus significantly limits the scale of their business operation, rendering most used vehicle business participants small-scale and highly dispersed. The limited size and dispersed distribution of used vehicle business participants make the used vehicle transaction a non-transparent and non-standard process where relevant value-added services are difficult to obtain in a cost-effective manner. Moreover, the limited size and dispersed distribution of used vehicle business participants contribute to or further exacerbate other pain points of China's used vehicle market, including the limited public availability of vehicle condition and transaction data and the absence of a widely recognized used vehicle valuation mechanism.

Low transparency and availability of used vehicles condition information. Used vehicles usually lack publicly accessible records of their condition and information, including the history of repair and maintenance and serious accidents. Moreover, certain conditions of used vehicles are difficult to discover under routine inspections. Most used vehicle business participants are of limited scale and geographically dispersed, and are generally unable to provide detailed and credible vehicle condition reports due to their lack of both technological capabilities (such as computational power and AI-driven algorithms) and accumulation of industry data. As a result, used vehicle condition reports usually fail to unveil complex vehicle conditions (such as accidents and defects), resulting in low consumer trust and confidence in used vehicle transactions.

Non-standardized pricing due to the lack of unified pricing mechanism. Countries with more mature and developed used vehicle markets tend to have widely recognized used vehicle valuation mechanism, such as Kelley Blue Book, a publicly available price reference for used vehicles generally recognized in the U.S., and German valuation providers such as DAT and Schwacke, which provide professional guidelines for estimating the residual value of used vehicles in the German market. In contrast, China's used vehicle industry currently does not have such a widely recognized used vehicle valuation mechanism, resulting in potentially unfair pricing for buyers.

As a result of the foregoing pain points, there exists deep distrust among parties in used vehicle transactions, who perceive each other as lacking credibility. In addition, consumers are likely to default on used vehicle transactions, especially when the actual conditions of the vehicle deviate from the vehicle condition report or information otherwise provided by the sellers. The relative high possibility of consumer default, combined with the lack of trust among parties in used vehicle transactions, increases the costs and reduces the efficiency of used vehicle transactions.

Market Drivers of China's Used Vehicle Market

Favorable policies and regulations. The Chinese government has issued a series of policies to encourage used vehicle transactions, including:

- ***Transformative policy.*** Several Measures for Invigorating the Circulation of Automobiles and Expanding Automobile Consumption (《關於搞活汽車流通擴大汽車消費若干措施的通知》), which was introduced in July 2022, provide official guidelines for registering used vehicle distribution companies and promote the commercialization and facilitate the transaction of used vehicles in China. The policy is expected to bring revolutionary and positive impact on China's used vehicle industry in the following aspects:

  First, used vehicles can be traded as commodities and, instead of requiring used vehicle business participants to undergo the formal title transfer process for the vehicle, the public security authority will implement a separate administrative procedure and issue temporary license plates for the transacted used vehicles. This allows used vehicles to be treated as inventories for used vehicle business participants, and the issue related to the mismatch between vehicle ownership and physical possession can be accordingly resolved, leading to reduced transaction costs and improved circulation efficiency. Used vehicle business participants can therefore further increase their scale of business operation by various means, such as through inventory financing and other financial support, which is beneficial to the standardization and development of China's used vehicle industry.

  Second, this policy aims to promote the standardization of the business operation of used vehicle business participants. The standardization of the used vehicle transaction process will make information of used vehicles more available and transparent to consumers, which can improve the credibility of, and the consumer confidence in, used vehicle transactions, leading to an increase in used vehicle transactions in China.

  Third, this policy further encourages cross-regional transactions of used vehicles by removing certain restrictions, leading to lower cost of cross-regional used vehicle transactions. See "Regulatory Overview — Regulations on the Circulation of Used Vehicles" for more details.

Overall, this policy brings a fundamental change to China's used vehicle market and aims to promote the circulation of used vehicles and standardization of the China's used vehicle industry in the long term. As its positive effects start to emerge, it can create a virtuous cycle to continuously improve consumer confidence in used vehicle transactions and enhance transaction efficiency of used vehicles, contributing to both a continuous increase in transaction volume and a more sustainable growth of the used vehicle market.

- ***Other supportive policies.*** The Chinese government also introduced other supportive policies that are expected to further drive the growth of China's used vehicle industry. For example, (i) the Relevant Value-Added Tax Policy for the Dealing of Used Vehicles (《關於二手車經銷有關增值稅政策的公告》), which reduced the value-added tax for dealers operating used vehicle business from 2% to 0.5% starting from May 2020, directly reduces the tax burden of used vehicle dealers and promotes used vehicle consumption; and (ii) the Implementation Plan on Promoting Green Consumption (《促進綠色消費實施方案》), which was issued in January 2022 to promote green consumption to support high-quality economic development, encouraged the development of used vehicle transactions and removed the restriction on the relocation of used vehicles, further expediting the circulation of used vehicles. See "Regulatory Overview — Regulations on the Circulation of Used Vehicles" for more details.

Increasing cross-regional transactions and increasing desire for vehicle ownership in lower-tier cities. In Tier 2 and above cities, used vehicles trade-ins for new vehicles as a percentage of the total new vehicle sales is relatively high due to the saturated vehicle parc and high consumption level. These trade-in used vehicles can directly contribute to the used vehicle supply and enter into the used vehicle market. In lower-tier cities, although the passenger vehicle parc is relatively lower, consumers rely heavily on road transportation for daily commute following the availability of extended road network, and the demand for passenger vehicles, including used vehicles, has accordingly increased in recent years. The high value-for-money of used vehicles is also an attractive feature for consumers in developing regions. Along with the launch of Notice on Promoting the Trans-provincial Registration of Used Vehicles Transactions and Facilitating the Cross-regional Transactions of Used Vehicles (《關於推進二手車交易登記跨省通辦便利二手車異地交易的通知》) in 2021, the volume of cross-regional transactions (i.e. from Tier 2 and above cities to lower-tier cities) has been growing steadily, and is becoming an increasingly important part of China's used vehicle market. See "Regulatory Overview — Regulations on the Circulation of Used Vehicles" for further details. At the same time, the emergence of used vehicle transaction service providers has introduced more transparency to the transaction process and provided more information related to used vehicles, facilitating cross-regional transactions. Cross-regional circulation of used vehicles is also conducive to the fulfillment of distinctive demand for used vehicles stemmed from the differences in economic development, local culture and consumer habits, which can in turn further promote the overall development of the used vehicle market. As a result, business participants will need a nationwide used vehicle transaction service provider to facilitate the cross-regional circulation of used vehicles.

Increasing consumer demand for used vehicles due to more effective new media marketing and technological advancement. With the development of digital platforms, more Professional Buyers started their marketing activities through online channels. Through innovative marketing, some KOLs in the automotive industry are able to attract a large number of followers from different tiers of cities across China and generate abundant content on used vehicles through new media platforms, improving consumers' recognition and acceptance of used vehicles. Moreover, following the advancement of digitalization, including the improvement in big data analytics and recommendation algorithms, used vehicle transaction service providers have become more efficient, more convenient and more transparent. As a result, more buyers started to use the services provided by used vehicle transaction service providers, including vehicle inspection and appraisal services. The increase in buyers' knowledge and acceptance of used vehicles and the growing utility of used vehicle transaction service providers are expected to further contribute to the growth in market demand of used vehicles.

Increasing used vehicle supply and the emergence of used vehicle transaction service providers that create more transaction value. The increase in the average age of vehicle parc, transaction frequency and circulation efficiency are expected to increase used vehicle penetration rate and contribute to a large and stable supply of used vehicles. At the same time, as more used vehicle transaction service providers have emerged and continue to emerge, they can provide used vehicle buyers with a large, stable and nationwide supply of used vehicles. Moreover, building upon their accumulation of industry data and as powered by advanced technology, these platforms can provide more credible used vehicle condition reports to promote the transparency of used vehicle condition and improve transaction efficiency. These platforms serve as highly efficient, large-scale used vehicle disposal channels for upstream sellers to more efficiently match demand from a large pool of downstream buyers, potentially creating more commercial value for used vehicle transaction and maximizing profits. In particular, used vehicle transaction service providers that operate offline sites can provide buyers with localized services, further enhancing transaction efficiency.

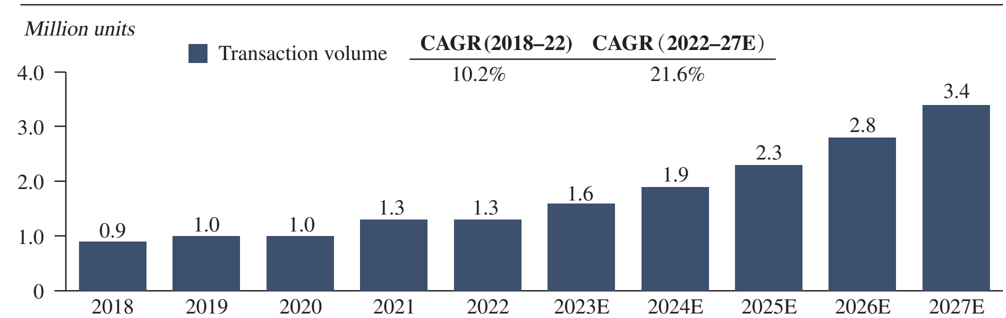
Trends of China's Used Vehicle Market

Enhanced transparency and credibility. The implementation of favorable policies is expected to further expand China's used vehicle market. New players are expected to enter the market and the market is expected to become more standardized in the following aspects: (i) following the commodification of used vehicles, information on used vehicles is expected to be more available and accessible in the market, leading to an increase in the convenience and credibility of used vehicle transactions; (ii) with technological advancement and investment of financial resources, procedures such as sales and title transfer can be more standardized, which are expected to significantly enhance the efficiency of used vehicle transactions; (iii) used vehicle transaction service providers can provide standardized guidance on the valuation of used vehicles and reduce unfair pricing, which can enhance buyers' trust and confidence in used vehicle transactions.

Improved balances between supply and demand. With the continuous development of China's automotive industry and the gradual increase in the average age of passenger vehicles, both the number of vehicles of eight or more years old and their proportion to the total vehicle parc are increasing, resulting in the expansion of used vehicle supply every year. With industry standards being gradually established, major upstream market players, such as OEMs, dealership groups and their 4S dealership stores, have been strategically focusing on their used vehicle business to increase their revenue. They have also started to widely cooperate with leading used vehicle transaction service providers. The supply of used vehicles in the market is expected to increase accordingly. For downstream market players, such as Professional Buyers and consumers, the increasing efficiency and transparency of used vehicle transactions are expected to continuously stimulate the market demand. Therefore, with major upstream players focusing on their used vehicle business and the transaction process being more efficient and transparent, the previously dispersed supply of used vehicle is expected to become more concentrated and the mismatch between supply and demand in China's used vehicle market is expected to be alleviated.

Increasing market share of transactions through used vehicle transaction service providers. As China's used vehicle transaction service providers are at the expansion stage of development, the penetration rate of used vehicle transaction service providers in China's used vehicle wholesale market in terms of transaction volume[6] is relatively low. In 2022, the total transaction volume through China's used vehicle transaction service providers was 1.3 million units, accounting for approximately 10.5% of the total transactions in the used vehicle wholesale market, indicating a significant growth potential. With the launch of supportive policies, the appearance of social media marketing channels, increasing consumer acceptance and the increasing varieties of services that can be provided by these platforms, the market size of used vehicle transaction service providers is expected to grow. In 2027, the total transaction volume through China's used vehicle transaction service providers is expected to reach 3.4 million units, representing a CAGR of 21.6% from 2022 to 2027, and account for approximately 14.1% of the total transactions in China's used vehicle wholesale market. The following diagram sets forth the historical and forecast transaction volume through China's used vehicle transaction service providers from 2018 to 2027.

Transaction volume through China's used vehicle transaction service providers, China, 2018–2027E



Source: CIC

Auction to become the major disposal channel of 4S dealership stores' used vehicles. When disposing of their large-volume used vehicle inventory, wholesale marketplaces prefer auction as the distribution channel because auction is typically characterized by high transaction efficiency and fair and transparent prices determined by the auction bidding. However, the penetration rate of used vehicle auction[7] accounted for approximately 9% of the total transaction volume in China's used vehicle market in 2022, compared to approximately 35% and 60% in mature markets such as the U.S. and Japan, respectively, for the same year, indicating high growth potential for the auction market in China. Moreover, auctions supported by digital technology can match buyers with sellers more effectively and provide consumers with online transparent experience, thus increasing the transaction success rate.

Increasing NEVs vehicle parc with limited short-term impact on China's used vehicle market. In 2022, NEVs accounted for 4.6% of total passenger vehicle parc in China and the percentage is expected to reach 20.5% in 2027, which is still relatively low. Correspondingly, ICE vehicles currently accounted for a majority of used vehicles transactions in China, and NEV transactions accounts for a relatively low proportion, of which the share was less than 3% of the used vehicle market in terms of transaction volume in 2022 and is expected to be less than 10% in 2027. As NEVs gradually enter the used car market, the related transaction behavior and patterns will change to some extent. However, due to the technical features of NEVs' power system and the rapid iteration of NEVs, the industry standard for used NEVs including the valuation mechanism and disposal and replacement channels still requires a

6 calculated as transaction volume of used vehicle transaction service providers divided by total transaction volume of the
7 calculated as transaction volume of used vehicle auction divided by total transaction volume in the used vehicle market.

long time to develop, and as such, NEVs are not expected to significantly disrupt the landscape of China's used vehicle market in the next few years. See "— Positive Impacts of the Development of China's NEV market on China's Used Vehicle Market" for more information.

Positive Impacts of the Development of China's NEV market on China's Used Vehicle Market

The development of China's NEV market has brought, and is expected to continue to bring, positive impacts on China's used vehicle market, including through the following aspects:

- First, NEVs are mainly purchased to replace existing ICE vehicles, and the replaced ICE vehicles could in turn be transacted as used vehicles. Thus, the increasing NEV sales in China is expected to contribute to the growth in supply of China's used vehicle market; and
- Second, NEVs typically have shorter replacement cycle (i.e. the length of time from the moment a vehicle is purchased to the moment when it is disposed of for the first time) compared to ICE vehicles due to the more limited lifetime of battery system and the more rapid development of innovative technologies. As such, NEVs are expected to enter the used vehicle market more quickly than ICE vehicles, directly contributing to the supply in the used vehicle market. According to CIC, in the six months ended June 30, 2023, the transaction volume of used NEVs increased by 24.8% to approximately 310,000 units from approximately 248,000 units in the corresponding period in 2022. Accordingly, used NEV sales as a percentage of total used vehicle sales by volume increased from 4.2% in the six months ended June 30, 2022 to 4.5% in the corresponding period in 2023, indicating that NEVs have started to be more frequently traded in China's used vehicle market.

Moreover, in the six months ended June 30, 2023, the average replacement cycle (i.e. the length of time from the moment a vehicle is purchased to the moment when it is disposed of for the first time) of used NEVs was only 2.9 years, while the average replacement cycle of all used vehicles was 5.9 years. This discrepancy indicates that NEVs typically enter the used vehicle market earlier in their lifecycle. As such, the increasing new NEV sales volume is expected to more significantly contribute to the increase in the supply of used vehicles, thereby helping alleviate the mismatch between supply and demand in China's used vehicle market in the long term.

While used NEVs currently only constitute a minor portion of China's used vehicle market, its market share is expected to increase as a result of (1) the continued growth in new NEV sales and (2) the technological features of NEVs, including the fast iteration of technologies used in NEVs. As such, the sales performance of new NEVs could in fact bring more business opportunities to China's used vehicle transaction service providers like us.

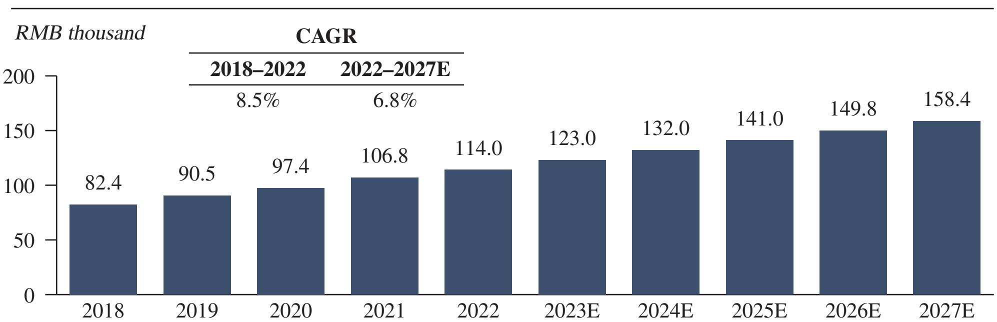
Meanwhile, despite the increasing penetration and shorter replacement cycle of NEVs, the demand for used NEVs is expected to steadily increase. First, the average price of used NEVs is substantially lower than that of new NEVs. As such, used NEVs and new NEVs target different groups of buyers, and buyers with relatively lower budget would prefer to purchase used NEVs rather than new ones. As the penetration of NEVs increases, more used NEVs are expected to enter into the market, in turn stimulating the activity level of used NEV transaction market and attracting more potential buyers due to the more affordable sale price of used NEVs. Second, because OEMs typically produce new NEVs based on the sales order they receive, it generally takes longer for new NEV buyers, compared to buyers of ICE vehicles, to pick up the vehicles, and buyers of popular models of new NEVs may have to wait for over half a year to pick up the vehicles. On the contrary, used NEVs are available upon purchase, and used NEV buyers are generally able to pick up the vehicles within a few days after the completion of title transfer process and other standard procedures. Furthermore, according to CIC, in recent years, there has been a growing trend in the activity of China's used NEV transaction market. In the six months ended June 30, 2023, the transaction volume of used NEVs in China has reached approximately 310,000 units, representing a 24.8% increase from approximately 248,000 units in the corresponding period in 2022, indicating an increasingly demand for used NEVs.

Based on the above, our Directors believe that the market penetration of NEVs has not caused and is not expected to cause any material adverse impact on our used vehicle auction business. Even though certain NEV brands and models would lower the sale price of their NEVs from time to time, the overall sale price of NEVs does not present a downward trend. In the first quarter of 2023, among the 72 NEV models available for sale in China, only 20 of them experienced a decrease in sale price, primarily due to these NEV manufacturers' superior supply chain management and scalability advantages, which they leveraged to lower their costs of production and the sale price of their NEVs accordingly in order to obtain competitive edge. Among the 72 NEV models, 52 of them actually experienced an increase in sale price, primarily due to the escalating costs of raw materials, such as lithium carbonate. Furthermore, as the average price of used NEVs is substantially lower than that of new NEVs, there is no direct competition between used NEVs and new NEVs. According to CIC, in 2022, the average price of used vehicles and new vehicles in China was RMB66,000 and RMB218,000, respectively. As used vehicles (including used ICE vehicles and used NEVs) and new vehicles (including new ICE vehicles and new NEVs) target different groups of buyers, even if the average price of new NEVs decreases, the demand for used NEVs is not expected to be negatively affected.

HISTORICAL AND PROJECTED TRENDS OF MAJOR COST IN CHINA'S USED VEHICLE MARKET

Labor cost is the major cost item for companies engaged in China's used vehicle market. With the aging of population in China, the labor cost in terms of average annual salary has been increasing in recent years, which increased from RMB82.4 thousand in 2018 to RMB114.0 thousand in 2022, representing a CAGR of 8.5% during the same period. Considering the expected steady economy growth and the aging population, the labor cost in terms of average annual salary of China's used vehicle market is expected to grow further in the future. In 2027, the labor cost in terms of average annual salary of China's used vehicle market is expected to reach RMB158.4 thousand, representing a CAGR of 6.8% from 2022 to 2027. The following diagram sets forth the historical and projected trends of labor cost in China's used vehicle market from 2018 to 2027.

Annual salary of labor force in China's used vehicle market[1], 2018–2027E



Note:

1. The labor cost of China's used vehicle market is derived from the average annual salary of China's labor force in urban regions.

Source: National Bureau of Statistics, CIC.

COMPETITIVE LANDSCAPE OF CHINA'S USED VEHICLE MARKET

Ranking of China's Used Vehicle Wholesale Marketplaces

Accounting for approximately 96% of the market share of China's used vehicle market, the used vehicle wholesale market in China is highly fragmented, with the top five used vehicle wholesale marketplaces possessing a market share of only approximately 6.1% in terms of used vehicle transaction volume in 2022. As of December 31, 2022, there were over 300,000 Professional Buyers, approximately 34,000 4S dealership stores and over 30 used vehicle transaction service providers in China. The high fragmentation of China's used vehicle wholesale marketplace is attributable to the following reasons:

- First, compared with used vehicle retail transactions, the nature of used vehicle wholesale transactions is more complex, consisting of various types of transactions including (i) transactions between individual sellers and wholesale marketplaces[1], (ii) transactions between wholesale marketplaces, and (iii) transactions between individual sellers and Professional Buyers, among others. As such, China's used vehicle wholesale market involves various types of used vehicle business participants, such as Professional Buyers and 4S dealership stores, each serving distinctive functions in the used vehicle wholesale transaction process.
- Compared to more developed markets such as the United States and Japan, China's passenger vehicle parc is still lagging behind and China's used wholesale market is still in a relatively preliminary stage of development. As major players in this market are still in the process of expansion and gradually achieving economies of scale, China's used wholesale market is less concentrated compared to more developed markets.
- Previously, China's used vehicle wholesale market featured cumbersome requirements and restrictions which have hindered its overall transaction efficiency, which in turn makes it difficult for market participants to scale up their business. For example, title transfer is a key component of used vehicle transactions. Previously, the transfer of used vehicle ownership would require the registration of title transfer of the used vehicle for each and every used vehicle transaction, including transactions among used vehicle dealers (i.e. a used vehicle dealer would need to first transfer the title of a used vehicle to itself, before it can transact such used vehicle with another dealer), making the used vehicle transaction process very time-consuming and cumbersome. Recently, several new regulations with regard to China's used vehicle industry have been introduced, and several previous restrictions and requirements imposed on the used vehicle wholesale market participants have been lifted, which is expected to streamline the process of used vehicle wholesale transactions and improve its efficiency and provide a better business environment for used vehicle business participants. For more details, see "— Regulatory Overview — Regulations on the Circulation of Used Vehicles."

[1] Used vehicle wholesale marketplaces in China consist of used vehicle transaction service providers, used vehicle dealers (including Professional Buyers) and 4S dealership groups.

The Company ranked the first in China's used vehicle wholesale marketplace in terms of number of transacted vehicles in 2022, with a market share of approximately 1.3% among China's used vehicle wholesale marketplaces.

Ranking	Players	Profile	Number of transacted vehicles in 2022 (thousand units)	Market share in 2022
1	**The Company**	**A used vehicle transaction service provider with focus on transactions between wholesale marketplaces, who entered the market in 2014, based in Shanghai.**	**~160**	**1.3%**
2	Company A	A used vehicle transaction service provider with focus on customer-to-wholesale marketplace transactions, who entered the market in 2015, based in Shanghai.	~154	1.3%
3	Company B	A used vehicle transaction service provider with focus on transactions between wholesale marketplaces, who entered the market in 2011, based in Beijing.	~150	1.2%
4	Company C	A used vehicle transaction service provider with focus on transactions between wholesale marketplaces, who entered the market in 2006, based in Beijing.	~141	1.2%
5	Company D	A listed vehicle dealership group operating new vehicle sales and used vehicle transactions, founded in 2006.	126.8	1.1%
		Sub-total	~732	6.1%

The penetration rate of transaction platforms in the used vehicle wholesale market in terms of transaction volume has been gradually increased from 8.9% in 2018 to 10.5% in 2022. As of December 31, 2022, there were over 30 used vehicle transaction service providers in China. With their core competitiveness in transactional efficiency, information transparency and transaction experience, the penetration rate of transaction service providers is expected to continue to grow and reach 14.1% in 2027.

The transaction volume of China's used vehicle transaction service providers is relatively concentrated, with the top five platforms accounting for an aggregate market share of approximately 53.3% in 2022. With the Company's core competitiveness in (i) its online-offline integrated auction model, (ii) board geographic coverage of its offline auction site network, and (iii) the large number of Professional Buyers transacting on its platform, the Company ranked the first among China's used vehicle transaction service providers in terms of transaction volume in 2022, with a market share of 12.6% among China's used vehicle transaction service providers.

Ranking of China's Used Vehicle Transaction Service Providers

Ranking	Players	Profile	Type of Service Provider	Geographic coverage of offline auction site network by the end of 2022	Number of Professional Buyers transacted on the platform in 2022	Number of transacted vehicles in 2022 (thousand units)	Market share in 2022
1	**The Company**	**A used vehicle transaction service provider focusing on transactions between wholesale marketplaces, who entered the market in 2014, based in Shanghai.**	**Online-offline integrated**	**78 auction sites in 73 cities**	**Over 11,000**	**~160**	**12.6%**
2	Company A	A used vehicle transaction service provider with focus on customer-to-wholesale marketplace transactions, who entered the market in 2015, based in Shanghai.	Online	No offline auction sites	5,000–7,000	~154	12.2%
3	Company B	A used vehicle transaction service provider with focus on transactions between wholesale marketplaces, who entered the market in 2011, based in Beijing.	Online	No offline auction sites	5,000–7,000	~150	11.9%
4	Company C	A used vehicle transaction service provider with focus on transactions between wholesale marketplaces, who entered the market in 2006, based in Beijing.	Online	No offline auction sites	4,000–6,000	~141	11.1%
5	Company E	A used vehicle transaction service provider with focus on transactions between customers and wholesale marketplace-to-customer transactions, who entered the market in 2015, based in Beijing.	Online	No offline auction sites	Approximately 4,000	~70	5.5%
	Sub-total					~675	53.3%

Entry Barriers and Key Success Factors for China's Used Vehicle Transaction Service Providers

Industry experience and know-how. Successful participants in the used vehicle wholesale market need to possess the knowledge of automotive-related industry background and deep understanding of the regulatory landscape, as well as the knowledge of general business model and development trend of used vehicle business. Such knowledge could only be accumulated through years of experience in the used vehicle industry, and new entrants usually lack such knowledge. In addition, market participants with extensive industry experience and know-how in the used vehicle industry can implement more professional recruitment and training process to reduce staff turnover.

Ability to source used vehicles supply and provide value-added services. Due to the mismatch between the used vehicle supply and demand in China as discussed above, it is important for a used vehicle transaction service provider to have a large, diverse, high-quality and stable used vehicle supply to meet the diverse demands of consumers. Compared to individual sellers who are often scattered across different regions, dealership groups and OEMs dominate the access to the majority of used vehicle inventory. Therefore, establishing relationship with dealership groups and OEMs is important for new entrants to source the supply of used vehicles. Meanwhile, used vehicle value-added services, such as logistics, inspections, valuation, insurance or information can improve buyers' transaction experience and loyalty. Therefore the ability to become a transaction service provider that can provide various value-added services is an essential success factor for market participants.

Brand reputation and localization efforts. Consumers are more willing to trade on reputable platforms as these platforms are believed to have higher operational efficiency and transaction success rate as a result of more diverse used vehicle offerings and more effective and fair transaction processes. It typically takes used vehicle transaction service providers a long time to build up brand recognition. Moreover, local buyers typically have more trust and confidence in used vehicle transaction service providers that host local facilities that not only allow buyers to take a look at the used vehicles in person but also provide localized services such as title transfer and logistics and delivery. As such, a used vehicle transaction service provider that has more extensive offline coverage is able to cater to a more geographically diverse buyer base. However, it typically takes a long time and significant resources to build up and expand the offline infrastructure. Consequently, new entrants may require substantial resources and a prolonged time to establish good brand reputation and broad offline coverage through efforts such as building up physical sites and recruiting local personnel.

Analytical abilities empowered by technological capabilities. As the inspection and transaction process of used vehicles becomes more standardized and digitalized in recent years, new entrants will need ample resources and strong technological capabilities in order to succeed. The digital and transparent transaction process of used vehicles relies on various technologies, such as big data analysis, to enhance the efficiency of the entire transaction process, which encompasses vehicle inspection and appraisal, contract signing and title transfer of used vehicles. Moreover, to be more effectively utilized, these technologies need to be supported by a massive amount of transaction data based on genuine transactions, which can only be accumulated over a long period of time. Thus, new entrants will need to incur a large amount of upfront investments, including financial and non-financial investments, to build the technological foundation and acquire or accumulate transaction data for their used vehicle transaction platforms.

REGULATIONS ON FOREIGN INVESTMENT

Regulations on Company Establishment and Foreign Investment

The establishment, operation and management of corporate entities in the PRC are governed by the Company Law of the PRC (《中華人民共和國公司法》) (the "**PRC Company Law**"), which was promulgated by the Standing Committee of the National People's Congress (the "**SCNPC**") in December 1993 and further amended in December 1999, August 2004, October 2005, December 2013 and October 2018, respectively. According to the PRC Company Law, companies are generally classified into two categories: limited liability companies and companies limited by shares. The PRC Company Law also applies to foreign-invested limited liability companies. According to the PRC Company Law, where laws on foreign investment have other stipulations, such stipulations shall prevail.

Investment in the PRC by foreign investors are mainly regulated by the Catalogue of Industries for Encouraging Foreign Investment (2022 Edition) (《鼓勵外商投資產業目錄》(2022年版)), which was promulgated by the MOFCOM and the NDRC on October 26, 2022 and took effect on January 1, 2023, and the Negative List, which was promulgated by the MOFCOM and the NDRC on December 27, 2021 and took effect on January 1, 2022. The Negative List sets out several restrictive measures in a unified manner, such as the requirements on shareholding percentages and management, for the access of foreign investments in the industries listed in the Negative List and the industries that are prohibited for foreign investment. Any industries not falling in the Negative List shall be administered under the principle of equal treatment to domestic and foreign investment. Under the Negative List, foreign investment in companies providing value-added telecommunications services, excluding e-commerce, domestic multi-party communications, storage-forwarding and call centers, should not exceed 50% of the total equity interests.

On March 15, 2019, the National People's Congress (the "**NPC**") promulgated the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the "**FIL**"), which came into effect on January 1, 2020, pursuant to which, it is applicable to the investment activities in the PRC carried out directly or indirectly by foreign natural persons, enterprises or other organizations. The Implementation Rules to the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》), promulgated by the State Council on December 26, 2019 and became effective on January 1, 2020, further clarify that the state encourages and promotes foreign investment, protects the lawful rights and interests of foreign investors, regulates foreign investment administration, continues to optimize foreign investment environment, and advances a higher-level opening. On December 30, 2019, the MOFCOM and the State Administration for Market Regulation (the "**SAMR**") jointly promulgated the Measures for Information Reporting on Foreign Investment (《外商投資信息報告辦法》), which became effective on January 1, 2020, pursuant to which, where a foreign investor carries out investment activities in the PRC directly or indirectly, the market regulatory authorities shall forward the investment information to the competent commerce administrative authorities. On December 19, 2020, the NDRC and the MOFCOM promulgated the Measures for the Security Review of Foreign Investment (《外商投資安全審查辦法》), which came into effect on January 18, 2021, pursuant to which, investments in military, national defense-related areas or in locations in proximity to military facilities, or investments that would result in acquiring the actual control of assets in certain key sectors, such as critical agricultural products, energy and resources, equipment manufacturing, infrastructure, transport, cultural products and services, information technology, Internet products and services, financial services and technology sectors, are required to obtain approval from designated governmental authorities in advance.

REGULATIONS ON AUCTION BUSINESS

Pursuant to the Auction Law of the PRC (《中華人民共和國拍賣法》) promulgated by the SCNPC on July 5, 1996, and subsequently amended on August 28, 2004 and April 24, 2015, and the Measures for the Administration of Auctions (《拍賣管理辦法》) promulgated by the MOFCOM on October 2, 1994, and subsequently amended on December 2, 2004, October 28, 2015 and November 30, 2019, a domestic enterprise engaging in auction activities of various products as permitted by auction-related laws of the PRC other than cultural relics shall satisfy various criteria, such as having a registered capital of at least RMB1 million and having a sufficient number of professionals among whom at least one should be the auction master. Auction activities shall be carried out by the auction masters holding a qualification certificate. To engage in auction activities, domestic auctioneers shall first obtain a license to engage in auction business from MOFCOM and its local counterparts. Enterprises engaging in auction business without approval and registration shall be banned by the administrative department for industry and commerce, the illegal gains shall be confiscated and they may also be fined not less than one time and not more than five times the amount of the illegal gains. Provincial commerce administrative authorities shall issue annual inspection opinions on auctioneer enterprises. Auctioneer enterprises that do not pass inspection shall be ordered to rectify within a time limit and the inspection findings shall be reported to the relevant departments.

REGULATIONS ON THE CIRCULATION OF USED VEHICLES

The Administrative Measures for the Circulation of Used Vehicles (《二手車流通管理辦法》) (the "**Used Vehicles Measures**") were promulgated by the MOFCOM, the Ministry of Public Security (the "**MPS**"), the former State Administration for Industry and Commerce (the "**SAIC**"), and the SAT on August 29, 2005 and amended on 14 September 2017.The Used Vehicles Measures stipulate, among others, that (i) a business operator of a used vehicle trading market, a sales enterprise and brokerage entity of used vehicles shall possess the qualification of an enterprise legal-person and shall complete the registration procedures with the administrative department of industry and commerce; (ii) the establishment of an auction enterprise of used vehicles (including a foreign-funded auction enterprise of used vehicles) shall comply with the relevant provisions of the Auction Law of the PRC and the Measures for the Administration of Auction, and shall be handled according to the procedures as prescribed by the Measures for the Administration of Auction; (iii) business operators of used vehicle trading market and business operators of used vehicles that have registered with the administrative department of industry and commerce according to law and obtained the business license shall file with the administrative department of commerce at the provincial level within 2 months as of obtaining their business license. The Used Vehicles Measures also provide regulations for the behavior of business operators of used vehicle trading market and business operators of used vehicles, including the requirements: (i) to operate and pay taxes in accordance with the law; (ii) verify the identity of sellers; (iii) to refrain from trading illegal vehicles; and (iv) to establish complete records for used vehicle trading, buying and selling, auctioning, brokering, as well as appraisal and evaluation.

On July 5, 2022, 17 departments including the MOFCOM issued the Notice regarding Several Measures for Invigorating the Circulation of Automobiles and Expanding Automobile Consumption (《關於搞活汽車流通擴大汽車消費若干措施的通知》) (the "**New Regulations**"). The New Regulations, among others, provided a series of measures designed to standardize the administration and incentivize the growth of used vehicle transactions in China and provide a better business environment for used vehicle business participants. The New Regulations do not specifically target used vehicle transaction platforms like us, and as such do not impose any specific additional requirements or obligations for used vehicle transaction service providers like us that do not issue invoices or handle title transfer registration to fulfill.

These measures primarily include:

- ***Enabling more participants to engage in used vehicle sales***. Previously, local regulations imposed various requirements that were difficult or commercially impracticable for used vehicle business participants to fulfill. For example, in order for corporate entities to conduct used vehicle sales, they are required to have business addresses located in the local used vehicle trading markets and the size of their offices must meet certain minimum thresholds. The New Regulations removed these restrictions and corporate entities are now able to conduct used vehicle sales, regardless of whether their business addresses are located in the local used vehicle trading markets and the size of their offices.

- ***More efficient title transfer***. Title transfer is a key component of used vehicle transaction and title transfer registration is processed by local used vehicle administration authorities. Previously, in practice, only invoices issued by local used vehicle trading markets were accepted by used vehicle administration authorities for used vehicle title transfer registration. Starting from October 1, 2022, invoices issued by other entities engaged in used vehicle business are also accepted for used vehicle title transfer registration purposes, significantly streamlining and improving the efficiency of used vehicle transactions.

- ***More efficient used vehicle transaction process***. Previously, the transfer of used vehicle ownership would require the registration of title transfer of the used vehicle for each and every used vehicle transaction, including transactions among used vehicle dealers (i.e. a used vehicle dealer would need to first transfer the title of a used vehicle to itself, before it can transact such used vehicle with another dealer), making the used vehicle transaction process very time-consuming and cumbersome (because a used vehicle is typically transferred multiples times among dealers before it reaches the end buyer). Starting from October 1, 2022, used vehicle dealers can obtain a temporary license plate for used vehicle transaction purpose and are no longer required to transfer the title of used vehicles to themselves first, before transferring the same to end buyers, effectively improving the efficiency of used vehicle transactions.

- ***Title transfer limit***. Starting from January 1, 2023, title transfer registration shall not be processed for natural persons who transfer the title of three or more used vehicles that have been held for less than one year within a calendar year (the "**Title Transfer Limit**"). The Title Transfer Limit is designed to further standardize the administration and enhance the transparency of used vehicle transactions in China by encouraging more used vehicle business participants to register as corporate entities, which makes it easier for the relevant authorities to oversee used vehicle business participants in a more systematic manner. As of the Latest Practicable Date, the Title Transfer Limit has not yet been widely implemented in practice.

The New Regulations have brought positive impact to China's used vehicle market:

- ***Used vehicle transaction volume***. In the nine months ended September 30, 2023, China's used vehicle transaction volume reached 10.6 million, representing a 13.0% increase from 9.4 million in the same period in 2022.

- ***Increased cross-reginal transactions***. As the New Regulations streamline the used vehicle transaction process, cross-regional transactions as a percentage of total used vehicle transactions increased to 26.7% in the nine months ended September 30, 2023, increasing by 1.7% from the same period in 2022.

Our Directors are of the view that the New Regulations have brought, and are expected to continue to bring, positive impact on China's used vehicle market and accordingly, the business operations of used vehicle transaction service providers such as ours. In particular, the Title Transfer Limit has not caused, and is not expected to cause, any material adverse impact on our business operations and financial performance during the Track Record Period and going forward, based on the following:

- pursuant to the New Regulations, the entities that (1) issue invoices for the sale of used vehicles and (2) handle title transfer registration for such used vehicles will be obliged to ensure the Title Transfer Limit is complied with. As advised by the PRC Legal Adviser, as we do not issue invoices for the sale of used vehicles or handle used vehicle title transfer registration, the New Regulations do not impose any additional legal obligation on us to verify (a) whether an individual buyer who purchases used vehicles through our transaction platform is a consumer or a Professional Buyer, (b) even if a buyer is considered as a Professional Buyer by the relevant regulatory authority, whether such buyer has obtained requisite qualifications, approvals or filings for its business operation under the existing regulations governing the used vehicle circulation, including the Management Measures of Circulation of Used Vehicles (《二手車流通管理辦法》) (the "**Existing Regulation**") (such as whether it has registered a corporate entity), or (c) whether a buyer has exceeded the Title Transfer Limit;

- as advised by the PRC Legal Adviser, Professional Buyers can continue to purchase three or more used vehicles within a calendar year on our transaction platform under the New Regulations if their business activities do not involve the transfer of title of used vehicles exceeding the Title Transfer Limit and are not deemed as used vehicle dealership and/or brokerage by regulatory authorities. In addition, for Professional Buyers who trigger the Title Transfer Limit and/or are considered as used vehicle dealerships and/or brokerage by regulatory authorities, compared to the Existing Regulation, it is easier for them to register as corporate entities under the New Regulations as elaborated above; and

- our transaction volume, user activity level and buyer base continued to grow subsequent to the Title Transfer Limit becoming effective on January 1, 2023. As of December 31, 2022 and December 31, 2023, a total of 15,684 and 17,112 registered users, respectively, had placed deposits in their accounts with our transaction platform[2]. In 2022 and 2023, approximately 160,000 and 176,000 units of used vehicles, respectively, were sold through auctions on our transaction platform. In addition, in Guiyang, Guizhou province, where the Title Transfer Limit has been widely implemented and approximately 32% of our registered users were corporate entities in 2023 (compared to approximately 17% in 2022), our business operations experienced growth: our transaction volume in Guiyang increased by 14.9% from 2022 to 2023, whereas the number of buyers who placed bids with us increased from 485 in 2022 to 641 in 2023.

On January 21, 2022, seven departments including the NDRC issued the Implementation Plan for Promoting Green Consumption (《促進綠色消費實施方案》), which stipulates the promotion of green transformation in key consumption areas. Among them, it specifically stipulates the active development of the used vehicles dealership business, promotes the implementation of the policy to fully cancel the restriction on the transfer of used vehicles, and further expands the circulation of used vehicles.

On April 19, 2021, the MOFCOM, the MPS and the SAT issued the Notice on Promoting the Trans-provincial Registration of Used Vehicles Transactions and Facilitating the Cross-regional Transactions of Used Vehicles (《關於推進二手車交易登記跨省通辦便利二手車異地交易的通知》) to facilitate used vehicle trading, which allows buyers and sellers of small-sized non-operational passenger vehicles to choose between the original registration location or the buyer's place of residence to complete transactions, and registered at the location where the vehicle is transferred to or from. It also stipulates, among others, that if the operators of the used vehicle trading market, used vehicle dealerships, used vehicle auction companies, etc. fail to verify the transaction information and keep the transaction records according to regulations, they shall bear corresponding compensation responsibility according to law for the losses caused to the parties concerned by the failure to handle the used vehicle transactions in accordance with regulations, and the local commercial authorities shall take legal measures such as warning, admonition, and interview.

REGULATIONS ON VALUE-ADDED TELECOMMUNICATION SERVICES

License for Value-added Telecommunications Services

The Telecommunications Regulations of the PRC (《中華人民共和國電信條例》) (the "**Telecommunications Regulations**"), promulgated by the State Council on September 25, 2000 and amended on July 29, 2014 and February 6, 2016, provide a regulatory framework for telecommunications services providers in the PRC. The Telecommunications Regulations require telecommunications services providers to obtain an operating license prior to the commencement of their operations. The Telecommunications Regulations categorize telecommunications services into basic telecommunications services and value-added telecommunications services. According to the Catalog of Telecommunications Business (《電信業務分類目錄》), attached to the Telecommunications Regulations, which was promulgated by the Ministry of Information Industry (the "**MII**", now known as the "**MIIT**") on February 21, 2003 and amended by the MIIT on December 28, 2015 and June 6, 2019, the

[2] Only registered users who have placed deposits in their accounts with our platform are able to auction used vehicles on our platform.

Internet information services and the online data processing and transaction processing services fall within the value-added telecommunications services. The Administrative Measures on Telecommunications Business Operating Licenses (《電信業務經營許可管理辦法》), which was promulgated by the MIIT on March 1, 2009 and amended on July 3, 2017, sets forth more specific provisions regarding the types of licenses required to operate value-added telecommunications services, the qualifications and procedures for obtaining such licenses and the administration and supervision of such licenses.

Foreign Investment in Value-Added Telecommunications Services

In December 2001, in order to comply with China's commitments with respect to its entry into the WTO, the State Council promulgated the Provisions on the Administration of Foreign-invested Telecommunications Enterprises (《外商投資電信企業管理規定》), which was last revised in March 2022 and took effect on May 1, 2022 (the "**2022 FITE Regulations**"). The 2022 FITE Regulations removed the qualification requirement on the primary foreign investor in a foreign invested value-added telecommunications enterprise for having a good track record and operational experience in the value-added telecommunications industry as stipulated in the previous version. Pursuant to the 2022 FITE Regulations, foreign investors may hold an aggregate of no more than 50% of the total equity in any value-added telecommunications business in China. In July 2006, the MII released the Notice on Strengthening the Administration of Foreign Investment in and Operation of Value-added Telecommunications Business (《信息產業部關於加強外商投資經營增值電信業務管理的通知》) (the "**MII Notice**"), pursuant to which, domestic telecommunications enterprises are prohibited to rent, transfer or sell a telecommunications business operation license to foreign investors in any form, or provide any resources, premises, facilities and other assistance in any form to foreign investors for their illegal operation of any telecommunications business in China. In addition, under the MII Notice, the Internet domain names and registered trademarks used by a foreign-invested value-added telecommunication service operator shall be legally owned by that operator (or its shareholders).

REGULATIONS ON ONLINE TRADING

On January 26, 2014, the SAIC issued the Administrative Measures for Online Trading (《網絡交易管理辦法》) (the "**Online Trading Measures**"), which replaced its previous Interim Measures for the Administration of Online Commodities Transaction and Relevant Services (《網絡商品交易及有關服務行為管理暫行辦法》). The Online Trading Measures aim to regulate online commodity trading and relevant services, setting standards for online commodity trading operators and relevant services providers, including third-party trading platform operators, concerning qualifications, after-sale services, terms of use, user privacy protection, data preservation, compliance with applicable laws in respect of intellectual property rights protection and unfair competition. In order to further regulate online transaction activities, on March 15, 2021, the SAMR issued the Online Trading Supervision Measures (《網絡交易監督管理辦法》), effective on May 1, 2021, and replace the Online Trading Measures. The Online Trading Supervision Measures shall apply to the business activities of selling commodities or providing services in social networking, internet live streaming or other information network activities and it further regulates the operations of online trading.

On August 31, 2018, the SCNPC promulgated the E-Commerce Law of the PRC (《中華人民共和國電子商務法》), effective on January 1, 2019, which aims to regulate the e-commerce activities conducted within the territory of the PRC. Pursuant to the E-Commerce Law, an e-commerce business shall, in business operation, abide by the principles of voluntariness, equality, equity and good faith, observe the law and business ethics, fairly participate in market competition, perform obligations in aspects including protection of consumer rights and interests, environment, intellectual property rights, cybersecurity and individual information, assume responsibility for quality of products or services, and accept the supervision by the government and the public.

REGULATIONS ON INTERNET INFORMATION SERVICES

The Administrative Measures on Internet Information Services (《互聯網信息服務管理辦法》) (the "**Internet Measures**"), promulgated by the State Council on September 25, 2000 and amended on January 8, 2011, requires that a commercial operator of Internet content provision services must obtain a value-added telecommunications business operating license for the provision of Internet information services from the appropriate telecommunications authorities.

In addition, to strengthen the regulation of the mobile application information services, the Administrative Provisions on Mobile Internet Application Information Services (《移動互聯網應用程序信息服務管理規定》) was promulgated by the Cyberspace Administration of China (the "**CAC**") on June 28, 2016, and was amended on August 1, 2022, pursuant to which, an Internet application program provider that provides relevant Internet information services shall be approved by relevant competent authority or obtain relevant permission in accordance with relevant laws. Furthermore, in December 2016, the MIIT promulgated the Interim Measures on the Administration of Pre-Installation and Distribution of Applications for Mobile Smart Terminals (《移動智能終端應用軟件預置和分發管理暫行規定》) (the "**Mobile Application Interim Measures**"), which took effect on July 1, 2017. The Mobile Application Interim Measures requires, among others, that internet information service providers must ensure that a mobile application, as well as its ancillary resource files, configuration files and user data can be uninstalled by a user on a convenient basis, unless it is a basic function software, which refers to a software that supports the normal functioning of hardware and operating system of a mobile smart device.

On December 31, 2021, the CAC and other three regulatory authorities jointly promulgated the Administrative Provisions on Internet Information Service Algorithm Recommendation (《互聯網信息服務算法推薦管理規定》), which became effective on March 1, 2022. The Administrative Provisions on Internet Information Service Algorithm Recommendation stipulates that algorithm recommendation service providers with public opinion attributes or social mobilization capabilities shall submit the relevant information within ten business days from the date of providing such services. Pursuant to the Administrative Provisions on Internet Information Service Algorithm Recommendation, algorithmic recommendation service providers are required to provide users with options that are not specific to their personal characteristics, or provide users with convenient options to cancel algorithmic recommendation services and shall not set up algorithm models against applicable laws, regulations and social norms, including without limitation inducing users to indulge or engage in excess consumption.

REGULATIONS ON CYBERSECURITY

On November 7, 2016, the SCNPC promulgated the Cyber Security Law of the PRC (《中華人民共和國網絡安全法》) (the "**Cyber Security Law**"), which became effective on June 1, 2017. In accordance with the Cyber Security Law, network operators must comply with applicable laws and regulations and fulfill their obligations to safeguard network security in conducting business and providing services. Network service providers must take technical and other necessary measures as required by Laws to safeguard the operation of networks, respond to network security effectively, prevent illegal and criminal activities, and maintain the integrity, confidentiality, and usability of network data. On September 12, 2022, the CAC, issued the Decision on Amending the PRC Cyber Security Law (Draft for Comments), proposing to amend the Cyber Security Law in the following four aspects: firstly, to improve the legal liability system for violating the general provisions on the security of cyber operation; secondly, to amend the legal liability system for the security protection of critical information infrastructure; thirdly, to adjust the legal liability system for network information security; and fourthly, to amend the legal liability system for the protection of personal information.

On July 30, 2021, the State Council issued the Critical Information Infrastructure Security Protection Regulations (《關鍵信息基礎設施安全保護條例》), which took effect on September 1, 2021. These regulations stipulate the definition and the identification procedure of the critical information infrastructure. Critical information infrastructure refers to important network infrastructure, information systems in important industries and sectors such as public telecommunications and information services, energy, transportation, public services, e-government, national defense science, or important network infrastructure, information systems which may gravely harm national security, national economy and people's livelihood, or the public interest upon their destruction, loss of functionality, or data leakage. Competent departments and supervision and management departments of important industries and sectors are the protection work departments, who are responsible for formulating related identification rules of critical information infrastructures. Operators of critical information infrastructure shall undertake cybersecurity protection duties to respond to cybersecurity incidents, prevent cyberattacks and unlawful or criminal activities, ensure the secure and stable operation of critical information infrastructure, and safeguard the integrity, confidentiality, and usability of data based on cybersecurity multi-level protection. Meanwhile, critical information infrastructure operators shall undergo a security review according to national cybersecurity regulations if the network products and services they purchase may influence national security.

On December 28, 2021, the CAC, NDRC, MIIT and other ten PRC regulatory authorities jointly issued the Cybersecurity Review Measures (《網絡安全審查辦法》), which became effective on February 15, 2022. The Cybersecurity Review Measures require that, (i) any procurement of network products and services by critical information infrastructure operators, which affects or may affect national security, or (ii) any data processing activities by network platform operators, which affects or may affect national security, including that any network platform operators which has personal information of more than one million users and is going to be listed abroad, shall be subject to cybersecurity review. However, there still exists uncertainties with respect to their interpretation and implementation.

On November 14, 2021, the CAC publicly solicited opinions on the Draft Cyber Data Security Regulations (《網絡數據安全管理條例(徵求意見稿)》). According to the Draft Cyber Data Security Regulations, data processors shall, in accordance with relevant state provisions, apply for cyber security review when carrying out the following activities: (i) the merger, reorganization or separation of Internet platform operators that have acquired a large number of data resources related to national security, economic development or public interests, which affects or may affect national security; (ii) data processors that handle the personal information of more than one million people intends to be listed abroad; (iii) the data processor intends to be listed in Hong Kong, which affects or may affect national security; and (iv) other data processing activities that affect or may affect national security. As of the Latest Practicable Date, the Draft Cyber Data Security Regulations has not been formally adopted.

On July 12, 2021, MIIT, CAC and the MPS promulgated the Provisions on Administration of Security Vulnerability of Network Products (《網絡產品安全漏洞管理規定》) (the "**Provisions**"), which took effect on September 1, 2021. These provisions established rules for the suppliers of network products (both hardware and software), the network operators and the organizations or individuals who conduct the detection, collection, publication of security vulnerability of network products and other related activities. All the three types of entities shall set up communication channel to receive report of security vulnerability of network products, and shall keep the log of received information on security vulnerability for at least 6 months. Specifically, the network products operators shall take immediate measures to verify and fix the security vulnerability upon detection of the vulnerability, notify to the regulatory authorities, up-stream product providers and relative users.

REGULATIONS ON DATA SECURITY AND PERSONAL INFORMATION PROTECTION

Regulations on Data Security

On June 10, 2021, the Data Security Law of the PRC (《中華人民共和國數據安全法》) was promulgated by the SCNPC and taken effect on September 1, 2021, provides that China shall establish a data classification and grading protection system, formulate the important data catalogs to enhance the protection of important data. The conduct of data processing activities shall be in compliance with the provisions of laws and administrative regulations, establishing and completing a data security management system for the entire workflow, organizing and conducting data security education and training, adopting corresponding technical measures and other necessary measures to ensure data security, strengthening risk monitoring, taking immediately disposition measures and promptly reporting to relevant authorities when data security incidents occur. Processors of important data shall specify the person responsible for data security and management agencies, implement data security protection responsibilities, periodically conduct risk assessments of such data handling activities as provided and submit risk assessment reports to the relevant authorities. Relevant authorities will establish the measures for the cross-border transfer of important data. If any company violates the Data Security Law of the PRC and other applicable measures to provide important data outside China, such company may be punished by administration sanctions, including penalties, fines, and/or suspension of relevant business or revocation of the business license.

On December 8, 2022 the MIIT promulgated the Measures for Data Security Management in the Industrial and Information Technology Sector (for Trial Implementation) (《工業和信息化領域數據安全管理辦法(試行)》) (the "**Measures for the Industrial Data Security Management**"), which became effective on January 1, 2023. According to the legal requirements of such Measures, the data in the industrial and information technology sector shall be divided in three grades: general data, important data, and core data. Meanwhile, the data processor shall file the catalog of its important and core data with the local industry regulatory authority for the record. Moreover, these Measures clarify the processing requirements during the data life cycle per the data division situation. In the case of any violation of the Measures, the data processors shall burden the relative responsibilities per such Measures and other relevant laws and administrative regulations.

On August 16, 2021, CAC, MIIT, NDRC, MPS, Ministry of Transport promulgated the Several Provisions on Automotive Data Security Management (for Trial Implementation) (《汽車數據安全管理若干規定(試行)》). Pursuant to the Automobile Data Security Provisions, which became effective on

October 1, 2021. Per such provisions, automobile data operators shall conduct risk assessment for its important data operating activity, and report the annual situation on automobile data processing activities to relevant government authorities.

Regulations on Personal Information Protection

On December 29, 2011, the MIIT issued Several Provisions on Regulating the Market Order of Internet Information Services (《規範互聯網信息服務市場秩序若干規定》), which provide that an Internet information service provider shall not collect any user's personal information or provide any such information to third parties without such user's consent. Pursuant to the Several Provisions on Regulating the Market Order of Internet Information Services, Internet information service providers are required to, among others, (i) expressly inform the users of the method, content and purpose of the collection and processing of such users' personal information and may only collect such information necessary for the provision of its services; and (ii) properly maintain the users' personal information, and in case of any leak or possible leak of a user's personal information, Internet information service providers must take immediate remedial measures and, in severe circumstances, make an immediate report to the telecommunications regulatory authority.

Pursuant to the Decision on Strengthening the Protection of Online Information (《關於加強網絡信息保護的決定》), issued by the SCNPC on December 28, 2012, and the Order for the Protection of Telecommunication and Internet User Personal Information (《電信和互聯網用戶個人信息保護規定》), issued by the MIIT on July 16, 2013, any collection and use of any user personal information must be subject to the consent of the user, and abide to the applicable law, rationality and necessity of the business and fall within the specified purposes, methods and scopes in the applicable laws.

The Cyber Security Law require that: (i) to collect and use personal information, network operators shall follow the principles of legitimacy, rightfulness and necessity, disclose rules of data collection and use, clearly express the purposes, means and scope of collecting and using the information, and obtain the consent of the persons whose data is gathered; (ii) network operators shall neither gather personal information unrelated to the services they provide, nor gather or use personal information in violation of the provisions of laws and administrative regulations or the scopes of consent given by the persons whose data is gathered; and shall dispose of personal information they have saved in accordance with the provisions of laws and administrative regulations and agreements reached with users; (iii) network operators shall not divulge, tamper with or damage the personal information they have collected, and shall not provide the personal information to others without the consent of the persons whose data is collected. However, if the information has been processed and cannot be recovered and thus it is impossible to match such information with specific persons, such circumstance is an exception. Furthermore, under the Cyber Security Law, network operators of critical information infrastructure generally shall, during their operations in the PRC, store the personal information and important data collected and produced within the territory of the PRC.

On March 12, 2021, the CAC, the MIIT, the MPS and the SAMR jointly issued the Notice on Promulgation of the Rules on the Scope of Necessary Personal Information for Common Types of Mobile Internet Applications (《常見類型移動互聯網應用程序必要個人信息範圍規定》), effective on May 1, 2021, specifying that the operator of an internet application shall not refuse a user to use the App's basic functional services on the ground that the user disagrees with the collection of unnecessary personal information.

On August 20, 2021, the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》) was issued by the Standing Committee of the NPC and effective on November 1, 2021, provides detailed rules on processing personal information and corresponding legal responsibilities, including but not limited to the scope of personal information and the ways of processing personal information, the establishment of rules for processing personal information, the individuals' rights and the processors' obligations on response of such rights, the requirements on data localization and cross-border data transfer, the requirements for separate consent and the processing requirements of sensitive personal information. Critical information infrastructure operators and personal information processors processing personal information reaching quantities provided by the state cybersecurity and informatization department shall store personal information generated or collected within the borders of the PRC domestically; where they need to provide it abroad, they shall pass the security assessment organized by the CAC. Processors of personal information shall, based on purpose and methods of personal information processing, categories of personal information, the impacts on individuals' rights and interests, and potential security risks, take the following measures to ensure that personal information processing activities comply with the provisions of laws and administrative regulations, and prevent unauthorized access as well as the leakage, tampering or loss of personal information:

- Developing internal management systems and operating procedures.
- Conducting classified management of personal information.
- Taking corresponding security technical measures such as encryption and de-identification.
- Determining in a reasonable manner the operation privileges relating to personal information processing, and providing security education and trainings for employees on a regular basis.
- Developing and organizing the implementation of contingent plans for personal information security emergencies.
- Other measures as provided by laws and administrative regulations.

Companies that violate the Personal Information Protection Law in processing personal information may face penalties, fines, suspension of relevant business or revocation of the business license.

Regulations on Data/Personal Information Cross-border Transfer Mechanism

On July 7, 2022, the CAC has publicly solicited opinions on the Measures for the Security Assessment of Cross-border Data Transfer (《數據出境安全評估辦法》), which took effect on September 1, 2022. The Measures for the Security Assessment of Cross-border Data Transfer requires the data processor providing data overseas and falling under any of the following circumstances apply for the security assessment of cross-border data transfer by the national cybersecurity authority through its local counterpart: (i) where the data processor intends to provide important data overseas; (ii) where the critical information infrastructure operator and any data processor who has processed personal information of more than 1,000,000 individuals intend to provide personal information overseas; (iii) where any data processor who has provided personal information of 100,000 individuals or sensitive personal information of 10,000 people to overseas recipients accumulatively since January 1 of the preceding year intends to provide personal information overseas; and (iv) other circumstances where the security assessment of cross-border data transfer is required as prescribed by the CAC. Furthermore, the data processor shall conduct a self-assessment on the risk of cross-border data transfer prior to applying for the foregoing security assessment, under which the data processor shall focus on certain factors including, among others, the legitimacy, fairness and necessity of the purpose, scope and method of cross-border data transfer and the data processing of overseas recipients, the risks that the cross-border data transfer may bring to national security, public interests and the legitimate rights and interests of individuals or organizations as well as whether the cross-border data transfer related contracts or the other legally binding documents to be entered with overseas recipients have fully included the data security protection responsibilities and obligations. On August 31, 2022, the CAC issued the Guidelines for Application of Cross-border Data Transfer Security Assessment (First Edition) (《數據出境安全評估申報指南(第一版)》), which further clarifies the scope and methods of application for and the processes of cross-border data transfer security assessment. On February 22, 2023, the CAC issued the Measures for the Standard Contract for Cross-border Transfer of Personal Information (《個人信息出境標准合同辦法》) (the "**Measures for the Standard Contract**") and the Standard Contract for Cross-border Transfer of Personal Information (《個人信息出境標准合同》) (the "**SCC**"), which was officially implemented on June 1, 2023. Pursuant to the Measures for the Standard Contract, for personal information cross-border transfer that do not trigger the security assessment, the activity of transferring personal information abroad shall be carried out after the SCC enters into force. Meanwhile, personal information processors shall, within 10 working days after the SCC enters into effect, apply for filing with the cyberspace administration at the provincial level by submitting the SCC and a personal information protection impact assessment report. The SCC shall be concluded in strict accordance with the Annex of the Measures for the Standard Contract, stipulating a number of obligations on the personal information processor and the overseas recipient to protect the rights and interests of the subject of personal information.

Other Laws and Regulations

Pursuant to the Ninth Amendment to the Criminal Law of the PRC (《中華人民共和國刑法修正案(九)》), issued by the SCNPC in August 30, 2015, which became effective in November 1, 2015, any Internet service provider that fails to fulfill its obligations related to Internet information security administration as required under applicable laws and refuses to rectify upon orders shall be subject to criminal penalty. Furthermore, Interpretations of the Supreme People's Court and the Supreme People's Procuratorate on Several Issues Concerning the Application of Law in the Handling of Criminal Cases Involving Infringement of Personal Information (《關於辦理侵犯公民個人信息刑事案件適用法律若干問題的解釋》), issued on May 8, 2017 and effective on June 1, 2017, clarified certain standards for the conviction and sentencing of the criminals in relation to personal information infringement. In addition, on May 28, 2020, the NPC adopted the Civil Code of the PRC (《中華人民共和國民法典》) (the "**Civil Code**"), which became effective on January 1, 2021. Pursuant to the Civil Code, the personal information of a natural person shall be protected by the law. Any organization or individual shall legally obtain such personal information of others when necessary and ensure the safety of such information, and shall not illegally collect, use, process or transmit personal information of others, or illegally purchase or sell, provide or make public personal information of others.

REGULATIONS RELATING TO ANTI-MONOPOLY AND ANTI-UNFAIR COMPETITION IN CHINA

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

The PRC Anti-Monopoly Law (《中華人民共和國反壟斷法》), which took effect on August 1, 2008 and was last amended on June 24, 2022, prohibits monopolistic conduct such as entering into monopoly agreements, abusing market dominance and concentration of undertakings that may have the effect of eliminating or restricting competition. On June 26, 2019, the SAMR issued the Interim Provisions on the Prohibitions of Acts of Abuse of Dominant Market Positions (《禁止濫用市場支配地位行為暫行規定》), which took effect on September 1, 2019 and was revised on March 24, 2022 to further prevent and prohibit the abuse of dominant market positions, which was replaced by the Prohibitions of Acts of Abuse of Dominant Market Positions (《禁止濫用市場支配地位行為規定》) issued by the SAMR on March 10, 2023 and came into effect on April 15. On February 7, 2021, the Anti-Monopoly Commission of the State Council promulgated the Guidelines to Anti-Monopoly in the Field of Internet Platforms (《關於平台經濟領域的反壟斷指南》) (the "**Anti-Monopoly Guidelines**"), which took effect on the same date and will operate as a compliance guidance for platform economy operators under the existing PRC anti-monopoly laws and regulations. The Anti-Monopoly Guidelines mainly covers five aspects, including general provisions, monopoly agreements, abusing market dominance, concentration of undertakings, and abusing of administrative powers eliminating or restricting competition.

REGULATIONS RELATING TO THE LEASING OF PROPERTY

Pursuant to the Law of the PRC on Administration of Urban Real Estate (《中華人民共和國城市房地產管理法》), which was most recently amended by the SCNPC on August 26, 2019 with effect as of January 1, 2020, when leasing premises, the lessor and lessee are required to enter into a written lease contract, containing such provisions as the leasing term, use of the premises, rental and repair liabilities, and other rights and obligations of both parties. Both lessor and lessee are required to register the lease contract with the real estate administration department for filing. According to the Civil Code, failure to register and file the lease contract in accordance with the provisions of laws and administrative regulations shall not affect the validity of the lease contract.

Pursuant to the Administrative Measures for the Leasing of Commodity Housing (《商品房屋租賃管理辦法》) issued by the Ministry of Housing and Urban-Rural Development of the PRC on December 1, 2010 and coming into force on February 1, 2011, within 30 days after the execution of the housing lease contract, parties to the leasing of housing shall handle the registration and filing procedure of the leasing of housing at the competent construction (real estate) department under government of municipalities directly under the central government, cities and counties where the housing is located for filing. In the event that parties to the leasing of housing fail to handle the registration and filing procedure of the leasing of housing, the competent construction (real estate) department shall order rectification within a time limit. If the rectification is not made by an entity within the time limit, a fine of more than RMB1,000 but less than RMB10,000 shall be imposed.

REGULATIONS ON INTELLECTUAL PROPERTY RIGHTS

China has made substantial efforts to adopt comprehensive legislation governing intellectual property rights, including trademarks, patents, copyrights and domain names.

Trademarks

Trademarks are protected by the PRC Trademark Law (《中華人民共和國商標法》) promulgated by the SCNPC on August 23, 1982, latest amended on April 23, 2019 and effective on November 1, 2019, as well as the Implementation Regulations of the PRC Trademark Law (《中華人民共和國商標法實施條例》) promulgated by the State Council on August 3, 2002 and amended on April 29, 2014, pursuant to which, the Trademark Office of National Intellectual Property Administration, or the Trademark Office, is responsible for trademark registrations and administration, and grants a term of ten years to registered trademarks and another ten years if requested upon expiry of the first or any renewed ten-year term. In addition, the PRC Trademark Law has adopted a "first-to-file" principle with respect to trademark registration.

Patents

According to the PRC Patent Law (《中華人民共和國專利法》) amended by the SCNPC on December 27, 2008 and became effective on October 1, 2009, as well as the Detailed Rules for the Implementation of the PRC Patent Law (《中華人民共和國專利法實施細則》) promulgated by the State Council on January 9, 2010 and took effect on February 1, 2010, the National Intellectual Property Administration is responsible for administering patents in the PRC. The PRC Patent Law and its implementation rules provide for three types of patents, "invention", "utility model" and "design." The PRC Patent Law was further amended by the SCNPC on October 17, 2020 and became effective on June 1, 2021, pursuant to which, the duration of design patents are changed from ten years to fifteen years, commencing from the date of application.

Copyrights

Pursuant to the PRC Copyright Law (《中華人民共和國著作權法》) amended by the SCNPC on February 26, 2010, became effective on April 1, 2010, and latest amended on November 11, 2020 and took effect on June 1, 2021 and the Implementing Regulations of the PRC Copyright Law (《中華人民共和國著作權法實施條例》) promulgated by the State Council on August 2, 2002, latest amended on January 30, 2013 and became effective on March 1, 2013, the PRC citizens, legal persons, and other organizations shall, enjoy copyright in their works, whether published or not, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software. The copyright owner enjoys various kinds of rights, including right of publication, right of authorship and right of reproduction.

Domain Names

Internet domain name registration and related matters are primarily regulated by the Administrative Measures on Internet Domain Names (《互聯網域名管理辦法》) promulgated by the MIIT on August 24, 2017 and took effect on November 1, 2017, and the Implementing Rules of Registration of Country Code Top-level Domain Name (《國家頂級域名註冊實施細則》), promulgated by the China Internet Network Information Center (the "**CNNIC**") on June 18, 2019 and took effect on the same day, pursuant to which, the MIIT is in charge of the administration of PRC Internet domain names and the CNNIC is responsible for the daily administration of CN domain names and Chinese domain names. The registration of domain names follows a "first come, first file" principle. The applicants will become the holders of such domain names upon the completion of the registration procedure.

REGULATIONS ON LABOR PROTECTION

On June 29, 2007, the SCNPC promulgated the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》), as amended on December 28, 2012, together with the Implementing Rules of the Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》), which was promulgated by the State Council on September 18, 2008 and the PRC Labor Law (《中華人民共和國勞動法》), which was promulgated by the SCNPC on July 5, 1994 and was last amended on December 29, 2018, formalized employees' rights concerning employment contracts, overtime hours, layoffs and the role of trade unions and provides for specific standards and procedures for the termination of an employment contract. In addition, the Labor Contract Law of the PRC requires the payment of a statutory severance pay upon the termination of an employment contract in most cases, including in cases of the expiration of a fixed-term employment contract. In addition, under the Regulations on Paid Annual Leave for Employees (《職工帶薪年休假條例》) and its implementation rules, which became effective on January 1, 2008 and on September 18, 2008 respectively, employees are entitled to a paid vacation ranging from 5 to 15 days, depending on their length of service and to enjoy compensation of three times their regular salaries for each such vacation day in case such employees are deprived of such vacation time by employers, unless the employees waive such vacation days in writing.

Enterprises in China are required by PRC laws and regulations to participate in certain employee benefit plans, including social insurance funds, namely a pension plan, a medical insurance plan, an unemployment insurance plan, a work-related injury insurance plan and a maternity insurance plan, and a housing provident fund, and contribute to the plans or funds in amounts equal to certain percentages of salaries, including bonuses and allowances, of the employees as specified by the local government from time to time at locations where they operate their businesses or where they are located. According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), an employer that fails to make social insurance contributions may be ordered to pay the required contributions within a stipulated deadline and be subject to a late fee of 0.05% of the amount overdue per day from the original due date by the relevant authority. If the employer still fails to rectify the failure to make social insurance contributions by such stipulated deadline, it may be subject to a fine ranging from one to three times the amount overdue. According to the Regulations on Management of Housing Fund (《住房公積金管理條例》) issued by the State Council on March 24, 2019, an enterprise that fails to make housing fund contributions may be ordered to rectify the noncompliance and pay the required contributions within a stipulated deadline; otherwise, an application may be made to a local court for compulsory enforcement.

REGULATIONS ON TAXATION

Enterprise Income Tax

Pursuant to the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) (the "**EIT Law**"), promulgated by the SCNPC on March 16, 2007, latest amended and effective on December 29, 2018, and the Implementation Regulations of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) (the "**EITIR**") promulgated by the State Council on December 6, 2007, latest amended and effective on April 23, 2019, the enterprise income tax of both domestic and foreign-invested enterprises is unified at 25% with certain exceptions. Enterprises are classified as "resident enterprises" and "non-resident enterprises", resident enterprises typically pay an enterprise income tax at the rate of 25% while non-resident enterprises without any branches in the PRC should pay an enterprise income tax in connection with their income from the PRC at the reduced tax rate of 10%. Enterprises established under the law of foreign countries or regions whose "de facto management bodies" which is defined as the management bodies that exercise full and substantial control and overall management over the business, productions, personnel, accounts and properties of the enterprises are located in the PRC are considered as PRC tax resident enterprises, and will generally be subject to enterprise income tax at the rate of 25% of their global income.

Value-added Tax

Pursuant to the Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》) promulgated by the State Council on December 13, 1993, latest amended and became effective on November 19, 2017, and the Implementing Rules for the Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例實施細則》) promulgated by the Ministry of Finance (the "**MOF**") on December 25, 1993, latest amended on October 28, 2011 and became effective on November 1, 2011, all enterprises and individuals that engage in the sale of goods, the provision of processing, repair and replacement services, the sale of services, intangible assets or immovable properties and the importation of goods within the territory of the PRC must pay the VAT. The VAT tax rates generally applicable are simplified as 17%, 11%, 6% and 3%, and the VAT tax rate applicable to the small-scale taxpayers is 3%.

On April 8, 2022, the Relevant Value-Added Tax Policy for the Dealing of Used Vehicles (《關於二手車經銷有關增值稅政策的公告》) was promulgated by the MOF and the SAT, which reduced the value-added tax of taxpayers engaged in the sale of used vehicles acquired by them for resale to 0.5% instead of the previously reduced rate of 2% from the original 3%.

Dividends Withholding Tax

Pursuant to the EIT Law and the EITIR, dividends generated after January 1, 2008 and payable by foreign-invested companies in China to their foreign investors that are non-resident enterprises as defined under the law are subject to withholding tax at a rate of 10%, unless any such foreign investor's jurisdiction of incorporation has a tax treaty with PRC that provides for a different withholding arrangement. Pursuant to the Arrangement Between the Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷稅漏稅的安排》) (the "**Double Tax Avoidance Arrangement**") promulgated on August 21, 2006 and last amended on December 6, 2019, where a Hong Kong resident enterprise that holds more than a 25% equity interest in a PRC resident enterprise at any time within 12 consecutive months before receiving the dividend, the competent PRC tax authority may determine the Hong Kong resident enterprise to have satisfied the relevant conditions and requirements under such Double Tax Avoidance Arrangement, and the withholding tax rate on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5% from 10% applicable under the EIT Law and the EITIR.

However, based on the Notice of the State Administration of Taxation on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) promulgated and took effect on February 20, 2009 by the SAT, where the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a transaction or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment. Based on the Notice of the State Administration of Taxation on relevant issues regarding the Recognition of "Beneficial Owners" in Tax Treaties (《國家稅務總機關於認定稅收協定中"受益所有人"有關問題的公告》), which was promulgated by the SAT on February 3, 2018 and came into effect on April 1, 2018, a comprehensive analysis will be used to determine beneficial ownership based on the actual situation of a specific case combined with certain principles, and if an applicant is obliged to pay more than 50% of its income to a third country (region) resident within 12 months of the receipt of the income, or the business activities undertaken by an applicant did not constitute substantive business activities including substantive manufacturing, distribution, management and other activities, the applicant was unlikely to be recognized as an beneficial owner to enjoy tax treaty benefits.

REGULATIONS ON FOREIGN EXCHANGE

Foreign exchange regulations in the PRC are primarily governed by the Administration Rules on the Foreign Exchange of the PRC (《中華人民共和國外匯管理條例》) (the "**Exchange Rules**") promulgated by the State Council on January 29, 1996, latest amended and became effective on August 5, 2008 as well as the Administration Rules of the Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) (the "**Administration Rules**") issued by the People's Bank of China on June 20, 1996 and became effective on July 1, 1996. Under the Exchange Rules, the Renminbi is convertible for current account items, including the distribution of dividends, interest and royalty payments, trade and service-related foreign exchange transactions. Conversion of Renminbi for capital account items, such as direct investment, loan, securities investment and repatriation of investment, however, is still subject to the approval of the State Administration of Foreign Exchange (the "**SAFE**"). Under the Administration Rules, foreign-invested enterprises may only buy, sell and/or remit foreign currencies at banks authorized to conduct foreign exchange business after providing valid commercial documents required and, in the case of capital account item transactions, obtaining approval from the SAFE. Capital investments by foreign-invested enterprises outside of China are also subject to limitations, including approval by regulatory government bodies like the MOFCOM, the SAFE and the NDRC or their local counterparts.

On May 11, 2013, the SAFE promulgated the Circular on Printing and Distributing the Provisions on Foreign Exchange Administration over Domestic Direct Investment by Foreign Investors and the Supporting Documents (《國家外匯管理局關於印發〈外國投資者境內直接投資外匯管理規定〉及配套文件的通知》), which specifies that the administration by the SAFE or its local branches over direct investment by foreign investors in the PRC shall be conducted by way of registration. Institutions and individuals shall register with the SAFE and/or its branches for their direct investment in the PRC. Banks shall process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by the SAFE and its branches.

On February 13, 2015, the SAFE promulgated the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving the Foreign Exchange Administration Policies on Direct Investments (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (the "**SAFE Circular 13**"), which took effect on June 1, 2015 and was amended in December 2019. The SAFE Circular 13 specifies that the administrative examination and approval procedures with the SAFE or its local branches relating to the foreign exchange registration approval for domestic direct investments as well as overseas direct investments have been canceled, and qualified banks are delegated the power to directly conduct such foreign exchange registrations under the supervision of the SAFE or its local branches.

On March 30, 2015, the SAFE issued the Circular of the State Administration of Foreign Exchange on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) (the "**SAFE Circular 19**"), which took effect and replaced relevant previous regulations from June 1, 2015. Pursuant to the SAFE Circular 19, up to 100% of foreign currency capital of a foreign-invested enterprise may be converted into RMB capital according to the actual operation of the enterprise within the business scope at its will and the RMB capital converted from foreign currency registered capital of a foreign-invested enterprise may be used for equity investments within the PRC provided that such usage shall fall into the business scope of the foreign-invested enterprise, which will be regarded as the reinvestment of foreign-invested enterprise. Although the SAFE Circular 19 allows for the use of RMB converted from the foreign currency-denominated capital for equity investments in the PRC, the restrictions continue to apply as to foreign-invested enterprises' use of the converted RMB for purposes beyond the business scope, for securities investments, for entrusted loans or for inter-company RMB loans.

On June 9, 2016, the SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (the "**SAFE Circular 16**"), which reiterates some of the rules set forth in Circular 19, but changes the prohibition against using RMB capital converted from foreign currency denominated registered capital of a foreign-invested company to issue RMB entrusted loans to a prohibition against using such capital to issue loans to non-affiliated enterprises. In addition, SAFE promulgated the SAFE Circular 28 on October 23, 2019, which expressly allows foreign-invested enterprises that do not have equity investments in their approved business scope to use their capital obtained from foreign exchange settlement to make domestic equity investments as long as there is a truthful investment and such investment is in compliance with the foreign investment-related laws and regulations.

On April 10, 2020, the SAFE promulgated Notice of the SAFE on Optimizing Foreign Exchange Administration to Support the Development of Foreign-related Business (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》) (the "**SAFE Circular 8**"), according to which, under the prerequisite of ensuring true and compliant use of funds and compliance with the prevailing administrative provisions on use of income under the capital account, enterprises which satisfy the criteria are allowed to use income under the capital account, such as capital funds, foreign debt and overseas listing, etc. for domestic payment, without prior provision of proof materials for veracity to the bank for each transaction.

REGULATIONS ON DIVIDEND DISTRIBUTION

As the FIL came into effect on January 1, 2020, the principal regulations governing dividend distributions of wholly foreign-owned companies include the PRC Company Law, the EIT Law, and its implementation rules. Under the current regulatory regime in the PRC, foreign-invested enterprises in the PRC may pay dividends only out of their retained earnings, if any, determined in accordance with PRC accounting standards and regulations. A PRC company is required to set aside as statutory reserve funds at least 10% of its after-tax profit, until the cumulative amount of such reserve funds reaches 50% of its registered capital unless laws regarding foreign investment provide otherwise. A PRC company shall not distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year.

REGULATIONS ON OFFSHORE INVESTMENT BY PRC RESIDENTS

On July 4, 2014, the SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Administration of Domestic Residents' Overseas Investment, Financing and Round-Trip Investment through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the "**SAFE Circular 37**"), which terminated the SAFE's Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Round-Trip Investment via Overseas Special Purpose Vehicles (《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) (the "**SAFE Circular 75**"), and became effective on the same date. The SAFE Circular 37 and its detailed guidelines require PRC residents to register with the local branch of the SAFE before contributing their legally owned onshore or offshore assets or equity interests into any special purpose vehicle (the "**SPV**") directly established, or indirectly controlled, by them for the purpose of investment or financing; and when there is (a) any change to the basic information of the SPV, such as any change relating to its individual PRC resident shareholders, name or operation period or (b) any material change, such as increase or decrease in the share capital held by its individual PRC resident shareholders, a share transfer or exchange of the shares in the SPV, or a merger or split of the SPV, the PRC resident must register such changes with the local branch of SAFE on a timely basis.

On February 13, 2015, the SAFE further enacted the SAFE Circular 13 which took effect on June 1, 2015 and was further amended on December 30, 2019. The SAFE Circular 13 has delegated to the qualified banks the authority to register all PRC residents or entities' investment and financing in the SPVs pursuant to the SAFE Circular 37, except that those PRC residents who have failed to comply with SAFE Circular 37 will remain to fall into the jurisdiction of the local SAFE branch and must make their supplementary registration application with the local SAFE branch. In the event that a PRC shareholder holding interests in a SPV fails to fulfill the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be prohibited from distributing profits to the offshore parent and from carrying out subsequent cross-border foreign exchange activities. In addition, the SPV may be restricted in its ability to contribute additional capital into its PRC subsidiary. Moreover, failure to comply with various SAFE registration requirements described above would result in liability for foreign exchange evasion under PRC laws.

REGULATIONS ON STOCK INCENTIVE PLANS

On December 25, 2006, the PBOC promulgated the Administrative Measures of Foreign Exchange Matters for Individuals (《個人外匯管理辦法》), setting forth the respective requirements for foreign exchange transactions by individuals (both PRC or non-PRC citizens) under either the current account or the capital account. On January 5, 2007, the SAFE issued the Implementing Rules of the Administrative Measures for Personal Foreign Exchange (《個人外匯管理辦法實施細則》), which, among other things, specified approval requirements for certain capital account transactions such as a PRC citizen's participation in the employee stock ownership plans or stock option plans of an overseas publicly-listed company. On February 15, 2012, the SAFE issued the Circular of the State Administration of Foreign Exchange on Issues Related to Foreign Exchange Administration in Domestic Individuals' Participation in Equity Incentive Plans of Companies Listed Abroad (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》) (the "**Stock Incentive Plan Rules**"), which terminated the Operation Rules on the Foreign Exchange Administration of the Participation of Domestic Individuals in Overseas Listed Companies' Employee Stock Ownership Plans and Share Option Schemes (《境內個人參與境外上市公司員工持股計劃和認股期權計劃等外匯管理操作規程》) issued by SAFE on March 28, 2007. The purpose of the Stock Incentive Plan Rules is to regulate foreign exchange administration of PRC domestic individuals who participate in employee stock holding plans or stock option plans of overseas listed companies. According to the Stock Incentive Plan Rules, if PRC "domestic individuals" (both PRC residents and non-PRC residents who reside in the PRC for a continuous period of not less than one year, excluding the foreign diplomatic personnel and representatives of international organizations) participate in any stock incentive plan of an overseas listed company, a PRC domestic qualified agent, which could be the PRC subsidiary of such overseas listed company, shall, among others things, file, on behalf of such individual, an application with SAFE to conduct the SAFE registration with respect to such stock incentive plan, and obtain approval for an annual allowance with respect to the purchase of foreign exchange in connection with stock holding or stock option exercises. With the SAFE registration certificate for stock incentive plan, the PRC domestic qualified agent shall open a special foreign exchange account at a PRC domestic bank to hold the funds required in connection with the stock purchase or option exercise, any returned principal or profits upon sales of stock, any dividends issued upon the stock and any other income or expenditures approved by SAFE. Such PRC individuals' foreign exchange income received from the sale of stock and dividends distributed by the overseas listed company and any other income shall be fully remitted into a special foreign currency account opened and managed by the PRC domestic qualified agent before distribution to such individuals.

REGULATIONS ON M&A AND OVERSEAS LISTING

On August 8, 2006, six PRC regulatory authorities, including the MOFCOM and other government authorities jointly issued the Rules on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the "**M&A Rules**"). which became effective on September 8, 2006, and was amended on June 22, 2009. The M&A Rules, and other regulations and rules concerning mergers and acquisitions established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time consuming and complex.

On July 6, 2021, the General Office of the Communist Party of China Central Committee and the General Office of the State Council jointly promulgated the Opinions on Strictly Cracking Down on Illegal Securities Activities (《關於依法從嚴打擊證券違法活動的意見》), which emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings of China-based companies, and proposed to take effective measures, such as promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by China-based overseas-listed companies, and provided that the special provisions of the State Council on overseas offering and listing by those companies limited by shares will be revised and therefore the duties of relevant domestic authorities and regulatory authorities will be clarified.

On February 17, 2023, the CSRC released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "**Trial Measures**") and five supporting guidelines (collectively, the "**Trial Measures and Supporting Guidelines**"), which came into effect on March 31, 2023. The Trial Measures and Supporting Guidelines will regulate both direct and indirect overseas offering and listing of PRC domestic companies' securities by adopting a filing-based regulatory regime.

Pursuant to the Trial Measures and Supporting Guidelines, if the issuer both meets the following criteria, the overseas securities offering and listing conducted by such issuer will be deemed as indirect overseas offering by PRC domestic companies: (i) 50% or more of any of the issuer's operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements for the most recent fiscal year is accounted for by domestic companies; and (ii) the main parts of the issuer's business activities are conducted in the PRC, or its main place(s) of business are located in the PRC, or the majority of senior management staff in charge of its business operations and management are PRC citizens or have their usual place(s) of residence located in the PRC. Where an issuer submits an [REDACTED] for [REDACTED] to competent overseas regulators, such issuer must file with the CSRC within three business days after such [REDACTED] is submitted. The Trial Measures and Supporting Guidelines provide that, an overseas offering and listing is prohibited under any of the following circumstances: if (i) such securities offering and listing is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules; (ii) the intended securities offering and listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with law; (iii) the domestic company intending to make the securities offering and listing, or its controlling shareholder(s) and the actual controller, have committed relevant crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) the domestic company intending to make the securities offering and listing is currently under investigations for suspicion of criminal offenses or major violations of laws and regulations, and no conclusion has yet been made thereof; or (v) there are material ownership disputes over equity held by the domestic company's controlling shareholder(s) or by other shareholder(s) that are controlled by the controlling shareholder(s) and/or actual controller." If domestic companies fail to fulfill the above-mentioned filing procedures or offer and list in an overseas market against the prohibited circumstances, the domestic companies, controlling shareholders and actual controllers of such domestic companies as well as the directly liable persons-in-charge and other directly liable persons would be required to rectify, warned and/or fined in accordance with the Trial Measures. The Trial Measures and Supporting Guidelines also require subsequent reports to be filed with the CSRC on material events, such as change of control or voluntary or forced delisting of the issuer(s) who have completed overseas offerings and listings.

Based on the above and the current expected timetable of this [REDACTED], our PRC Legal Adviser is of the view that this [REDACTED] shall be deemed as an indirect overseas offering by a PRC domestic company, and we are required to submit filings with the CSRC within three business days after we submit [REDACTED] for this [REDACTED]. As confirmed by our Directors and our PRC Legal Adviser, we have submitted the filing with the CSRC within the specific time limit as required by the Trial Measures and Supporting Guidelines after our submission of the [REDACTED] for this [REDACTED] to the Stock Exchange. As of the Latest Practicable Date, we have completed such filing procedures. We plan to continue to comply with the relevant requirements of the Trial Measures and Supporting Guidelines in all material respects by seeking guidance from the relevant regulator and our PRC Legal Adviser.

On February 24, 2023, the CSRC, the MOF, the National Administration of State Secrets Protection and the National Archives Administration of China jointly issued the Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the "**Confidentiality and Archives Administration Provisions**"), which took effect on March 31, 2023. According to the Confidentiality and Archives Administration Provisions, overseas securities regulators and competent overseas authorities may request to inspect, investigate or collect evidence from a domestic company concerning its overseas offering and listing or from the domestic securities companies and securities service providers that undertake relevant businesses for such domestic companies, such inspection, investigation and evidence collection shall be conducted under a cross-border regulatory cooperation mechanism, and the CSRC or other competent Chinese authorities will provide necessary assistance pursuant to bilateral and multilateral cooperation mechanisms. The domestic company, securities companies and securities service providers shall first obtain approval from the CSRC or other competent Chinese authorities before cooperating with the inspection and investigation by the overseas securities regulator or competent overseas authority, or providing documents and materials requested in such inspection and investigation. To be specific, a domestic company that plans to, either directly or through its overseas listed entity, publicly disclose or provide to relevant individuals or entities including securities companies, securities service providers and overseas regulators, (i) any documents and materials that contain state secrets or working secrets of government agencies, shall first obtain approval from competent authorities and file with competent secrecy administrative department; (ii) any other documents and materials that, if leaked, will be detrimental to national security or public interest, shall strictly fulfill relevant procedures stipulated by applicable national regulations. A domestic company that provides documents and materials to securities companies and securities service providers shall abide by applicable national regulations on confidentiality in handling such documents and materials, and shall provide a written statement to relevant securities companies and securities service providers simultaneously.

During the Track Record Period and up to the Latest Practicable Date, we had not received any negative enquiries, comments, instructions, guidance or other concerns from any PRC competent authorities (including the CSRC) with respect to this [REDACTED] or our Previous Contractual Arrangements. We are also proactively following up changes in laws and regulatory development and will carry out relevant work to ensure compliance with laws and regulations with the aid of external counsels.

OVERVIEW

Our Group was founded by Mr. Yang Aihua (楊愛華) in 2014, who is also currently the Executive Director of our Company. Since the debut of our used vehicle auction in 2014, we have become the largest used vehicle transaction service provider in terms of transaction volume in 2022. For further details regarding our business, please refer to the section headed "Business" in this document.

Our Company was incorporated in the Cayman Islands on September 3, 2014, which is the ultimate holding company of our subsidiaries. Further details of our corporate structure are set out in the section headed "Corporate Development" below.

KEY BUSINESS MILESTONES

The following table sets out our major business development milestones since our inception and up to the Latest Practicable Date:

Year	Event
2014	Our Company was founded, and we held the first vehicle auction in Shanghai and launched our mobile application
2016	We began our national expansion, and established auction centers and auction hubs in 9 provinces and 3 municipalities, which enabled us to hold online-offline integrated auctions for used vehicles in these regions
2017	We launched ADMS system which provides tools for dealership groups to facilitate the management of used vehicles business
2019	Completed Series A Financing and raised a total of US$15,000,000 from Image Frame Investment (HK) Limited ("**Image Frame**" or "**Tencent**") (a wholly-owned subsidiary of Tencent Holdings Limited) and Dazzling Calcite Limited ("**Dazzling**" or "**JD**") (a wholly-owned subsidiary of JD.com, Inc.)
2020	We have conducted business with over 50% of the top 100 dealership groups (in terms of revenue in 2020), and provided services related to the disposal and management of used vehicles
2021	We had established a total of 73 offline auction sites by the end of 2021, providing online and offline used vehicle trading service in 28 provinces and municipalities in China, and transaction volume of our platform reached 260,000 units
2022	Completed Series B Financing and raised a total of US$15,000,000 from CR Matrix Limited ("**CR Matrix**")
2023	We have formed strategic collaboration with eight NEV OEMs as of December 31, 2023

See "Business — Awards and Recognition" for recognition for the quality and market reception of our services during the Track Record Period.

CORPORATE DEVELOPMENT

Establishment of our Company

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on September 3, 2014 with an authorized share capital of US$50,000 divided into 50,000 Shares with a par value of US$1.00 each.

Upon incorporation, Extensive Prosperous Investment Limited (昌廣投資有限公司) ("**Extensive Prosperous**") held 50,000 Shares as the sole Shareholder of the Company. Extensive Prosperous is ultimately controlled by Mr. Yang Aihua (楊愛華). Our Company is the ultimate holding company of our subsidiaries. For details of the interests held by Mr. Yang Aihua (楊愛華) in Extensive Prosperous, please refer to the section headed "Substantial Shareholders" in this document.

Our Major Subsidiaries

Since our inception, our business operations have been carried out by our operating subsidiaries established in the PRC. Set out below is the general information of our major subsidiaries which made material contribution to the operation of our Group during the Track Record Period:

Name	Date of Establishment	Principal Business Activities	Place of Establishment
Shanghai Xinbao Botong	June 19, 2014	Investment holding, arrangement for sales of used vehicles	PRC
Shanghai Shuxun Electric Commercial Co., Ltd.* (上海澍勛電子商務有限公司) ("**Shanghai Shuxun**") (1)	March 7, 2014	Operation of IT system and internet information service	PRC
Xinjiang Huihan Motor Vehicle Auction Service Co., Ltd.* (新疆匯瀚機動車拍賣服務有限公司)	June 4, 2020	Used vehicle auction services and related services	PRC
Shanghai Changxin Auction Co., Ltd.* (上海常信拍賣有限公司)	September 29, 2014	Used vehicle auction services and related services	PRC

Name	Date of Establishment	Principal Business Activities	Place of Establishment
Guizhou Xintong Used Vehicle Auction Co., Ltd.* (貴州信通二手車拍賣有限公司)	July 20, 2011	Used vehicle auction services and related services, used vehicle value-added services	PRC
Beijing Kaokesi Auto Technical Co., Ltd.* (北京考科斯汽車科技有限公司)	May 10, 2017	Used vehicle auction services and related services	PRC
Wenzhou Changxin Automobile Sales Service Co., Ltd.* (溫州常信汽車銷售服務有限公司)	November 4, 2019	Used vehicle value-added services, arrangement for sales of used vehicles	PRC
Suzhou Huarunde Used Motor Vehicle Trading Market Co., Ltd.* (蘇州華潤德舊機動車交易市場有限公司)	June 8, 2017	Used vehicle value-added services	PRC
Changchun Baorui International Exhibition Co., Ltd.* (長春寶瑞國際會展有限公司)	December 26, 2017	Exhibition related service	PRC

For details of the above subsidiaries, please refer to the section headed "Corporate and Group Information" in Appendix I to this document.

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

We have not conducted any acquisitions, disposals or mergers since our incorporation that we consider to be material to us.

[REDACTED]

(i) Issuance of ordinary shares to [REDACTED] from 2014 to 2022

From September 2014 to May 2022, the Company has entered into an array of investment agreements with various [REDACTED], details of which are set out below:

Name of [REDACTED]	Date of Investment Agreement	Number of ordinary shares subscribed by the [REDACTED]	Amount of consideration	Approximate price per Share(1)	Discount to the [REDACTED](2)	Date of settlement
Mighty Nation Investment Development Limited ("**Mighty Nation**")(8)	September 23, 2014	25,000,000	RMB25,000,000	RMB1.00	[REDACTED]	May 30, 2023
Bold Idea Ventures Limited ("**Bold Idea**")(3)(7)	December 8, 2014	12,295,082(7)	RMB50,000,000	RMB0.66	[REDACTED]	January 28, 2015
Manheim Global Management LP ("**Manheim LP**")(4)(7)	December 12, 2014	14,754,099(7)	US$20,450,789	US$0.23(7)	[REDACTED]	January 29, 2015
Mr. Sun Shaojun (孫紹軍) ("**Mr. Sun**")(5)(7)	June 8, 2015	3,278,689(7)	RMB27,000,000	RMB1.35(7)	[REDACTED]	August 12, 2015
Lei Shing Hong Automobile Limited(7)	July 5, 2017	1,639,344(7)	RMB13,500,000	RMB1.35(7)	[REDACTED]	September 13, 2017
Zeal International Investment Holding Limited ("**Zeal International**")(7)(8)	September 26, 2017	1,639,344(7)	RMB13,500,000	RMB1.35(7)	[REDACTED]	May 23, 2023

Name of [REDACTED]	Date of Investment Agreement	Number of ordinary shares subscribed by the [REDACTED]	Amount of consideration	Approximate price per Share[(1)]	Discount to the [REDACTED][(2)]	Date of settlement
Kang Peng (康鵬)[(8)]	October 23, 2017	5,000,000	RMB6,750,000	RMB1.35	[REDACTED]	February 9, 2023
Han Baoshuang (韓葆霜) and Diao Jianshen (刁建申)[(8)]	October 24, 2017	30,000,000	RMB40,500,000	RMB1.35	[REDACTED]	February 9, 2023
Fenghong Investment Development Limited[(8)]	December 21, 2018	25,000,000	RMB33,750,000	RMB1.35	[REDACTED]	May 31, 2023
Hongtai Investment Development Limited[(8)]	December 21, 2018	20,000,000	RMB27,000,000	RMB1.35	[REDACTED]	May 30, 2023
Jinyi Investment Development Limited[(9)]	December 21, 2018	10,000,000	RMB13,500,000	RMB1.35	[REDACTED]	May 31, 2023
Runda Investment Development Limited[(6)]	December 21, 2018	15,000,000	RMB20,250,000	RMB1.35	[REDACTED]	May 26, 2023
Zeal International[(8)]	December 21, 2018	9,136,592	US$5,383,580	US$0.59	[REDACTED]	May 23, 2023
Runwin (China) Investment Limited ("**Runwin China**")[(6)]	December 21, 2018	30,000,000	RMB40,500,000[(6)]	RMB1.35	[REDACTED]	May 26, 2023
Furui Investment Development Limited[(8)]	February 20, 2019	10,000,000	RMB13,500,000	RMB1.35	[REDACTED]	May 26, 2023
Xiangfeng Investment Development Limited[(8)]	February 20, 2019	15,000,000	RMB20,250,000	RMB1.35	[REDACTED]	May 25, 2023
Ruibo Investment Development Limited[(8)]	February 20, 2019	10,000,000	RMB13,500,000	RMB1.35	[REDACTED]	May 30, 2023

Name of [REDACTED]	Date of Investment Agreement	Number of ordinary shares subscribed by the [REDACTED]	Amount of consideration	Approximate price per Share[(1)]	Discount to the [REDACTED][(2)]	Date of settlement
Wise Axis Limited ("**Wise Axis**")	October 26, 2021	1,660,000	RMB4,980,000	RMB3.00	[REDACTED]	May 19, 2023
Triton Venture Limited ("**Triton**")	October 9, 2021	3,320,000	RMB9,960,000	RMB3.00	[REDACTED]	May 18, 2023
Grand ZhangYQ Holding Limited	May 12, 2022	37,500,000	RMB112,500,000	RMB3.00	[REDACTED]	May 31, 2023

Notes:

(1) Calculated based on division of the amount of consideration paid by the relevant [REDACTED] by the number of Shares issued to them.

(2) Calculated based on (i) the assumption that the [REDACTED] is [REDACTED] per Share, being the [REDACTED] the indicative [REDACTED]; and (ii) the exchange rate of RMB1.00 to HK$1.09923 and US$1.00 to HK$7.81518.

(3) Bold Idea transferred 12,295,082 ordinary shares of our Company to Hexi Investment Limited, which in turn transferred the Shares to World Key Investment Trading Limited ("**World Key**"), a company controlled by Mr. Yang Hansong (楊漢松), a brother of Mr. Yang Aihua (楊愛華), for a consideration of RMB69,720,000 pursuant to a share transfer agreement dated November 30, 2017. The consideration was determined based on arm's length negotiations between parties. Bold Idea has ceased to be a Shareholder of our Company.

Pursuant to share transfer agreement dated January 15, 2019, World Key transferred 25,000,000 ordinary shares of our Company to Jumbo Create Investment Development Limited ("**Jumbo Create**"), a company held by Mr. Yang Zehua (楊澤華), a brother of Mr. Yang Aihua (楊愛華), for a consideration of RMB23,240,000. Subsequent to the transfer, World Key held as to 50,000,000 ordinary shares of our Company.

(4) On February 28, 2017, Manheim LP transferred 14,754,099 ordinary shares to Manheim Investments, Inc ("**Manheim Investments**") for a consideration of US$11,378,640, and Manheim LP ceased to be a Shareholder of the Company. Manheim Investments is an indirect subsidiary of Cox Enterprises, Inc. Manheim LP has been struck off in September 2017.

(5) On February 20, 2019, Mr. Sun entered into a share transfer agreement with, among others, Yunchang Investment Development Limited ("**Yunchang Investment**"), pursuant to which Mr. Sun has transferred 20,000,000 ordinary shares of our Company to Yunchang Investment for a consideration of the equivalent USD amount of RMB27,000,000, and Mr. Sun ceased to be a Shareholder of the Company.

(6) Pursuant to a share transfer agreement dated January 27, 2022, Runwin China transferred 30,000,000 ordinary shares of the Company to New Plus Limited, an entity which is held by the same shareholder of Runwin China, at a consideration of RMB40,500,000, which was settled on May 26, 2023.

(7) There has been an increase of authorized share capital with the addition of ordinary shares at a par value of US$0.1639 each in 2018. The Company issued 100,000,000 Shares, 75,000,000 Shares, 90,000,000 Shares, 10,000,000 Shares, 10,000,000 Shares, and 20,000,000 Shares of a par value of US$0.1639 each to Extensive Prosperous, World Key, Manheim Investments, Lei Shing Hong Automobile Limited, Zeal International and Mr. Sun respectively after repurchasing the original Shares held by each of these Shareholders.

(8) The settlement of consideration of such [REDACTED] has been delayed due to the need to set up relevant New Offshore SPVs (as defined below) and to complete overseas direct investment filing or registration under SAFE Circular 37 (as applicable) from relevant applicable PRC regulatory authorities before any settlement of consideration for such [REDACTED]. For further details, please refer to the sub-section headed "CORPORATE REORGANIZATION — (i) Reorganization in relation to certain [REDACTED]" below.

(9) Mr. Changbao Shi has transferred all of the shares he held in Jinyi Investment Development Limited to Mr. Yanjin Shi on May 12, 2023. The consideration of RMB13,500,000 with respect to the subscription of Shares by Jinyi Investment Development Limited was subsequently settled on May 31, 2023.

(ii) Series A Financing — Issuance of Preferred Shares to the Series A Investors in 2019

Pursuant to a share purchase agreement dated February 22, 2019, the Company issued to Image Frame and Image Frame subscribed for 16,971,220 Series A Preferred Shares at a consideration of US$10,000,000, which was settled on April 17, 2019.

On July 11, 2019, the Company issued to Dazzling and Dazzling subscribed for 8,485,610 Series A Preferred Shares at a consideration of US$5,000,000, which was settled on July 23, 2019.

Pursuant to the valuation adjustment mechanism and the anti-dilution requirements as set out in the relevant [REDACTED] agreements and the then effective memorandum and articles of association of our Company, and the Waiver Letter (defined below), (i) 5,091,366 Series A Preferred Shares and 2,545,683 Series A Preferred Shares were issued to Image Frame and Dazzling respectively on August 12, 2022; and (ii) 3,394,505 Series A Preferred Shares and 1,697,253 Series A Preferred Shares were issued to Image Frame and Dazzling respectively on June 27, 2023.

Issuance of Series A Preferred Shares on August 12, 2022

The additional 7,637,049 Series A Preferred Shares issued in August 2022 was pursuant to the letter to waive the investment adjustment clause under the second amended and restated Shareholders' Agreement dated July 23, 2019 ("**2019 SHA**") entered into by the Series A Investors and our Company on August 4, 2022 (the "**Waiver Letter**"). Under the 2019 SHA, the investment amount of each Series A Investor shall be adjusted according to a formula in the event the net profit in the financial year of 2019 is less than an expected amount. Since the actual profit in the financial year of 2019 was lower than the expected net profit amount, the investment adjustment clause under the 2019 SHA was triggered, pursuant to which the Company shall refund the difference between the original investment amounts and the adjusted investment amounts to the Series A Investors (the "**Refund Amount**"). According to the Waiver Letter, the Series A Investors agreed to waive the Company's refund obligation under 2019 SHA on the condition that the Company issued 5,091,366 Series A Preferred Shares and 2,545,683 Series A Preferred Shares to Image Frame and Dazzling respectively. The number of Series A Preferred Shares to be issued was determined based on arm's length negotiation with reference to factors such as the overall performance of our Company, the valuation of our Company at the time of Series B Financing and the Refund Amount. The value of the additional aforementioned Series A Preferred Shares issued was lower than the Refund Amount.

Issuance of Series A Preferred Shares on June 27, 2023

The additional 5,091,758 Series A Preferred Shares issued in June 2023 was pursuant to (i) the valuation adjustment clause set out in the third amended and restated Shareholders' Agreement dated August 4, 2022 ("**2022 SHA**"), under which 4,259,183 Series A Preferred Shares were issued; and (ii) the anti-dilution requirements set out in our Company's third amended and restated memorandum and articles of association, pursuant to which 832,575 Series A Preferred Shares were issued. With respect to the valuation adjustment mechanism, the 2022 SHA sets out that the Series A Investors and CR Matrix (as defined below) have the right to require the Company to issue additional Preferred Shares in the event that either the primary business revenue of the Group or the volume of used vehicles auctioned by the Group in 2021 is less than an expected volume. As the actual volume of used vehicles auctioned by the Group in 2021 was lower than the expected volume by approximately 13%, the valuation adjustment mechanism was triggered. Each of the Series A Investors was issued an additional of approximately 13% of Series A Preferred Shares based on the valuation adjustment mechanism on June 27, 2023.

Upon issuance of the above-mentioned Series A Preferred Shares, the Series A Investors have confirmed the completion of valuation adjustment under the relevant [REDACTED] agreements of our Company.

Set out below are further details of the Series A Financing after completion of the above-mentioned issuance of Series A Preferred Shares to the Series A Investors:

Name of [REDACTED]	Date of Investment Agreement	Aggregate Number of Series A Preferred Shares subscribed by the [REDACTED]	Amount of consideration (US$)	Approximate price per Share (US$)[(1)]	Discount to the [REDACTED][(2)]
Image Frame	February 22, 2019	25,457,091	10,000,000	0.39	[REDACTED]
Dazzling	July 11, 2019	12,728,546	5,000,000	0.39	[REDACTED]

Notes:

(1) Calculated based on division of the amount of consideration paid by the relevant [REDACTED] by the number of Shares issued to them.

(2) Calculated based on the assumption that the [REDACTED] is [REDACTED] per Share, being the mid-point of the indicative [REDACTED].

(iii) Series B Financing — Issuance of Preferred Shares to CR Matrix in 2022

Pursuant to a share purchase agreement dated September 30, 2021 ("**Series B SPA**") and a supplementary agreement to the Series B SPA dated August 4, 2022, the Company issued to CR Matrix and CR Matrix subscribed for 15,152,715 Series B Preferred Shares at a consideration of US$15,000,000, which was settled on August 15, 2022.

Pursuant to the valuation adjustment mechanism under the 2022 SHA and the anti-dilution requirements under the Company's third amended and restated memorandum and articles of association as mentioned in the sub-section headed "(ii) Series A Financing — Issuance of Preferred Shares to the Series A Investors in 2019 — Issuance of Series A Preferred Shares on June 27, 2023" above, 2,331,366 Series B Preferred Shares were issued to CR Matrix on June 27, 2023. As the valuation adjustment mechanism under the 2022 SHA was triggered, an additional of approximately 13% Series B Preferred Shares were issued to CR Matrix pursuant to the valuation adjustment mechanism under the 2022 SHA on June 27, 2023. Upon issuance of the above-mentioned Series B Preferred Shares, CR Matrix has confirmed the completion of valuation adjustment under the relevant [REDACTED] agreements of our Company.

Set out below are further details of the Series B Financing after completion of the above-mentioned issuance of Series B Preferred Shares to CR Matrix:

Name of [REDACTED]	Date of Investment Agreement	Aggregate Number of Series B Preferred Shares subscribed by the [REDACTED]	Amount of consideration (US$)	Approximate price per Share (US$)(1)	Discount to the [REDACTED](2)
CR Matrix	September 30, 2021 (with a supplemental agreement dated August 4, 2022)	17,484,081	15,000,000	0.86	[REDACTED]

Notes:

(1) Calculated based on division of the amount of consideration made by the relevant [REDACTED] by the number of Shares issued to it.

(2) Calculated based on the assumption that the [REDACTED] is [REDACTED] per Share, being the mid-point of the indicative [REDACTED].

DETAILED TERMS OF THE [REDACTED]

(i) Principal terms of the [REDACTED]

The table below summarizes other principal terms of the [REDACTED]:

	Series A Financing	Series B Financing	[REDACTED] which involve issuance of ordinary shares
Basis of consideration	The considerations for the [REDACTED] were determined based on arm's length negotiations between the parties with reference to the timing of the investments, the valuation of the Company at the time of the investments, the contribution of the [REDACTED] to the Group, and/or the relevant industry experience and knowledge of the [REDACTED].		
[REDACTED] from the investments	We utilized [REDACTED] from the [REDACTED] for the expansion of our business operations, expansion of our offline auction site network and as general working capital of the Group. As of the Latest Practicable Date, approximately 50% of the [REDACTED] from the [REDACTED] were utilized.		
Strategic benefits of the [REDACTED] brought to our Company	At the time of the [REDACTED], our Directors were of the view that our Company could benefit from the additional capital that would be provided by the [REDACTED] in our Company and the [REDACTED] knowledge and experience. In addition, their investments in the Company also demonstrated their confidence in the operations of our Group and serves as an endorsement of our Company's performance, strength and prospects.		
Lock-up	Any equity securities of the Company held by the [REDACTED] will be subject to a lock-up period to be specified by the Company and the managing [REDACTED] of the [REDACTED], for a period that shall not exceed 180 days from the date of this document as may be requested by the [REDACTED] (whichever is the later).		

	Series A Financing	**Series B Financing**	**[REDACTED] which involve issuance of ordinary shares**
Conversion Rights	Upon the [REDACTED], each of the Series A Preferred Shares and Series B Preferred Shares shall be converted into Shares based on the then applicable conversion ratio and conversion price set out in the Articles at an initial one Preferred Share to one ordinary Share conversion ratio subject to adjustment. The adjustment to the conversion ratio is not linked to the [REDACTED] or the [REDACTED] of our Company upon [REDACTED] and is in line with the principles and requirements promulgated by the Stock Exchange, including but not limited to, adjustment for share splits and combinations, shares dividends and distributions and other dividends.		N/A

(ii) Special Rights of [REDACTED]

Each Preferred Share shall be converted into such number of Shares of our Company immediately before the completion of the [REDACTED] on a one-to-one basis subject to adjustment as set out under the sub-section headed "Principal terms of the [REDACTED]" above.

Following the signing of the share purchase agreement under Series B Financing, the Company has entered into (i) the third amended and restated shareholders' agreement with the [REDACTED] on August 4, 2022 (the "**2022 SHA**"), and (ii) the management rights letter with CR Matrix on August 4, 2022 (the "**MRL**"). The 2022 SHA and the MRL superseded all previous agreements among the contracting parties in respect of the shareholders' rights of our Company.

Special rights granted to certain [REDACTED] pursuant to the 2022 SHA, the MRL and the fourth amended and restated memorandum and articles of association of our Company include customary protective provisions such as pre-emptive rights, right of co-sale, rights to appoint director(s) of the Company, observer's rights, information rights, inspection rights, anti-dilution rights, redemption/divestment rights and rights for certain Preferred Shareholders to consult with and advise the management of the Company on key business issues, etc.

The divestment rights granted to certain Preferred Shareholders was terminated one calendar day before the day on which our Company filed its [REDACTED] to the Stock Exchange, while all other special rights shall cease to be effective and be discontinued immediately upon the completion of the [REDACTED].

JOINT SPONSORS' CONFIRMATION

On the basis that (i) the [REDACTED], being the [REDACTED] of the Shares on the Stock Exchange, will take place no earlier than 120 clear days after completion of the [REDACTED]; and (ii) none of the special rights shall survive the [REDACTED], the Joint Sponsors have confirmed that the [REDACTED] are in compliance with the Chapter 4.2 of the Guide for [REDACTED] (except for the section headed "[REDACTED] in Convertible Instruments" as no convertible instruments was issued).

CORPORATE REORGANIZATION

(i) Reorganization in relation to certain [REDACTED]

As part of the Reorganization and to facilitate certain [REDACTED] ("**[REDACTED]**") replacement of their holding vehicles and settlement of their respective investment amounts, the Company has forfeited or repurchased the ordinary shares that were originally issued to them ("**Original Shares**") and subsequently issued same number of ordinary shares ("**Reissued Shares**") as the Original Shares respectively to the offshore holding vehicles set up and held by the ultimate beneficial owners (or their associates (as defined under the Listing Rules) and other designated persons of the [REDACTED] (the "**New Offshore SPVs**") on May 17, 2023. The investment amount for the issuance of Reissued Shares were equivalent to the consideration for the Original Shares under the respective investment agreements in respect of each [REDACTED]. For details of the agreements entered into with the Relevant [REDACTED], the consideration, the basis of determining the consideration and settlement dates, please refer to the sub-section headed "[REDACTED]" above.

Since the New Offshore SPVs (as applicable) were required to obtain the overseas direct investment filing or registration under SAFE Circular 37 (as applicable) from applicable PRC regulatory authorities prior to the issuance and/or settlement of the Reissued Shares, all considerations under the [REDACTED] have been settled by the Relevant [REDACTED] during May 18, 2023 to June 2, 2023, after the aforementioned registration or filing for the New Offshore SPVs has been duly obtained.

Set out below are the list of New Offshore SPVs and the respective number of Shares that were re-issued to them:

	Relevant [REDACTED]/original holding vehicles before Reorganization	New Offshore SPVs after Reorganization	Number of Reissued Shares
1.	Mighty Nation Investment Development Limited	Sunrise Spark Limited	25,000,000
2.	Fenghong Investment Development Limited	Vision Now Limited	15,000,000
		Future Optimal Limited	10,000,000
3.	Han Baoshuang (韓葆霜) and Diao Jianshen (刁建申)	Zhuoheng Holding Limited	30,000,000
4.	Hongtai Investment Development Limited	My Splendid Limited	4,000,000
		Jumbo Create Investment Development Limited	10,000,000
		Future Optimal Limited	5,000,000
		Unity Delight Development Limited	1,000,000
5.	Kang Peng (康鵬)	Super May Limited	5,000,000
6.	Zeal International	Zeal Auto Ltd.	19,136,592
7.	Runda Investment Development Limited	Longkun Investment Development Limited	15,000,000
8.	Furui Investment Development Limited	Longkun Investment Development Limited	10,000,000
9.	Xiangfeng Investment Development Limited	Hongrun Investment Development Limited	8,000,000
		Mingchang Investment Development Limited	7,000,000
10.	Ruibo Investment Development Limited	Xiangyu Investment Development Limited	10,000,000
11.	Yunchang Investment Development Limited	Oak Business Management Limited	10,000,000
		Sun Win Business Management Limited	3,500,000
		Powermark Commerce Limited	1,500,000
		Huatong Auto International Development Ltd	5,000,000
		Total	194,136,592

(ii) Shares issuance to certain strategic business partners

To develop and expand our business, from 2017 to 2020, Shanghai Xinbao Botong, a wholly-owned onshore subsidiary of our Company, has directly or indirectly through its wholly-owned subsidiary, Shanghai Changxin Auction Co., Ltd.* (上海常信拍賣有限公司) ("**Shanghai Changxin**"), entered into joint venture agreements with certain of our long-term strategic partners ("**Strategic Partners**") to set up certain non-wholly owned subsidiaries (the "**Relevant Subsidiaries**"), in which the Company had held majority interests. Subsequently, the Strategic Partners transferred the minority interests in the Relevant Subsidiaries to the wholly-owned subsidiaries of the Company at a consideration based on arm's length negotiations between the Company and the Strategic Partners. After such transfers, the Relevant Subsidiaries have become indirect wholly-owned subsidiaries of our Group.

In order to reinforce the business partnership with the Strategic Partners, our Company has issued certain number of Ordinary Shares to the Strategic Partners (through the offshore holding vehicles (the "**Strategic Partners Holding Vehicles**") set up and held by the ultimate beneficial owners of the Strategic Partners and/or their associates) at a consideration determined based on the financials of the Relevant Subsidiaries (including their net assets value and accumulated income) at the time of issuance of Shares to the Strategic Partners Holding Vehicles, and adjusted based on arm's length negotiations between our Company and the Strategic Partners with reference to factors such as the Strategic Partners' contribution to the business of the Relevant Subsidiaries and our Group as a whole, the business scale of the Strategic Partners and the amount of resources that the Strategic Partners are capable of contributing to our business, such as the volume of used vehicles that they entrust to our Group for auctions or sale, and the local network that they maintain which could facilitate the expansion of our business. Our Company is of the view that the Strategic Partners have strong presence in the automobile industry. Through long-term business cooperation with the Strategic Partners, we believe we are able to leverage their extensive and in-depth industry experience and business connections to achieve business synergies. Save as disclosed above and save for Tongyuan Group Development Limited, which is a connected person of our Company, to the best knowledge of our Directors, there is no other relationship between each of the Strategic Partners on one hand, and our Company or its subsidiaries, their directors, shareholders or senior management, or any of their respective associates on the other hand. The details of the Shares issuance are set out in the table below:

	Name of the Relevant Subsidiary	Name of Strategic Partner	Strategic Partners Holding Vehicles	Corresponding number of Shares issued to each Strategic Partners Holding Vehicle	Date of issuance of Shares to the Strategic Partners Holding Vehicle
1.	Xinjiang Huihan Motor Vehicle Auction Service Co., Ltd* (新疆匯瀚機動車拍賣服務有限公司)	China Grand Automotive Services Group Co., Ltd.* (廣匯汽車服務集團股份有限公司)	Baoxin Auto Finance I Limited	41,500,000	August 12, 2022
2.	Xinjiang Baoqian Motor Vehicle Auction Service Co., Ltd* (新疆寶乾機動車拍賣服務有限公司)	Shanghai Baoxin Shijia Automobile Sales Co., Ltd* (上海寶信實嘉汽車銷售有限公司)	Grand Baoxin Auto Group Limited	21,000,000	August 12, 2022

	Name of the Relevant Subsidiary	Name of Strategic Partner	Strategic Partners Holding Vehicles	Corresponding number of Shares issued to each Strategic Partners Holding Vehicle	Date of issuance of Shares to the Strategic Partners Holding Vehicle
3.	Changchun Baorui International Exhibition Co., Ltd.* (長春寶瑞國際會展有限公司)	Changchun Bairui International Exhibition Group Co., Ltd* (長春百瑞國際會展集團有限公司)	Zhuoheng Holding Limited	40,115,754	June 27, 2023
4.	Suzhou Huarunde Used Motor Vehicle Trading Market Co., Ltd.* (蘇州華潤德舊機動車交易市場有限公司)	Suzhou Huacheng Automobile Management Group Co., Ltd* (蘇州華成汽車管理集團有限公司)	HCH Company Limited	5,000,000	June 27, 2023
			JYS Family Limited	15,000,000	June 27, 2023
5.	Cixi Tianyue Used Vehicle Trading Co., Ltd* (慈溪市天悅二手車銷售有限公司)	Cixi Jiashun Automobile Sales and Service Co., Ltd* (慈溪市嘉順汽車銷售服務有限公司)	Xiangyun International Development Ltd	5,622,220	June 27, 2023
			Huatong Auto International Development Ltd	3,000,000	June 27, 2023
6.	Wenzhou Changxin Automobile Sales Service Co., Ltd* (溫州常信汽車銷售服務有限公司)	Litian Group Co., Ltd* (力天集團有限公司)	Paddy investment Holding Limited	28,000,000	June 27, 2023
7.	Guangzhou Jiangjunjiang Business Service Co., Ltd* (廣州江軍江商務服務有限公司)	Jiang Sizu (江思祖)	Yuebao Holding Limited	6,962,846	June 27, 2023

	Name of the Relevant Subsidiary	Name of Strategic Partner	Strategic Partners Holding Vehicles	Corresponding number of Shares issued to each Strategic Partners Holding Vehicle	Date of issuance of Shares to the Strategic Partners Holding Vehicle
8.	Shenyang Changxin Auction Co., Ltd* (瀋陽常信拍賣有限公司) (formerly known as Shenyang Yeqiao Changxin Auction Co., Ltd* (瀋陽業喬常信拍賣有限公司))	Yeqiao Automobile Sales and Services (Group) Co., Ltd* (業喬汽車銷售服務(集團)有限公司)	Delicacy-auto Ltd	5,142,913	June 27, 2023
9.	Guizhou Xintong Used Vehicle Auction Co., Ltd* (貴州信通二手車拍賣有限公司)	Guizhou Tongyuan Investment Group Co., Ltd* (貴州通源投資集團有限公司)	Tongyuan Group Development Limited	24,182,028	June 27, 2023
10.	Hunan Litianfuzhu Automobile Sales Service Co., Ltd* (湖南力天福駐汽車銷售服務有限公司)	Qiu Jian (邱劍)	Valensky Holding Limited	9,656,845	June 27, 2023
11.	Guangdong Xinghui Automobile Sales Service Co., Ltd* (廣東星徽汽車銷售服務有限公司)	Guangdong Junrong Auction Co., Ltd* (廣東駿榮拍賣有限公司)	Junrong Holding Limited	5,193,512	June 27, 2023

(iii) Termination of Shanghai Shuxun's Contractual Arrangements

During the Track Record Period, Shanghai Shuxun was engaged in the provision of commercial internet information services, namely Chaweibao (查維保) and Chachuxian (查出險), through mobile apps and website for charges, which falls within the scope of "value-added telecommunication service" under the Telecommunication Regulations of the PRC (《中華人民共和國電信條例》) promulgated by the State Council on September 25, 2000 and last amended on February 6, 2016, Since Shanghai Shuxun provided such commercial internet information services for charges, an ICP License was required. Shanghai Shuxun held an ICP License and in view of the holding of the ICP License, we have gained control over Shanghai Shuxun by entering into a series of contractual arrangements on January 28, 2015. Subsequently, the contractual arrangements were amended and restated on October 15, 2021 and December 8, 2022 (the "**December 2022 Contractual Arrangements**"). On February 13, 2023, Shanghai Xinbao Botong acquired 50% of the equity interest in Shanghai Shuxun (the "**Shuxun Acquisition**") and upon completion of the Shuxun Acquisition, Shanghai Shuxun was held as to 50% by Shanghai Xinbao Botong, 49.5% by Ms. Gao Kun (高鹍) and as to 0.5% by Ms. Liu Qian (劉倩). A new set of contractual arrangements (the "**Previous Contractual Arrangements**") was entered into on February 13, 2023 in replacement of the December 2022 Contractual Arrangements, pursuant to which the Group acquired effective control over the financial and operational policies in respect of the remaining 50% equity interest in Shanghai Shuxun and became entitled to all the economic benefits derived from its operations.

Shanghai Shuxun's provision of internet information services through mobile apps and website only had less than 1% revenue contribution to the Group in each year during the Track Record Period. Shanghai Shuxun used to provide commercial internet information services, namely Chaweibao (查維保) and Chachuxian (查出險), through mobile apps and website for charges, the provision of such services for charges required Shanghai Shuxun to hold an ICP license. Since September 1, 2023, Shanghai Shuxun has ceased providing such commercial internet information services for charges as the Group intends to enhance buyers' experience by providing such services free of charge, therefore Shanghai Shuxun's business no longer requires the holding of an ICP license. As advised by our PRC Legal Adviser, services other than Chaweibao and Chachuxian provided by our Group through mobile apps and website do not fall within the scope of "value-added telecommunication service" that requires an ICP license, as such, the business operation of Shanghai Shuxun no longer involves business which foreign investment is prohibited or restricted under the applicable PRC laws and regulations since the cessation of the provision of internet information services for charges and Shanghai Shuxun may operate its business as a wholly-owned subsidiary of Shanghai Xinbao Botong. Shanghai Shuxun has applied to cancel the ICP License in September 2023. On September 1, 2023, Shanghai Shuxun, Shanghai Xinbao Botong, Ms. Gao Kun (高鵾) and Ms. Liu Qian (劉倩) entered into a termination agreement to terminate the Previous Contractual Arrangements (the "**Termination**"). Upon Termination and on September 1, 2023, Ms. Gao Kun (高鵾) and Ms. Liu Qian (劉倩) transferred the 50% equity interests they held in Shanghai Shuxun to Shanghai Xinbao Botong pursuant to the Previous Contractual Arrangements, and Shanghai Shuxun has become our wholly-owned subsidiary. Our Company is of the view that such termination of the Previous Contractual Arrangements has no material adverse impact on the business operation and financial performance of our Group.

BACKGROUND INFORMATION ABOUT THE [REDACTED]

Manheim Investments

Manheim Investments is an investment holding company established in Nevada in 1998, which is wholly-owned by Cox Automotive, Inc. ("**Cox Automotive**"). Cox Automotive is wholly-owned by Cox Enterprises, Inc., which is in turn wholly-owned by the Cox Family Voting Trust. James C. Kennedy, Alexander C. Taylor and John M. Dyer are the trustees of the Cox Family Voting Trust. Cox Automotive offers a complete set of solutions for automotive dealers and covers almost every aspect of used vehicle business operations. For further details on the relationship between Cox Automotive and our Company, please refer to the section headed "Business" in this document.

Zhuoheng Holding Limited

Zhuoheng Holding Limited is a company established under the laws of the British Virgin Islands, which is wholly-owned by Mr. Han Zhuoheng (韓卓恒), an associate of Mr. Han Baoshuang (韓葆霜), who was a director of a subsidiary of the Company in the last 12 months.

World Key

World Key is a company established under the laws of the British Virgin Islands, which is held as to 80% by our executive Director, Mr. Yang Hansong (楊漢松), a brother of Mr. Yang Aihua (楊愛華). The remaining interest of World Key is held by Ideal Standard Group Limited, a company established under the laws of the British Virgin Islands ultimately owned by Mr. Dai Hupeng (代滸鵬), an Independent Third Party.

Grand ZhangYQ Holding Limited

Grand ZhangYQ Holding Limited is a company established under the laws of the British Virgin Islands, which is wholly owned by Ms. Zhang Yaqi (張雅琪), an Independent Third Party.

Jumbo Create Investment Development Limited

Jumbo Create Investment Development Limited is a company established under the laws of the British Virgin Islands, which is wholly-owned by Mr. Yang Zehua (楊澤華), a brother of Mr. Yang Aihua (楊愛華).

New Plus Limited

New Plus Limited is a company established under the laws of the British Virgin Islands. Its ultimate beneficial owner is Ms. Lu Xia (陸霞), an Independent Third Party.

Sunrise Spark Limited

Sunrise Spark Limited is a company established under the laws of the British Virgin Islands, which is ultimately held by Mr. Wang Yang (王陽), an Independent Third Party.

Longkun Investment Development Limited

Longkun Investment Development Limited is a company established under the laws of the British Virgin Islands, which is ultimately held by our executive Director, Ms. Gao Kun (高鵾).

Image Frame

Image Frame is a wholly-owned subsidiary of Tencent Holdings Limited, an Independent Third Party and a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange (stock code: 700).

Zeal Auto Ltd.

Zeal Auto Ltd. is a company established under the laws of the British Virgin Islands, which is ultimately held by Shanghai Dingshu Management Consulting Partnership (Limited Partnership) ("**Dingshu Limited Partnership**"), an Independent Third Party, which is a fund specializing in investing in automotive businesses. As at the Latest Practicable Date, Dingshu Limited Partnership is controlled and owned as to 0.02% by its general partner, Shanghai Zuoyu Asset Management Co., Ltd* (上海佐譽資產管理有限公司) ("**Shanghai Zuoyu**"), which is ultimately owned as to 40% by Mr. Liu Dongli (柳東靂), 20% by Mr. Zhanquan (占泉), 20% by Mr. Ye Tao (葉濤), 10% by Ms. Huang Fen (黃

芬) and 10% by Mr. Zhao Hai Yang Fan (趙海楊帆). These five individuals are Independent Third Parties and are fund managers with extensive experience in the automotive industry, most of them have previously been senior managers in automobile dealership groups. Shanghai Zuoyu manages several other funds which also invest in businesses in the automotive industry. As of the Latest Practicable Date, Dingshu Limited Partnership is owned as to 99.98% by Ningbo Meishan Free Trade Port Dingyu Equity Investment Partnership (Limited Partnership) (寧波梅山保税港區鼎譽股權投資合夥企業(有限合夥)), which has one limited partner, Whale Wealth Management Co., Ltd. (杭州巨鯨財富管理有限公司) who is an Independent Third Party, owning approximately 29% of the limited partnership interests, three limited partners owning 10–20% of the limited partnership interests and four limited partners owning less than 10% of the limited partnership interests.

CR Matrix

CR Matrix is an investment holding company established under the laws of the British Virgin Islands, which is owned as to 95.3% by Huaxing Growth Capital IV, L.P. ("**CR Fund**") and 4.7% by Huaxing Growth Capital IV Echo Limited ("**CR Echo**"). None of the limited partners has more than 30.0% of partnership interest in CR Fund. The general partner of CR Fund is Huaxing Associates IV, Ltd., which is indirectly wholly owned by China Renaissance Holdings Limited (華興資本控股有限公司), a company listed on the Stock Exchange (stock code: 1911) ("**China Renaissance**"). CR Echo is indirectly wholly owned by China Renaissance. CR Matrix is an Independent Third Party.

Future Optimal Limited

Future Optimal Limited is a company established under the laws of the British Virgin Islands, which is ultimately held by Ms. Zhu Xiuying (朱秀英), an Independent Third Party.

Vision Now Limited

Vision Now Limited is a company established under the laws of the British Virgin Islands, which is ultimately held by Mr. Liu Haijun (劉海軍), an Independent Third Party.

Dazzling

Dazzling, a company established under the laws of the British Virgin Islands, which is an investment holding company wholly-owned by JD.com, Inc., an Independent Third Party. JD.com, Inc. is a leading supply chain-based technology and service provider. JD.com, Inc. is a company incorporated in the BVI on November 6, 2006 and subsequently redomiciled to the Cayman Islands on January 16, 2014 as an exempted company registered by way of continuation under the laws of the Cayman Islands and the shares of which are listed on the Main Board (stock code: 9618) under Chapter 19C of the Listing Rules and the ADSs of which are listed on Nasdaq under the symbol "JD".

Lei Shing Hong Automobile Limited

Lei Shing Hong Automobile Limited is a Hong Kong incorporated company, which is an Independent Third Party. It is a premium automobile group engaged in the wholesaling and, particularly, retailing of automobiles for the major global brands across international markets.

Xiangyu Investment Development Limited

Xiangyu Investment Development Limited is a company established under the laws of the British Virgin Islands, which is ultimately held by our Company's former director, Mr. Zhou Yu (周育).

Oak Business Management Limited

Oak Business Management Limited is a company established under the laws of the British Virgin Islands, which is ultimately held by Ms. Lu Jianying (陸劍英), an employee of the Group and an Independent Third Party.

Jinyi Investment Development Limited

Jinyi Investment Development Limited is a company established under the laws of the British Virgin Islands, which is held by Mr. Shi Yanjun, an Independent Third Party.

Hongrun Investment Development Limited

Hongrun Investment Development Limited is a company established under the laws of the British Virgin Islands, which is ultimately held by our chief executive officer, Mr. Zhao Hongliang (趙宏良).

Huatong Auto International Development Ltd

Huatong Auto International Development Ltd is a company established under the laws of the British Virgin Islands, which is ultimately held by Mr. Hua Jianfeng (華建峰), an Independent Third Party.

Mingchang Investment Development Limited

Mingchang Investment Development Limited is a company established under the laws of the British Virgin Islands, which is ultimately held by Mr. Liu Ming (劉鳴), the president of our Company.

Super May Limited

Super May Limited is a company established under the laws of the British Virgin Islands, which is ultimately held by Ms. Xue Mei (薛梅), an Independent Third Party.

My Splendid Limited

My Splendid Limited is a company established under the laws of the British Virgin Islands, which is ultimately held by Mr. Mai Xuesong (麥雪松), an Independent Third Party.

Sun Win Business Management Limited

Sun Win Business Management Limited is a company established under the laws of the British Virgin Islands, which is ultimately held by Mr. Shi Yanjun, an Independent Third Party.

Triton Venture Limited

Triton Venture Limited is a company established under the laws of the British Virgin Islands, which is held by Mr. Chee Keong Wong and Mr. Chong Jooi Sng, who are Independent Third Parties.

Wise Axis Limited

Wise Axis Limited is a company established under the laws of the British Virgin Islands. Its ultimate beneficial owner is Ms. Hur Wei Wun, an Independent Third Party.

Powermark Commerce Limited

Powermark Commerce Limited is a company established under the laws of the British Virgin Islands, which is ultimately held by Mr. Dai Hupeng (代滸鵬), an Independent Third Party.

Unity Delight Development Limited

Unity Delight Development Limited is a company established under the laws of the British Virgin Islands, which is ultimately held by Ms. Li Meihua (李梅華), an Independent Third Party.

Save as disclosed in this section, each of the ultimate beneficial owners of the [REDACTED] who are Independent Third Parties does not have any other past or present relationships with our Company and its subsidiaries, their directors, shareholders or senior management, or any of their respective associates.

[REDACTED]

Upon [REDACTED] (assuming that [REDACTED] is not exercised), the Shares held by Extensive Prosperous, World Key, Longkun Investment Development Limited, Hongrun Investment Development Limited and Tongyuan Group Development Limited will not be counted towards the [REDACTED] of our Company. Save as disclosed in this section and in the sub-section headed "Background Information about the [REDACTED]" above and to the best of our Directors' knowledge, other [REDACTED] and their ultimate beneficial owners are not core connected persons of our Company. As such, our Shares held by other [REDACTED] will be counted towards the [REDACTED]. It is expected that immediately following completion of the [REDACTED] and assuming the [REDACTED] is not exercised, the total number of Shares held by the public represents approximately [REDACTED] of the total number of issued Shares of our Company. Based on the above, our Directors are of the view that our Company will be able to satisfy the [REDACTED] requirement under Rule 8.08 of the Listing Rules.

COMPLIANCE WITH PRC LAWS AND REGULATIONS

Our PRC Legal Adviser confirmed that the transactions as set out in the section headed "Corporate Reorganization" above, to the extent such transactions are governed by PRC laws, have obtained necessary regulatory approvals from the relevant PRC governmental authorities in accordance with relevant applicable PRC laws and regulations in material respects.

[REDACTED]

Shareholders	Ordinary Shares	Series A Preferred Shares[(1)]	Series B Preferred Shares[(2)]	Subtotal	Approximate shareholding percentage as at the Latest Practicable Date	Approximate shareholding percentage as of the [REDACTED][(3)]
Extensive Prosperous Investment Limited	100,000,000	—	—	100,000,000	12.23%	[REDACTED]
Manheim Investments Inc.	90,000,000	—	—	90,000,000	11.01%	[REDACTED]
Zhuoheng Holding Limited	70,115,754	—	—	70,115,754	8.58%	[REDACTED]
World Key Investment Trading Limited	50,000,000	—	—	50,000,000	6.11%	[REDACTED]
Baoxin Auto Finance I Limited	41,500,000	—	—	41,500,000	5.08%	[REDACTED]
Grand ZhangYQ Holding Limited	37,500,000	—	—	37,500,000	4.59%	[REDACTED]
Jumbo Create Investment Development Limited	35,000,000	—	—	35,000,000	4.28%	[REDACTED]
New Plus Limited	30,000,000	—	—	30,000,000	3.67%	[REDACTED]
Paddy investment Holding Limited	28,000,000	—	—	28,000,000	3.42%	[REDACTED]
Image Frame Investment (HK) Limited	—	25,457,091	—	25,457,091	3.11%	[REDACTED]
Sunrise Spark Limited	25,000,000	—	—	25,000,000	3.06%	[REDACTED]
Longkun Investment Development Limited	25,000,000	—	—	25,000,000	3.06%	[REDACTED]
Tongyuan Group Development Limited	24,182,028	—	—	24,182,028	2.96%	[REDACTED]
Grand Baoxin Auto Group Limited	21,000,000	—	—	21,000,000	2.57%	[REDACTED]
Zeal Auto Ltd.	19,136,592	—	—	19,136,592	2.34%	[REDACTED]
CR Matrix Limited	—	—	17,484,081	17,484,081	2.14%	[REDACTED]
Future Optimal Limited	15,000,000	—	—	15,000,000	1.83%	[REDACTED]
Vision Now Limited	15,000,000	—	—	15,000,000	1.83%	[REDACTED]
JYS Family Limited	15,000,000	—	—	15,000,000	1.83%	[REDACTED]
Dazzling Calcite Limited	—	12,728,546	—	12,728,546	1.56%	[REDACTED]
Lei Shing Hong Automobile Limited	10,000,000	—	—	10,000,000	1.22%	[REDACTED]
Xiangyu Investment Development Limited	10,000,000	—	—	10,000,000	1.22%	[REDACTED]
Oak Business Management Limited	10,000,000	—	—	10,000,000	1.22%	[REDACTED]
Jinyi Investment Development Limited	10,000,000	—	—	10,000,000	1.22%	[REDACTED]

Shareholders	Ordinary Shares	Series A Preferred Shares[1]	Series B Preferred Shares[2]	Subtotal	Approximate shareholding percentage as at the Latest Practicable Date	Approximate shareholding percentage as of the [REDACTED][3]
Valensky Holding Limited	9,656,845	—	—	9,656,845	1.18%	[REDACTED]
Huatong Auto International Development Ltd	8,000,000	—	—	8,000,000	0.98%	[REDACTED]
Hongrun Investment Development Limited	8,000,000	—	—	8,000,000	0.98%	[REDACTED]
Mingchang Investment Development Limited	7,000,000	—	—	7,000,000	0.86%	[REDACTED]
Yuebao Holding Limited	6,962,846	—	—	6,962,846	0.85%	[REDACTED]
Xiangyun International Development Ltd	5,622,220	—	—	5,622,220	0.69%	[REDACTED]
Junrong Holding Limited	5,193,512	—	—	5,193,512	0.64%	[REDACTED]
Delicacy-Auto Ltd	5,142,913	—	—	5,142,913	0.63%	[REDACTED]
HCH Company Limited	5,000,000	—	—	5,000,000	0.61%	[REDACTED]
Super May Limited	5,000,000	—	—	5,000,000	0.61%	[REDACTED]
My Splendid Limited	4,000,000	—	—	4,000,000	0.49%	[REDACTED]
Sun Win Business Management Limited	3,500,000	—	—	3,500,000	0.43%	[REDACTED]
Triton Venture Limited	3,320,000	—	—	3,320,000	0.41%	[REDACTED]
Wise Axis Limited	1,660,000	—	—	1,660,000	0.20%	[REDACTED]
Powermark Commerce Limited	1,500,000	—	—	1,500,000	0.18%	[REDACTED]
Unity Delight Development Limited	1,000,000	—	—	1,000,000	0.12%	[REDACTED]
[REDACTED]	[REDACTED]	—	—	[REDACTED]	—	[REDACTED]
Total	[REDACTED]	38,185,637	17,484,081	[REDACTED]	100.00%	100.00%

Notes:

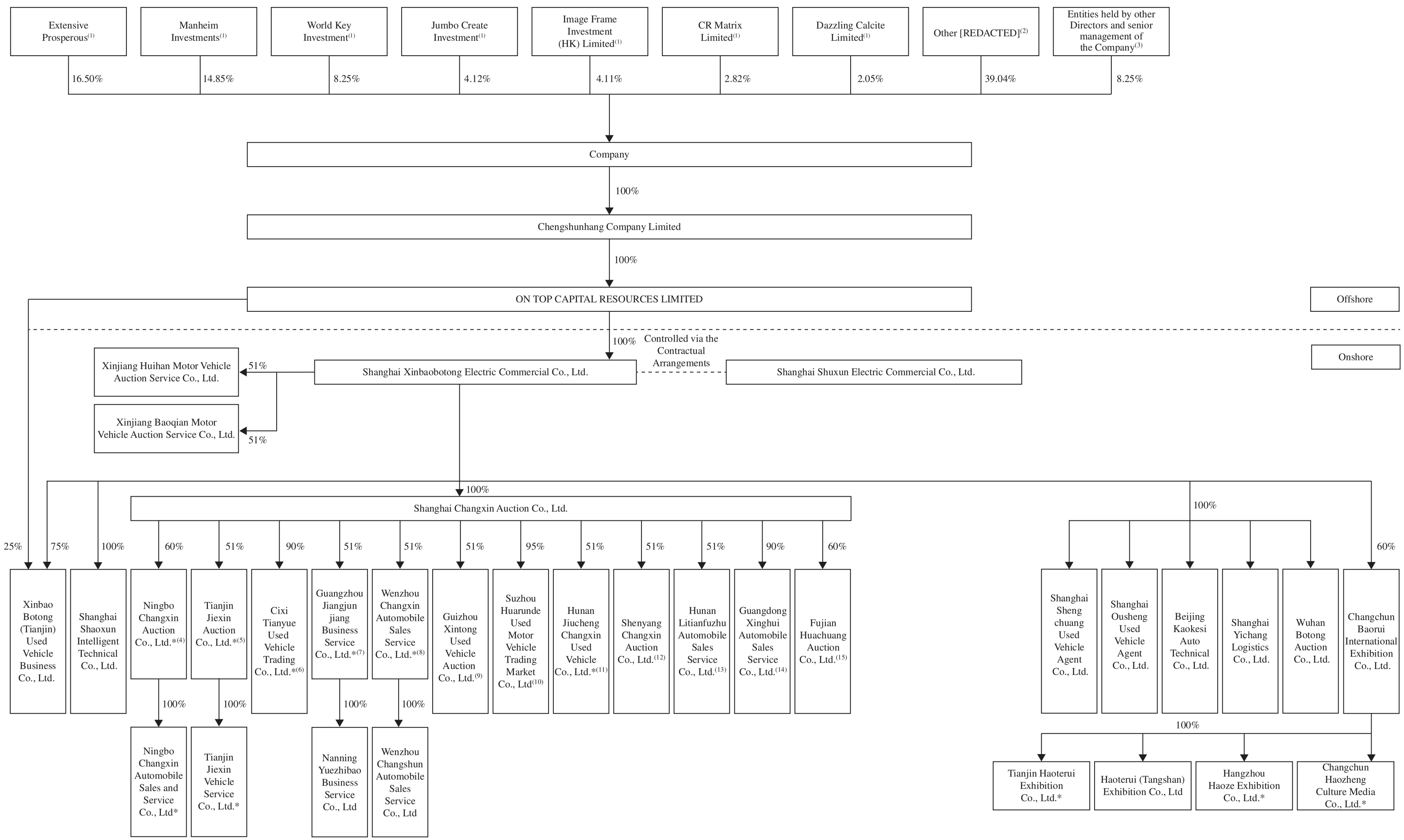
(1) Based on the assumption that one Series A Preferred Share is convertible into one Share.

(2) Based on the assumption that one Series B Preferred Share is convertible into one Share.

(3) Assuming the [REDACTED] is not exercised.

SIMPLIFIED GROUP STRUCTURE OF OUR GROUP BEFORE THE REORGANIZATION

The simplified corporate structure of our Group before the Reorganization is as follows:



Notes:

(1) Extensive Prosperous Investment Limited, World Key Investment Trading Limited and Jumbo Create Investment Development Limited are ultimately controlled by Mr. Yang Aihua, Mr. Yang Hansong and Mr. Yang Zehua respectively. Mr. Yang Aihua, Mr. Yang Hansong and Mr. Yang Zehua are brothers.

Manheim Investments, Image Frame Investment (HK) Limited, CR Matrix Limited and Dazzling Calcite Limited are respectively ultimately controlled by the Cox Family Voting Trust, Tencent Holdings Limited, China Renaissance and JD.com, Inc.. For further details, please refer to the sub-section headed "Background Information about the [REDACTED]".

(2) Other [REDACTED] comprise Lei Shing Hong Automobile Limited, Wise Axis Limited, Triton Venture Limited, Zeal International Investment Holding Limited, Hongtai Investment Development Limited, Mighty Nation Investment Development Limited, Yunchang Investment Development Limited, Jinyi Investment Development Limited, Fenghong Investment Development Limited, Grand ZhangYQ Holding Limited, New Plus Limited, Mr. Kang Peng, Han Baoshuang and Diao Jianshen, each holding less than 5% of share capital in the Company before the Reorganization.

For background of the [REDACTED], please refer to the sub-sections headed "Corporate Reorganization — Reorganization in relation to certain [REDACTED]" and "Background Information about the [REDACTED]".

(3) Entities held by the Directors (current and former) and senior management of the Company comprise Xiangfeng Investment Development Limited, Runda Investment Development Limited, Furui Investment Development Limited and Ruibo Investment Development Limited, which are ultimately controlled by Directors (current and former) and senior management of the Company. For further details, please refer to the sub-sections headed "Corporate Reorganization — Reorganization in relation to certain [REDACTED]" and "Background Information about the [REDACTED]".

(4) Ningbo Changxin Auction Co., Ltd. is owned as to 60% by Shanghai Changxin Auction Co., Ltd. and 40% by Ningbo Jiaochen Zhongjie Automobile Service Co., Ltd, an Independent Third Party.

(5) Tianjin Jiexin Auction Co., Ltd. is owned as to 51% by Shanghai Changxin Auction Co., Ltd. and 49% by Tianjin Jietong Chuangzhan Automobile Sales Co., Ltd, an Independent Third Party.

(6) Cixi Tianyue Used Vehicle Trading Co., Ltd. is owned as to 90% by Shanghai Changxin Auction Co., Ltd. and 10% by Cixi Jiashun Automobile Sales and Service Co., Ltd, an Independent Third Party.

(7) Guangzhou Jiangjunjiang Business Service Co., Ltd. is owned as to 51% by Shanghai Changxin Auction Co., Ltd. and 49% by Jiang Sizu, an Independent Third Party.

(8) Wenzhou Changxin Automobile Sales Service Co., Ltd. is owned as to 51% by Shanghai Changxin Auction Co., Ltd., 29% by Litian Group Co., Ltd and 20% by Wenzhou Juntai Trading Co., Ltd, Independent Third Parties.

(9) Guizhou Xintong Used Vehicle Auction Co., Ltd. is owned as to 51% by Shanghai Changxin Auction Co., Ltd. and 49% by Guizhou Tongyuan Investment Group Co., Ltd, a connected person of the Company. For further details, please refer to the section headed "Connected Transactions" in this document.

(10) Suzhou Huarunde Used Motor Vehicle Trading Market Co., Ltd is owned as to 95% by Shanghai Changxin Auction Co., Ltd. and 5% by Suzhou Huacheng Automobile Management Group Co., Ltd, an Independent Third Party.

(11) Hunan Jiucheng Changxin Used Vehicle Co., Ltd. was owned as to 51% by Shanghai Changxin Auction Co., Ltd. (such interest was transferred to another party in November 2023) and 49% by Hunan Jiucheng Investment Group Co., Ltd, an Independent Third Party.

(12) Shenyang Changxin Auction Co., Ltd. (formerly known as Shenyang Yeqiao Changxin Auction Co., Ltd.) is owned as to 51% by Shanghai Changxin Auction Co., Ltd. and 49% by Yeqiao Automobile Sales and Services (Group) Co., Ltd, an Independent Third Party.

(13) Hunan Litianfuzhu Automobile Sales Service Co., Ltd. is owned as to 51% by Shanghai Changxin Auction Co., Ltd. and 49% by Qiu Jian, an Independent Third Party.

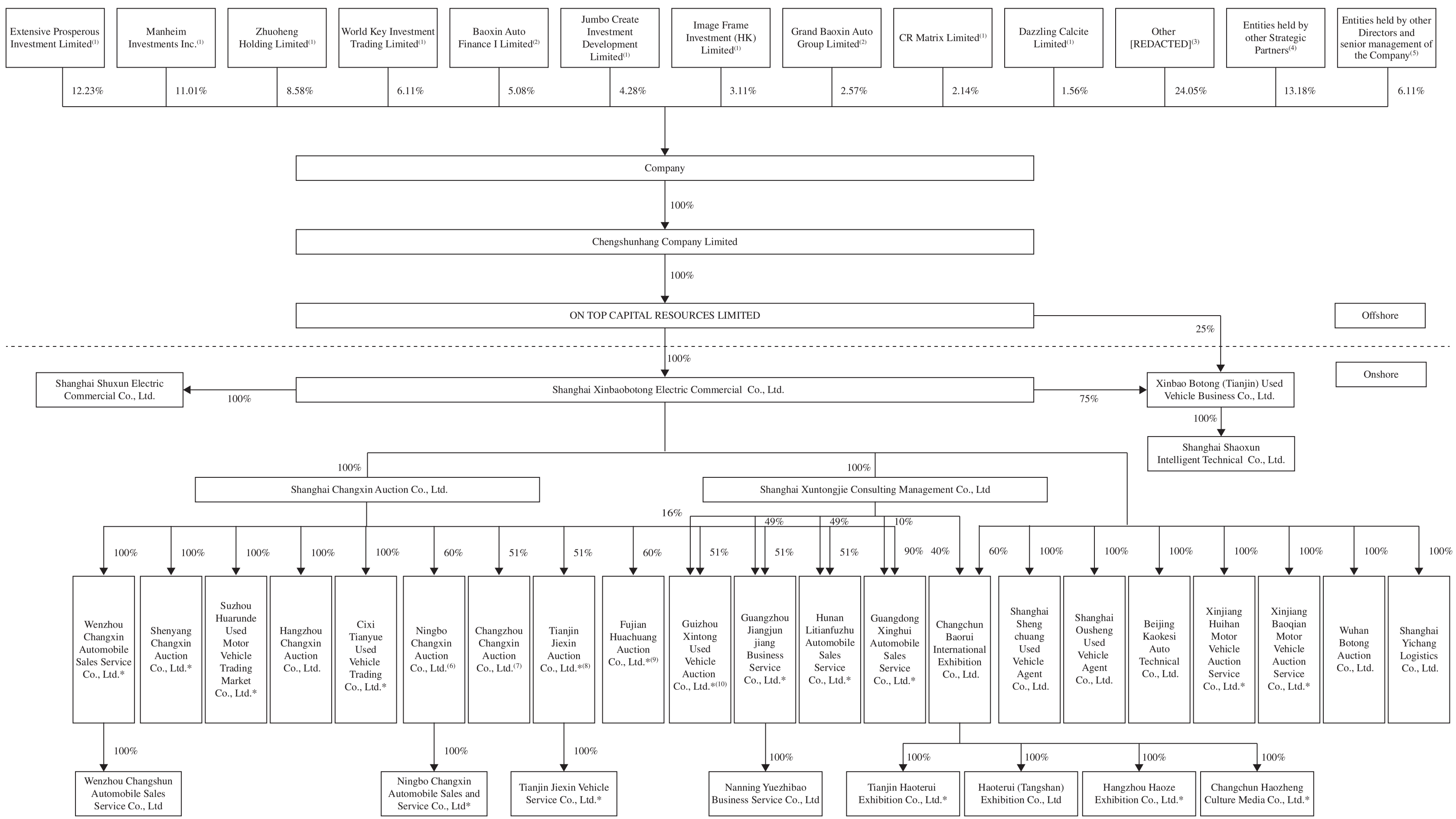
(14) Guangdong Xinghui Automobile Sales Service Co., Ltd. is owned as to 90% by Shanghai Changxin Auction Co., Ltd. and 10% by Guangdong Junrong Auction Co., Ltd, an Independent Third Party Party.

(15) Fujian Huachuang Auction Co., Ltd. is owned as to 60% by Shanghai Changxin Auction Co., Ltd. and 40% by Yinshi Trading (Quanzhou) Co., Ltd, an Independent Third Party.

(16) We have adopted a complex group structure due to (1) our diverse service offerings that provide end-to-end solutions for the used vehicle transaction cycle with our offline auction sites located in various cities in the PRC, and (2) nation-wide geographical coverage of our business operations. This allows for flexibility in obtaining relevant licensing when our Group further expands our business operation.

SIMPLIFIED GROUP STRUCTURE OF OUR GROUP UPON COMPLETION OF THE REORGANIZATION AND IMMEDIATELY BEFORE THE COMPLETION OF THE [REDACTED]

The simplified corporate structure of our Group after the Reorganization and immediately before the completion of the [REDACTED] is as follows:



Notes:

(1) Extensive Prosperous Investment Limited, World Key Investment Trading Limited and Jumbo Create Investment Development Limited are ultimately controlled by Mr. Yang Aihua, Mr. Yang Hansong and Mr. Yang Zehua respectively. Mr. Yang Aihua, Mr. Yang Hansong and Mr. Yang Zehua are brothers.

Manheim Investments, Zhuoheng Holding Limited, Image Frame Investment (HK) Limited, CR Matrix Limited and Dazzling Calcite Limited are respectively ultimately controlled by the Cox Family Voting Trust, Mr. Han Zhuoheng (韓卓恒), Tencent Holdings Limited, China Renaissance and JD.com, Inc.. For further details, please refer to the sub-section headed "Background Information about the [REDACTED]".

(2) Baoxin Auto Finance I Limited is a company established under the laws of the British Virgin Islands, which is a wholly-owned subsidiary of China Grand Automotive Services Group Co., Ltd. (廣匯汽車服務集團股份有限公司) ("**CGA**"), a company listed on the Shanghai Stock Exchange (stock code: 600297). Grand Baoxin Auto Group Limited is a company established under the laws of the Cayman Islands and is listed on the Stock Exchange (stock code: 1293). Grand Baoxin Auto Group Limited is indirectly owned as to approximately 67.70% by CGA. For further details, please refer to the section headed "Substantial Shareholders" in this document.

(3) Other [REDACTED] comprise Lei Shing Hong Automobile Limited, New Plus Limited, Wise Axis Limited, Triton Venture Limited, Sunrise Spark Limited, Future Optimal Limited, Vision Now Limited, Unity Delight Development Limited, My Splendid Limited, Oak Business Management Limited, Zeal Auto Ltd., Jinyi Investment Development Limited, Super May Limited, Sun Win Business Management Limited, Powermark Commerce Limited, Huatong Auto International Development Ltd and Grand ZhangYQ Holding Limited, each holding less than 5% of share capital in the Company as of the Latest Practicable Date.

For background of the [REDACTED], please refer to the sub-sections headed "Corporate Reorganization — Reorganization in relation to certain [REDACTED]" and "Background Information about the [REDACTED]".

(4) Entities held by other Strategic Partners comprise Delicacy-auto Ltd, HCH Company Limited, Huatong Auto International Development Ltd., JYS Family Limited, Yuebao Holding Limited, Paddy investment Holding Limited, Tongyuan Group Development Limited, Valensky Holding Limited, Junrong Holding Limited and Xiangyun International Development Ltd, each holding less than 5% of share capital in the Company as of the Latest Practicable Date.

For background of the entities held by Strategic Partners, please refer to the sub-section headed "Corporate Reorganization — Shares issuance to certain business partners".

(5) Entities held by the Directors (current and former) and senior management of the Company comprise Longkun Investment Development Limited, Mingchang Investment Development Limited, Hongrun Investment Development Limited and Xiangyu Investment Development Limited, which are ultimately controlled by Directors (current and former) and senior management of the Company. For further details, please refer to the sub-sections headed "Corporate Reorganization — Reorganization in relation to certain [REDACTED]" and "Background Information about the [REDACTED]".

(6) Ningbo Changxin Auction Co., Ltd. is owned as to 60% by Shanghai Changxin Auction Co., Ltd. and 40% by Ningbo Jiaochen Zhongjie Automobile Sales Service Co., Ltd, an Independent Third Party.

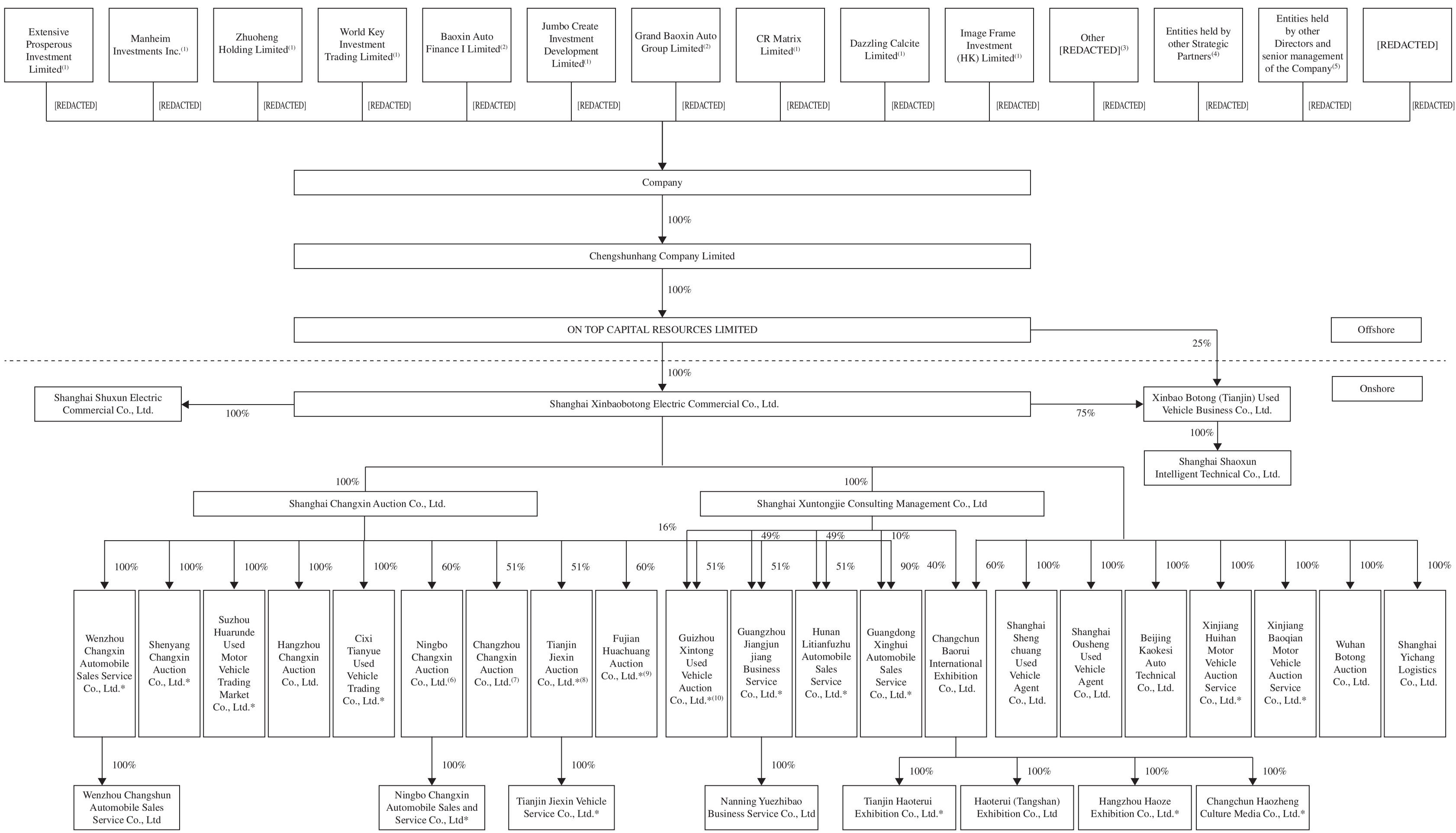
(7) Changzhou Changxin Auction Co., Ltd is owned as to 51% by Shanghai Changxin Auction Co., Ltd. and 49% by Shanghai New Fuwo Automobile Trading Co., Ltd, an Independent Third Party.

(8) Tianjin Jiexin Auction Co., Ltd. is owned as to 51% by Shanghai Changxin Auction Co., Ltd. and 49% by Tianjin Jietong Chuangzhan Automobile Sales Co., Ltd, an Independent Third Party.

(9) Fujian Huachuang Auction Co., Ltd. is owned as to 60% by Shanghai Changxin Auction Co., Ltd. and 40% by Yinshi Trading (Quanzhou) Co., Ltd, an Independent Third Party.

(10) Guizhou Xintong Used Vehicle Auction Co., Ltd. is owned as to 51% by Shanghai Changxin Auction Co., Ltd., 16% by Shanghai Xuntongjie Consulting Management Co., Ltd. and 33% by Guizhou Tongyuan Investment Group Co., Ltd, a connected person of the Company. For further details, please refer to the section headed "Connected Transactions" in this document.

SIMPLIFIED GROUP STRUCTURE OF OUR GROUP IMMEDIATELY UPON COMPLETION OF THE [REDACTED] (ASSUMING THE [REDACTED] IS NOT EXERCISED)



Note: Please refer to the corresponding notes to the corporate structure of our Group immediately upon completion of the Reorganization.

SAFE REGISTRATION

Pursuant to the SAFE Circular 37, promulgated by SAFE and which became effective on July 4, 2014: (a) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle (the "**Overseas SPV**") that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing; and (b) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change of Overseas SPV's PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV's capital, share transfer or swap, and merger or division.

Pursuant to SAFE Circular 37, failure to comply with these registration procedures may result in penalties. Pursuant to the SAFE Circular 13, promulgated by the SAFE and which became effective on June 1, 2015, the power to accept SAFE registration was delegated from local SAFE to local banks where the assets or interest in the domestic entity were located.

As advised by our PRC Legal Adviser, the shareholders of the New Offshore SPVs and Strategic Partners Holding Vehicles, as applicable, have completed the registration under the SAFE Circular 37.

M&A RULES

On August 8, 2006, six PRC regulatory agencies, including the MOFCOM, the State Assets Supervision and Administration Commission, the State Administration of Taxation, the SAIC, the CSRC and the SAFE, jointly issued the Rules on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定) (the "**M&A Rules**"), which became effective on September 8, 2006, and was amended on June 22, 2009. Pursuant to the M&A Rules, a foreign investor is required to obtain necessary approvals when (i) a foreign investor acquires equity in a domestic non-foreign invested enterprise thereby converting it into a foreign-invested enterprise, or subscribes for new equity in a domestic enterprise through an increase of registered capital thereby converting it into a foreign-invested enterprise; or (ii) a foreign investor establishes a foreign-invested enterprise which purchases and operates the assets of a domestic enterprise, or which purchases the assets of a domestic enterprise and injects those assets to establish a foreign-invested enterprise. Where a domestic company, enterprise or natural person intends to acquire its/his/her related domestic company in the name of an offshore company which it/he/she lawfully established or controls, the acquisition shall be subject to the examination and approval of the MOFCOM, and an offshore special purpose vehicle formed for listing purposes and controlled directly or indirectly by PRC companies or individuals shall obtain the approval of the CSRC prior to the [REDACTED] and [REDACTED] of such special purpose vehicle's securities on an overseas stock exchange, especially in the event that the special purpose vehicle acquires equity interests in PRC companies using shares of offshore companies as the consideration.

As advised by our PRC Legal Adviser, the [REDACTED] of our Company does not require prior approval from the CSRC under the M&A Rules. However, there is uncertainty as to how the M&A Rules will be interpreted or implemented and we cannot assure you that relevant PRC governmental authorities, including the CSRC, would reach the same conclusion as our PRC Legal Adviser.

OVERVIEW

Who We Are

We are China's largest used vehicle transaction service provider in terms of transaction volume in 2022, according to CIC. In 2022, approximately 160,000 units of used vehicles were transacted through our transaction platform, with a market share of 12.6% among China's used vehicle transaction service providers. In 2023, approximately 176,000 units of used vehicles were transacted through our transaction platform. We also have the largest number of offline auction sites and broadest offline service geographic coverage among China's used vehicle transaction service providers. As of December 31, 2023, we had 79 auction sites strategically located in 74 cities and offered offline services in 317 cities across China.

As an intermediary that connects used vehicle buyers and sellers, we facilitate used vehicle transactions through the provision of a wide range of used vehicle related services. Established in 2014, we have been committed to transforming China's used vehicle transaction process and driving China's used vehicle industry toward standardization, efficiency and transparency for close to ten years, accumulating in-depth industry experience. We primarily provide used vehicle auction services through online-offline integrated auction, which allows used vehicle buyers across China to participate in in-lane auctions either offline in person or online via our mobile application in real-time. With our online-offline integrated auction model, coupled with our full suite of value-added services, we offer end-to-end, highly standardized and reliable solutions for used vehicle transactions, helping our sellers (primarily 4S dealership stores) and buyers (primarily Professional Buyers) optimize their used vehicle transaction process and improve efficiency and profitability of their used vehicle operations. As of December 31, 2023, over 6,900 4S dealership stores had disposed of used vehicles through our platform. During the Track Record Period, over 16,000 of our buyers were Professional Buyers (i.e. purchased three or more used vehicles in any given year on our transaction platform)[1].

Our second largest shareholder, Cox Automotive (which invested in us through Manheim Investments Inc., its subsidiary) has also provided strategic support to our continued growth.[2] Cox Automotive offers a complete set of solutions for automotive dealers and covers almost every aspect of

[1] Representing the number of buyers who purchased three or more used vehicles on our transaction platform within a calendar year. A buyer may nonetheless be a Professional Buyer if he/she purchased fewer than three used vehicles on our transaction platform within a calendar year but three or more used vehicles in total across different platforms, although we have no knowledge of the exact number of this type of buyers.

[2] Such strategic support includes (i) entering into a long-term consulting agreement with us to provide guidance and support to our used vehicle business, (ii) dispatching a senior officer and a team of used vehicle experts to oversee and provide strategic guidance to our business operation onsite, (iii) providing industry insight and helping us formulate many of our strategic decisions through Mr. Rob Huting, one of our directors appointed by Cox Automotive, and (iv) the management team of Cox Automotive also regularly visited our headquarters in Shanghai for in-person meetings and discussions regarding our business operations. We became acquainted with Cox Automotive in 2014 through our common contacts in the used vehicle industry, and our collaboration commenced when Cox decided to make investment in our Group and provide strategic support thereafter.

[3] The complete set of solutions offered by Cox Automotive include, among others: (i) cloud-based dealership management system solutions, which assist dealers in all the aspects of their daily operations; (ii) inventory management and pricing solutions, which provide dealers with information, such as new vehicle listings, to guide their new vehicle pricing, merchandising and promotion decisions; (iii) used vehicle marketplace, which brings together auction, dealers and OEM inventory channels with end-to-end solutions for dealers' inventory management needs; (iv) marketing solutions; (v) valuation and pricing solutions, which assist dealers in price negotiations with online tools; and (vi) logistics solutions for vehicle deliveries.

used vehicle business operations.[3] Benchmarked against Cox Automotive, we have been working toward building a full life cycle service ecosystem and providing a wide range of solutions to both sellers and buyers of used vehicles in China. Since our inception, we have benefited from Cox Automotive's extensive industry insights, operational know-how and technical support with respect to the used vehicle auction business model, transaction process and auction site management. We are the only used vehicle transaction service provider in China that has received investment from Cox Automotive as of the Latest Practicable Date, which is a strong endorsement to our operational capabilities.

Market Opportunities and Challenges

With the continued increase in supply and demand for used vehicles in China and as driven by supportive policies and regulations, increased cross-regional transactions, the development of social media channels and other technological advancements, China's used vehicle[1] industry is in the stage of rapid growth. China's used vehicle transaction volume increased from 11.1 million units in 2019 to 14.4 million units in 2023, representing a CAGR of 6.9% during the same period. China's used vehicle transaction volume is expected to further reach 27.3 million units in 2028, representing a CAGR of 13.7% from 2023 to 2028. However, compared to developed markets such as the U.S., China's used vehicle industry is still on the verge of rapid growth, with the relatively low ratio between used vehicle and new vehicle sales and the low penetration rate of used vehicles as compared to the U.S. Used vehicle transactions only accounted for 34.3% of China's total passenger vehicle sales (including both new vehicle and used vehicle sales) in 2022, compared to 72.8% in the U.S. In addition, the used vehicle penetration rate in China was only 4.6% in 2022, as compared to 16.4% in the U.S., indicating the high growth potential of China's used vehicle market, which is expected to evolve rapidly towards developed markets such as the U.S.

Used vehicle transactions are divided into wholesale transactions (including transactions between individual sellers and wholesale marketplaces[2], and transactions between wholesale marketplaces) and retail transactions (transactions between individual sellers and consumers). Unlike new vehicles that have standard vehicle conditions and retail prices, every used vehicle is a non-standard and technical product in terms of its condition and valuation, which makes it highly challenging for a typical consumer to appraise the value of, and determine the transaction price for, a used vehicle. In addition, for consumers of an ordinary income level, used vehicles are large purchase items that usually require careful decision-making. Moreover, once purchased, a used vehicle ideally can be used for an extended period of time, meaning a typical consumer does not buy or sell used vehicles frequently. As a result of these foregoing factors, most used vehicles transactions are wholesale transactions (rather than retail transactions). The used vehicle wholesale market has also grown in line with the overall used vehicle market and, in 2023, the transaction volume in the used vehicle wholesale market reached 13.9 million units, accounting for 96.3% of China's total used vehicle transactions. Used vehicle wholesale transactions are expected to continue dominating China's used vehicle transactions for the foreseeable future. The transaction volume of used vehicle wholesale market is expected to reach 26.6 million units by 2028, growing at a CAGR of 13.9% from 2023 to 2028.

With the core competitiveness of used vehicle transaction service providers in transaction efficiency, information transparency and customer experience, an increasing number of used vehicle transactions (including used vehicle wholesale transactions) are conducted through used vehicle

[1] Hereinafter refers to used passenger vehicle, unless otherwise indicated.

[2] Used vehicle wholesale marketplaces in China consist of used vehicle transaction service providers, used vehicle dealers (including Professional Buyers) and dealership groups.

transaction service providers. In 2022, the transaction volume of China's used vehicle transaction service provider market was 1.3 million units, accounting for 10.5% of the total transaction volume of China's used vehicle wholesale market, compared to 8.9% in 2018. In 2027, the transaction volume of China's used vehicle transaction service provider market is expected to reach 3.4 million units, representing a CAGR of 21.6% from 2022 to 2027, accounting for 14.1% of the total transaction volume of China's used vehicle wholesale market.

Although the used vehicle industry, especially the used vehicle transaction service provider market, has large growth potential with high growth rate, the industry remains highly fragmented and is plagued by many pain points. Specifically:

For Sellers:

Low disposal efficiency: The used vehicle transaction process is lengthy and complex, including inspection and appraisal, price negotiation, acquisition, and after-sales services, resulting in low used vehicle disposal efficiency. Meanwhile, due to the lack of disposal channels for the centralized and large-scale disposal of used vehicles, sellers primarily rely on personal network and resources to transact with buyers that are geographically dispersed, which also leads to low efficiency of used vehicle disposal.

Inexperienced business participants: Different from new vehicle sales, business participants in the used vehicle industry (OEMs and dealership groups) typically lack experience in operating used vehicle business, as used vehicles are non-standard products. They also generally do not have established or efficient management methods for the acquisition and disposal of used vehicles.

Lack of valuation mechanism: China's used vehicle industry currently does not have a widely-recognized used vehicle valuation mechanism, resulting in potentially unfair vehicle pricing and prolonged price bargaining between sellers and buyers, which in turn makes it difficult to improve transaction efficiency.

For Buyers:

Untransparent vehicle condition: Used vehicles often lack publicly accessible records of their condition, including history of repair and maintenance and serious accidents, and such conditions are also difficult to detect during routine inspections. In the absence of detailed and credible condition reports, there is low consumer trust and confidence in used vehicle transactions.

Lack of localized services: Most used vehicles are sourced from sellers in Tier 2 and above cities (such as consumers who trade in used vehicles for new vehicles), while the target buyers of these used vehicles are typically consumers in the lower-tier cities. As such, the supply and demand of used vehicles are geographically mismatched. Due to the nature of used vehicle transactions, buyers also have needs for localized services such as vehicle inspection and title transfer. However, currently, there are few used vehicle transaction service providers in China that can provide localized services.

Lack of endorsement from highly credible transaction service providers: Used vehicles are highly technical products with complex and time-consuming transaction processes, and are big purchase items with relatively low purchase frequency for households of ordinary income level. Thus, consumers usually rely on Professional Buyers as agents and intermediaries for used vehicle transactions. At the same time, Professional Buyers require a stable and trustworthy platform to ensure the quality supply of used vehicles, thus facilitating their high-frequency transactions. As such, both consumers and Professional Buyers need the endorsement of transaction service providers with high credibility. However, currently, there are very few used car transaction service providers with high credibility in China.

Our Solutions

We believe our online-offline integrated used vehicle auction offerings can effectively address the foregoing industry pain points and facilitate instant, transparent and efficient used vehicle transactions among buyers and sellers across China, transforming the used vehicle transaction experience through a wide range of services, nationwide auction site network and technology:

Services: our online-offline integrated auction model facilitates instant sales confirmation at a transparent auction price without any subsequent price negotiation between buyer and seller, effectively address the inefficiencies and operational complexities that exist in traditional used vehicle auctions, safeguarding the interest of both buyers and sellers through efficient and transparent transactions. At the same time, we offer post-auction services (including title transfer and logistics services) to meet buyers and sellers' varied needs. Our used vehicle services further extend beyond used vehicle auctions to help sellers and buyers increase the transparency, efficiency and profitability of their used vehicle operations. From vehicle sourcing and acquisition, inspection and appraisal, auction and title transfer to logistics, our value-added services not only enhance user satisfaction and loyalty, but also increase the number of used vehicles to be disposed of through our transaction platform and provides us with additional monetization opportunities.

Network: we have established a nationwide offline auction site network, which enables us to gather, inspect and appraise, and our potential buyers to preview in-person, the used vehicles before the auction, building trust among us, our buyers and sellers and fully ensuring the transparency, authenticity and reliability of the used vehicles transacted on our platform. With our technological capabilities, we are able to deliver a truly online-offline integrated auction experience, which in turn increases cross-regional transactions by allowing buyers to access used vehicle inventory from outside of their local markets.

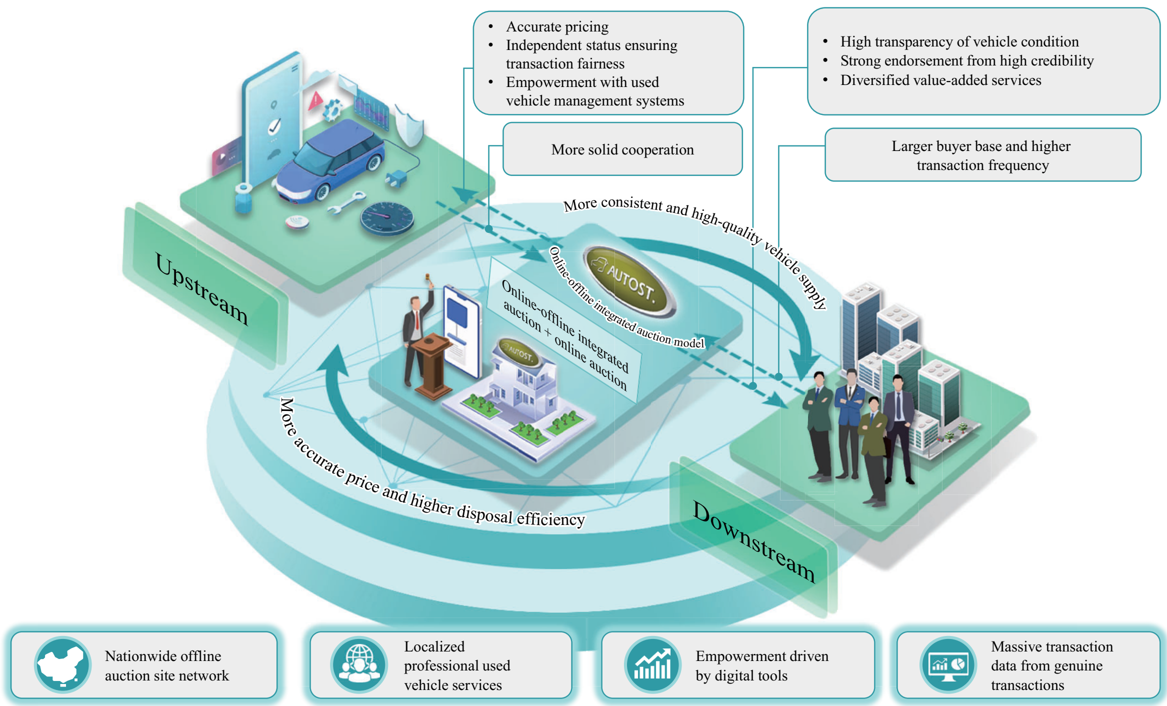
Technology: Our entire used vehicle transaction processes are powered by in-house developed digital tools powered by technologies such as AI, machine learning and big data analytics (including our EQS system which enhances the accuracy and consistency of our pre-auction inspection and appraisal, ADMS system which helps sellers better manage their used vehicle operations, and pricing model which automatically generate a suggested reserve price for a particular used vehicle based on our historical transaction data and the specific condition of the used vehicle), enabling our buyers and sellers to buy, sell and manage used vehicles with confidence and efficiency.

Our online-offline integrated used vehicle transaction platform effectively connects upstream sellers, primarily 4S dealership stores with recurring needs to dispose of consumer trade-in vehicles in bulk, and downstream buyers, primarily Professional Buyers with highly frequent, recurring used vehicle acquisition needs, providing sellers with an efficient channel to wholesale their used vehicles and access to thousands of buyers nationwide, and buyers with a real-time view of an extensive selection of used vehicles across the entire spectrum of brand, model, price, age and mileage:

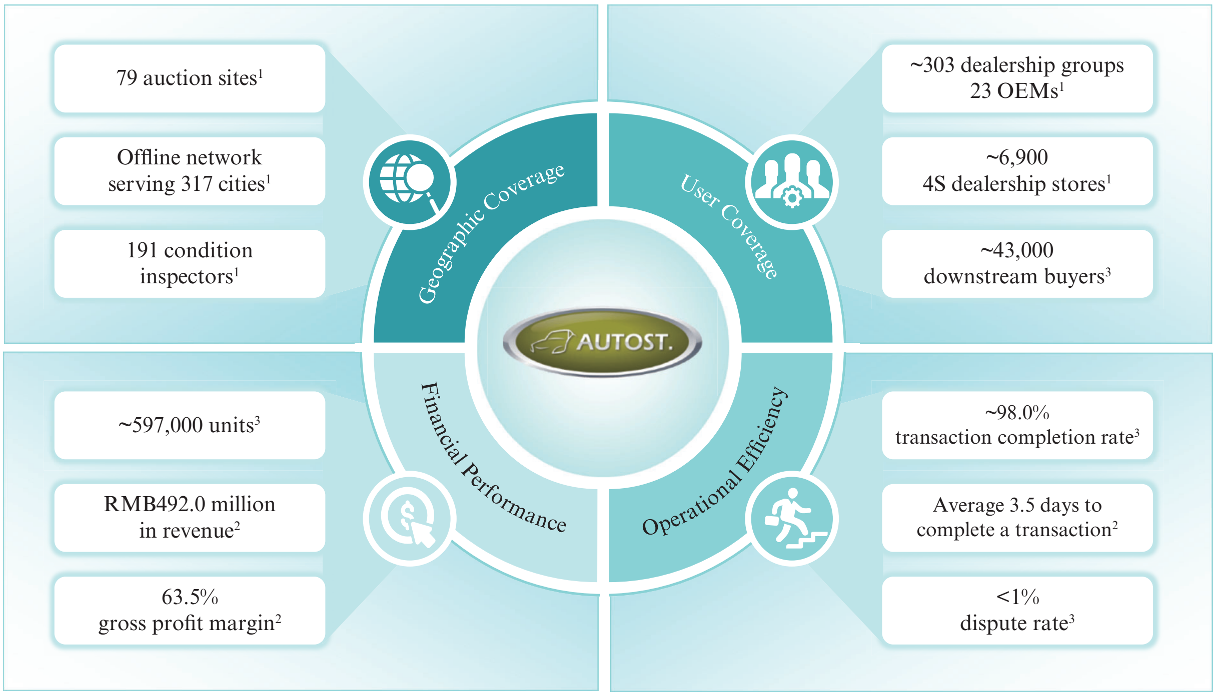
- ***Our Sellers***. As of December 31, 2023, we have conducted extensive used vehicle business with 303 dealership groups in China, including all of the top ten and 69 of the top 100 dealership groups in China in terms of revenue in 2023. Among these dealership groups, we have formed strategic collaboration with 137 dealership groups, such as China Grand Automotive Services Co., Ltd., Lei Shing Hong Automobile Limited, Guizhou Tongyuan Automotive, Hengxin Auto Group Co. and Sinomach Automobile Co., under which we are designated as a preferred auction venue for their 4S dealership stores. As of the same date, we also formed strategic collaboration with 23 OEMs, including leading traditional OEMs such as SAIC Motor, Dongfeng Nissan, FAW Group, and NEV OEMs, pursuant to which we are designated as one of the preferred auction venues for their affiliated 4S dealership stores' used vehicles. As dealership groups and OEMs are the main upstream supply source of used vehicles in China, such extensive collaboration enables us to secure a large, stable and geographically dispersed supply of used vehicles with different brand, model, price, age and mileage with recurring and genuine disposition needs from their 4S dealership stores. As of December 31, 2023, over 6,900 4S dealership stores across China had disposed of used vehicles through our platform.

- ***Our Buyers***. During the Track Record Period, over 16,000 buyers, or approximately 64% of our buyers during the same period, were Professional Buyers (i.e. purchased three or more used vehicles in any given year on our transaction platform). As Professional Buyers typically have extensive industry knowledge and expertise and established consumer base, having Professional Buyers (as opposed to consumers) as our main downstream buyers enables us to facilitate used vehicle transactions at higher efficiency and frequency at lower costs.

The following graphic illustrates the essential role our transaction platform plays in used vehicle transactions and how it connects different market participants in China's used vehicle industry:



Our Operational and Financial Performance



Notes:

1. As of December 31, 2023.
2. In 2023.
3. During the Track Record Period.

Our operating and financial performance has further reinforced our industry leadership position. Our transaction volume decreased from approximately 261,000 units in 2021 to approximately 160,000 units in 2022, primarily as a result of COVID-19 resurgences in various regions across China in 2022, which led to decreased willingness of our buyers to purchase used vehicles and a decrease in the number of used vehicles entrusted to us by upstream sellers. Following the improvement of the COVID-19 situation in China in 2023, our transaction volume increased by 10.1% to approximately 176,000 units in 2023, showing the resilience of our business model in a fluctuating market. The number of vehicles put up for auctions on our transaction platform increased from approximately 359,000 units in 2021 to approximately 384,000 units in 2023, representing a CAGR of 3.4%. As such, in 2021, 2022 and 2023, our transaction success rate amounted to approximately 73%, 51% and 46%, respectively, reflecting the faster increase in the supply of used vehicles put up for auctions and that our upstream sellers were more inclined to utilize transaction platforms for the disposal of their used vehicles, while our downstream buyers remained relatively conservative in purchasing used vehicles.[†] In 2021, 2022 and 2023, the gross transaction value of used vehicles transacted on our transaction platform amounted to RMB13,719.7 million, RMB6,747.0 million and RMB7,398.2 million, respectively. We also have consistently high transaction completion rate throughout the Track Record Period: in 2021, 2022 and 2023, sellers in 98.7%, 98.0% and 97.8%, respectively, of the transactions on our platform proceeded with the transactions after the vehicles were successfully auctioned, and buyers in 98.5%, 98.0% and 97.4%, respectively, of the transactions on our platform proceeded with the transactions after the

[†] According to CIC, in China, for used vehicle transaction service providers with relatively large used vehicle transaction volume, their transaction success rate typically ranges between 30% to 50%.

vehicles were successfully auctioned. Our average revenue per vehicle under our used vehicle auction business increased from RMB1,280 in 2021 to RMB1,636 in 2023, representing a CAGR of 13.1%. Our gross margin was 62.8%, 60.9% and 63.5% in 2021, 2022 and 2023, respectively. Our profit for the year was RMB165.1 million, RMB69.0 million and RMB9.3 million in 2021, 2022 and 2023, respectively. Our profit for the year decreased from 2021 to 2022 primarily due to our decrease in gross profit in 2022, which in turn was due to (i) a significant decrease in the used vehicle transaction volume in 2022 due to the COVID-19 resurgences, and (ii) an increase in our labor cost in connection with the additional auctioneers and condition inspectors we hired. Our profit for the year decreased from 2022 to 2023 primarily because we recorded losses of RMB75.0 million in fair value change of financial assets and liabilities at fair value through profit or loss, in line with the increased valuation of our Company in anticipation of this [REDACTED].

OUR COMPETITIVE STRENGTHS

We believe the following strengths have been the foundation of our performance and continued growth and differentiate us from our competitors:

Largest Used Vehicle Transaction Service Provider in China

We are China's largest used vehicle transaction service provider in terms of transaction volume in 2022, according to CIC. In 2022, approximately 160,000 units of used vehicles were transacted through our transaction platform, with a market share of 12.6% among China's used vehicle transaction service providers. In 2023, approximately 176,000 units of used vehicles were transacted through our transaction platform.

We believe that with our digital tools and online and offline coverage, our used vehicle transaction platform has higher transaction efficiency than traditional used vehicle wholesale marketplace. We are also the largest used vehicle wholesale marketplace in China in terms of transaction volume in 2022.

We believe our market leadership position will continue to set us apart from our competitors, enabling us to capture the significant growth opportunities in China's booming used vehicle industry.

Online and Offline Integrated Auction Model Drives the Transformation of China's Used Vehicle Industry

We have established and operate one of China's first used vehicle transaction platform with the online-offline integrated auction model. Our nationwide offline network that enables offline gathering, inspection and appraisal and preview of used vehicles and post-auction services, combined with our online platform that allows potential buyers across China to participate in our auction in real-time, is another key differentiator that sets us apart from other used vehicle transaction service providers in China. In particular:

Offline. As of December 31, 2023, we had 79 auction sites, comprising 47 auction centers and 32 auction hubs, strategically located in 74 cities and offered offline services in 317 cities across China. We have the largest number of offline auction sites and broadest offline service geographic coverage among China's used vehicle transaction service providers. Before the auction, we gather used vehicles at our offline auction sites and have our experienced in-house condition inspectors conduct thorough and standardized pre-auction inspection and appraisal on the relevant vehicles, which generates detailed, impartial while easily comprehensible condition reports detailing the vehicles' condition. We have established a dedicated in-house inspection and appraisal team with approximately 200 condition inspectors, all of whom have several years of experience in used vehicle inspection and appraisal. We are one of the very few used vehicle transaction service providers in China that are able to offer professional used vehicle inspection and appraisal services in-house. Potential buyers also have the option to preview the used vehicles at our auction sites, building trust among our buyers, sellers and us. Our nationwide offline network is also an indispensable part of our online-offline integrated auction, our primary auction format. This auction format facilitates instant transactions and significantly shortens our transaction cycle. Having a nationwide offline infrastructure also enables us to provide or facilitate a series of post-auction services, which further enhances buyer satisfaction while earning us service fees, diversifying our revenue streams.

Online. Through our online platform, online buyers across China are able to participate in our auctions in real-time, and offline buyers are able to access used vehicle inventory outside of their local markets, enhancing the activity level of our buyers. To supplement our online-offline integrated auction model, we also offer certain used vehicles exclusively for online auctions. During the Track Record Period, a total of approximately 43,000 registered users had placed deposits in their accounts with our platform (only registered users who have placed deposits in their accounts with our platform are able to auction used vehicles on our platform). During the Track Record Period, our platform cumulatively facilitated sales of used vehicle to a total of approximately 25,000 buyers.

The seamless integration of our nationwide offline network and digitalized online operation enables instant sales confirmation at transparent prices, without any subsequent off-platform price negotiation between buyers and sellers that is very common in the industry, therefore significantly enhancing transaction efficiency and success rate and effectively reducing dispute rate:

Highest transaction efficiency. In 2022, used vehicle transactions on our platform on average took 4.2 days to complete[1], the most efficient among all used vehicle transaction service providers in China. In 2023, used vehicle transactions on our platform on average took 3.5 days to complete.

Highest transaction completion rate. In 2021, 2022 and 2023, sellers in 98.7%, 98.0% and 97.8%, respectively, of the transactions on our platform proceeded with the transactions after the vehicles were successfully auctioned, and buyer in 98.5%, 98.0% and 97.4%, respectively, of transactions proceeded with the transactions after the vehicles were successfully auctioned, both the highest among all used vehicle transaction service providers in China.

Lowest dispute rate. Our platform has been able to maintain the lowest dispute rate (rate of disputes caused by deviation of the vehicle's actual condition from its condition report) among all used vehicle transaction service providers in China, with such dispute rate consistently lower than 1% in 2021, 2022 and 2023.

[1] Referring to the duration of time from when the used vehicle is entrusted to us for auction to when the transaction payment was made after the vehicle has been successfully auctioned off on our platform.

Highly Efficient Disposition, Independent Status and High Quality Services Have Made Us Dealership Groups and OEMs' Preferred Used Vehicle Disposition Platform, Enabling Us to Secure a Large and Stable Supply of Used Vehicles

With our online-offline integrated auction model, we have effectively increased the used vehicle disposal efficiency of upstream sellers while ensuring the fairness of transaction pricing. Our ability to dispose of used vehicles in a highly efficient manner, combined with our independent status and high quality services, has enabled us to become the preferred business partner of a large number of dealership groups and OEMs.

Our independent status ensures impartiality. We are not affiliated with any dealership group or OEM, and as such, we do not favor used vehicles from any dealership group or OEM in terms of auction price, auction frequency or auction publicity. In the meantime, all of our used vehicle auction related information, process and results is simultaneously made public both online and offline, effectively prevents fraudulent behavior that is common in purely offline used vehicle transactions. In addition, we have implemented data protection measures to ensure that dealership groups' and OEMs' sales data are not misused, thereby keeping their trade secrets intact.

Our high quality value-added services further enhances user loyalty. In recent years, dealership groups and OEMs are incentivized to expand their used vehicle business, both as an additional source of revenue and a method to promote their new vehicle sales. However, they may lack the relevant experience, resources or expertise to do so in a cost-effective manner. In addition to efficient used vehicle disposition, we also offer a suite of value-added services that enable dealership groups and OEMs to streamline, optimize and improve the efficiency and profitability of their used vehicle operations, further deepening our strategic collaboration with them. For example, with the assistance of our experienced condition inspectors and the latest transaction prices of used vehicles of comparable condition that we provide as a reference based on the inspection results, dealership groups are able to determine a fairer acquisition price based on the latest market supply and demand as well as the specific condition of the trade-in vehicle. Once the trade-in vehicle is acquired, the 4S dealership store can further leverage our ADMS system to efficiently manage its used vehicle inventory.

The foregoing strengths have enabled us to form in-depth collaboration with a large number of dealership groups and OEMs in China. As of December 31, 2023, we have conducted extensive used vehicle business with 303 dealership groups in China, including all of the top ten and 69 of the top 100 dealership groups in China in terms of revenue in 2023. Among these dealership groups, we had formed strategic collaboration with 137 dealership groups, such as China Grand Automotive Services Co., Ltd., Lei Shing Hong Automobile Limited, Guizhou Tongyuan Automotive, and Hengxin Auto Group Co., under which we are designated as a preferred auction venue for the 4S dealership stores operated by these dealership groups. As of the same date, we have also formed strategic collaboration with 23 OEMs (including leading traditional OEMs such as SAIC Motor, Dongfeng Nissan, FAW Group and NEV OEMs), pursuant to which we are designated as one of the preferred auction venues for their affiliated 4S dealership stores' used vehicles. As of December 31, 2023, over 6,900 4S dealership stores of dealership groups and OEMs had disposed of used vehicles through our platform.

4S dealership stores of dealership groups and OEMs constitute China's main supply source of used vehicles. In 2022, approximately 55% of China's used vehicle supply were consumer trade-in vehicles at 4S dealership stores. Our solid cooperation with a large number of dealership groups and OEMs with recurring and genuine disposition needs have provided us with a large and stable supply of used vehicles, providing downstream buyers with more choices.

Large and Stable Supply of Used Vehicles and Broad Service Offering Provide Us with A Large Base of Professional Buyers

Owing to our online-offline integrated auction model and strong partnerships with dealership groups and OEMs, our platform has secured a stable, ongoing supply of high-quality used vehicles, enabling us to host a large base of downstream buyers with relatively low customer acquisition costs.

On top of our provision of used vehicle auction services, we provide a series of post-auction services to our buyers, including title transfer services and logistics services. We also provide a diverse range of value-added services to our buyers. By becoming our members, buyers can access through our platform an abundance of information related to historical used vehicle transactions, such as repair and maintenance records and insurance claim history. In addition, we also provide buyers with re-inspection services and produce condition reports accordingly.

Large, stable supply of high quality used vehicles and a wide range of services have effectively enhanced customer experience of buyers and has brought us a large base of Professional Buyers. During the Track Record Period, over 16,000 of our buyers were Professional Buyers (i.e. purchased three or more used vehicles in any given year on our transaction platform alone). Professional Buyers play critical roles in China's used vehicle industry and the buyers of a majority of used vehicle transactions in China are Professional Buyers. Professional Buyers exhibit highly frequent, recurring used vehicle acquisition needs, and our strategic focus on Professional Buyers enables us to achieve relatively low customer acquisition costs and higher transaction efficiency, success rate and profitability.

Proprietary Digital Tools and Massive Transaction Data Facilitate More Efficient Transactions and Enhance User Satisfaction

Our entire transaction processes are powered by in-house developed digital tools powered by technologies such as AI, machine learning and big data analytics, enabling our buyers and sellers to buy, sell and manage used vehicles with confidence and efficiency.

ADMS system. Dealership groups in China typically do not have dedicated in-house systems for used vehicle management. Our proprietary ADMS system provides a series of intuitive, easy-to-use digital tools that enable dealership groups to centrally, quickly and systematically manage their used vehicle inventory across their 4S dealership stores, solve the key challenges across different stages of their used vehicle business from upstream vehicle acquisition to internal management, and enhance the overall transparency, efficiency and profitability of their used vehicle business. Our ADMS system automatically generates the latest transaction prices of vehicles of comparable condition sold on our transaction platform, enabling dealership groups to more accurately price and acquire consumer trade-in vehicles. In the meantime, dealership groups can set and track KPIs on the ADMS system, such as number of trade-in vehicles and disposal rate, for their 4S dealership stores, enabling them to stay fully informed of the performance of their stores. Our ADMS system also enables dealership groups to conduct inventory analysis, optimizing their used vehicle acquisition and selling strategy. Through our ADMS system, dealership groups'4S dealership stores can conveniently dispose of used vehicles through our transaction platform when needed.

Our ADMS system has been widely recognized by market participants, and has been adopted by 36 dealership groups (including Guizhou Tongyuan Automobile, Changjiu Automobile and Zhonghui Group) and one OEM (SAIC Motor). We plan to roll out our ADMS system among an increasing number of dealership groups, OEMs and 4S dealership stores through continuous promotional efforts, the introduction of more customized solutions and the optimization of certain functions of our ADMS system to cater to specific needs of these dealership groups, OEMs and 4S dealership stores.

EQS system. Our in-house developed, AI and machine learning technology powered EQS system is used to enhance the accuracy and consistency of the pre-auction inspection and appraisal for each used vehicle transaction. Our EQS system provides detailed guidance over every step throughout the inspection process, ensuring that the inspection can cover all important aspects relevant for the valuations of a used vehicle while reducing the chance of human errors induced by the condition inspector's deviation from the standard process. Once the inspection is completed, our EQS system automatically generates a detailed, impartial and dealer-friendly condition report demonstrating vehicle condition in the form of texts, pictures and videos to potential buyers, which potential buyers can conveniently preview on our mobile application.

Pricing model. Our massive volume of used vehicle transaction data accumulated over the years further differentiates us from our competitors. There is very limited used vehicle condition and transaction data that is publicly available in China, making the pricing of used vehicle extremely difficult. The large and growing number of used vehicle transactions we have facilitated and the extensive repository of genuine transaction data we have accumulated over the years serve as valuable references to sellers and effectively help sellers to determine reserve prices that are fairer and closer to prevailing market prices, thereby increasing the efficiency and success rate of our auctions. Powered by big data analytics, our newly launched pricing model is the first valuation model in China's used vehicle industry that is based entirely on historical transaction data. Different from other pricing models that predict future prices solely using algorithms, our pricing model is benchmarked towards the Manheim Market Report (Manheim Auction's data analytics tool for used vehicle valuations), and is able to automatically generate a suggested reserve price for a particular used vehicle based on our historical transaction data and the specific condition of the used vehicle, which further enhances the efficiency and success rate of our auctions. We believe this pricing model, backed by the massive amount of transaction data we have accumulated over the years, will be widely accepted by our buyers and sellers, and ultimately help set the standards for the used car industry.

We believe our proprietary digital tools and massive transaction data accumulated over the years will both increase transaction efficiency and success rate and enhance user satisfaction and loyalty, further solidifying our industry leadership position.

Experienced Senior Management Team Backed by Prominent Investors Both in China and Overseas

We are led by a senior management team with extensive experience and insights in China's used vehicle industry as well as strong execution capabilities. Our founder, Mr. Yang Aihua, has more than 30 years of experience in the automotive dealership industry, and has accumulated extensive networks and resources. Under his leadership, we have entered into strategic collaboration agreements with many of the top 20 dealership groups in China, such as China Grand Automotive Services Co., Ltd., Hengxin Auto Group Co, Guizhou Tongyuan Automotive and Sinomach Automobile Co., and have become the preferred disposal channel for many dealership groups. Mr. Yang is responsible for the general operation and management of our Group. With an average of over 20 years of relevant working experience, our senior management possess extensive expertise and experience in the field of automobile distribution and circulation, and come from diverse backgrounds including automotive industry, technology companies to financial institutions. In addition, the core members of our R&D personnel have interdisciplinary expertise of both the information technology and used vehicle industry with an average of over seven years of working experience in the related fields. We believe that our deep understanding of our industry, extensive resourcefulness throughout the industry value chain, industry-leading capabilities for efficiently operating a nationwide offline infrastructure, and our ability to seamlessly integrate technology into used vehicle business operation, have successfully differentiated us from our competitors.

We are backed by prominent strategic investors from both China and overseas, including Cox Automotive, industry-leading dealership groups and large Internet companies and top financial investors (such as Tencent, JD.com and China Renaissance). Our second largest shareholder, Cox Automotive, is the parent company of (i) Manheim Auctions, the world's largest used vehicle wholesale vehicle auction company, (ii) Kelley Blue Book, a vehicle valuation and automotive research company that is well-recognized by the automotive industry, and (iii) Autotrader.com, Inc., an online marketplace for vehicle buyers and sellers. Since our inception, we have benchmarked ourselves against Cox Automotive and working toward building a full life cycle service ecosystem and providing a wide range of solutions to market participants in both the upstream and downstream of China's used vehicles industry. In particular, our used vehicle auction business has benefited from Manheim Auctions' extensive industry insights, operational know-how and technical support with respect to the used vehicle auction business model, transaction process and auction site management. With the continued support from Manheim Auctions, we have recently launched our new pricing model benchmarked towards Manheim Auction's Manheim Market Report, which is expected to further enhance the efficiency and success rate of our auctions. We are also the only used vehicle transaction service provider in China that has received investment from Cox Automotive as of the Latest Practicable Date, which is a strong endorsement to our operational capabilities. In addition, the endorsement of large Internet companies and top financial investors has further enhanced our platform's visibility and operational capabilities. We believe that our collaboration with these strategic investors will continue to bring us valuable support in technology, industry insights, and business development opportunities.

OUR GROWTH STRATEGIES

We intend to pursue the following strategies to achieve our sustainable growth.

Expand and Upgrade Auction Site Network

We plan to selectively expand our auction site network by establishing new auction centers and auction hubs to cover additional cities with significant needs for used vehicle auctions and strengthen our positioning in our existing markets. A broader offline geographic coverage is expected to enable us to access an even larger used vehicle inventory and serve a wider group of buyers and sellers.

We also seek to upgrade the facilities of our auction sites to cater to growing transaction volume and evolving customer needs, including expanding the size of auction sites, relocating auction sites to more spacious locations and upgrading auction site facilities. In addition, we intend to further expand our team of professionals based at our auction sites, such as condition inspectors and sales and marketing personnel, to better serve the evolving needs of our buyers and sellers.

Grow Seller and Buyer Base

Leveraging our industry leadership position, we seek to continue to grow our seller and buyer base. For upstream sellers, we plan to attract new dealership groups and OEMs and deepen our collaboration with existing dealership groups and OEMs, which is expected to further increase the number of their 4S dealership stores disposing of used vehicles through our transaction platform. To further diversify our seller base and used vehicle inventory, we also intend to form strategic collaboration with additional NEV OEMs—which would require us to adapt our services and transaction process to cater to the technical features and disposition model of NEVs which are very distinct from those of traditional fuel vehicles—and enterprises with used vehicle disposition needs.

For downstream buyers, we plan to increase the number of buyers in markets where we already have an offline presence and attract additional buyers in new markets as we continue to expand our offline infrastructure. We believe a broader coverage of upstream sellers and downstream buyers can enable us to benefit from increased economies of scale and achieve sustainable business growth.

In addition, OEMs and dealership groups, through their 4S dealership stores, currently use our transaction platform primarily for the disposition, rather than purchase, of used vehicles. As we offer a broader array of value-added services that assist OEMs and dealership groups to expand their used vehicle operations (for example, from exclusively focusing on buying and selling consumer trade-in vehicles to buying and selling used vehicles from wider sources), we will seek opportunities to convert them into our downstream buyers. Similarly, the provision of value-added services to Professional Buyers to facilitate the growth of their used vehicle business is also expected to provide us with opportunities to convert an increasing number of Professional Buyers, which typically use our transaction platform for the purchase of used vehicles, into upstream sellers. We believe these efforts will also increase our buyer and seller base and enable us to more quickly scale our business and achieve increased economies of scale.

Diversify Our Service Offerings and Revenue Streams

We endeavor to further diversify our service offerings and revenue streams through the following initiatives:

- we plan to continue to promote, and increase the penetration of, our post-auction services, including title transfer and logistics services, which will further increase revenue generated from our used vehicle auction business;

- we also strive to increase the revenue contribution of our used vehicle value-added services. In particular, we intend to continuously promote, and increase the penetration of, our existing value-added services, such as pre-acquisition inspection, use of our ADMS system and re-inspection services, among our sellers and buyers. As our value-added services become more widely accepted by our sellers and buyers, we intend to start monetizing value-added services that we are currently offering for free and creating additional revenue streams, such as the use of our ADMS system, and further promote these services to other market participants; and

- we also intend to further expand our value-added service offerings upstream and downstream to cover more major aspects across the used vehicle transaction cycle, such as vehicle reconditioning and financing services. We believe the offering of additional used vehicle value-added services will further increase the loyalty of our sellers and buyers and create more monetization opportunities.

Continue to Pursue Digitalization Initiatives

We strive to continue to pursue a variety of digitalization initiatives across the used vehicle lifecycle to further enhance seller and buyer satisfaction and loyalty and solidify our industry leadership position:

- as more dealership groups install and utilize our ADMS system, we plan to integrate additional functions into this system, such as sharing of de-sensitized used vehicle disposition related data among dealership groups, which we believe will enable dealership groups to have a better understanding of the market supply and demand dynamics and more efficiently manage their used vehicle business;

- we plan to continuously optimize our big data analytics powered pricing model to further increase the accuracy and fairness of our pricing, which in turn will enhance our auction efficiency and success rate; and

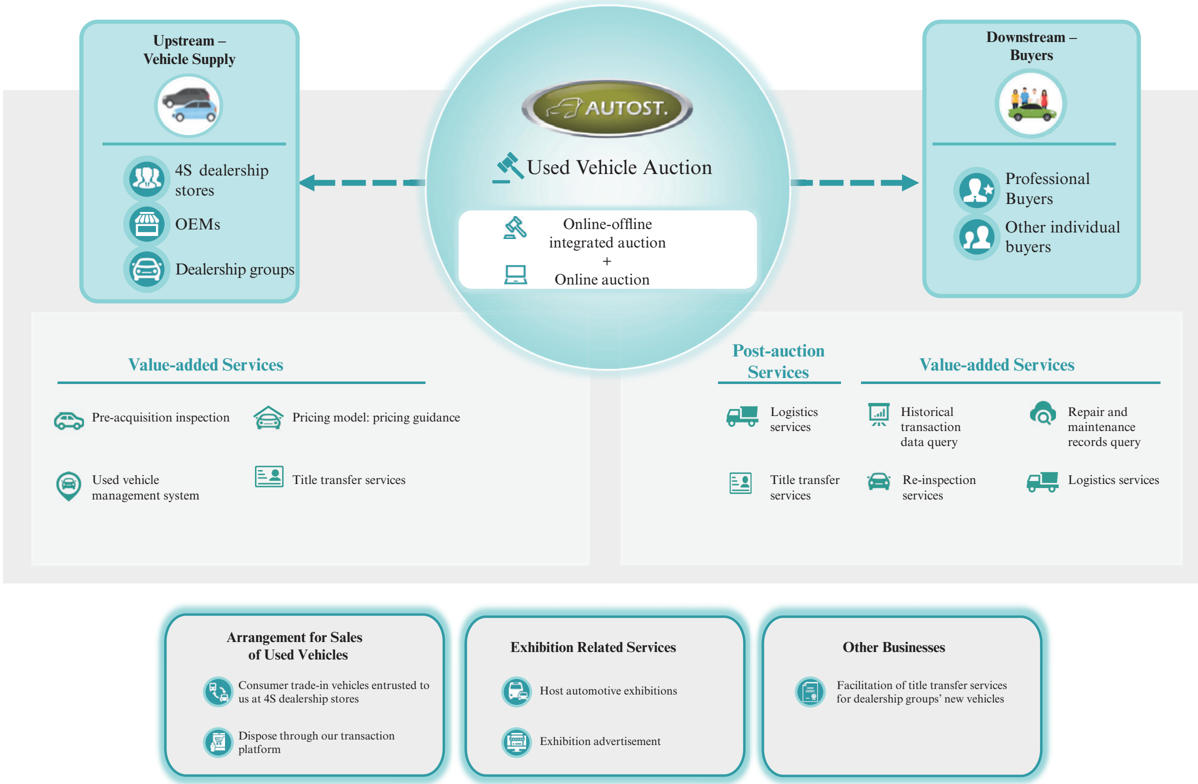
- we plan to continuously upgrade our mobile app to optimize the user-friendliness of its interface and launch new functions. For instance, leveraging the vast amount of transaction data on our transaction platform, we plan to launch more used vehicle related data functions on our mobile app, such as functions that enable buyers to estimate the residual value of used vehicles.

Strategic Partnerships or Acquisitions

We plan to expand our used vehicle auction business through strategic acquisitions and partnerships. We intend to selectively invest in or enter into strategic partnerships with (i) other used vehicle transaction service providers in China, and/or (ii) other industries related to used vehicle transaction service providers, such as internet companies, to further expand our collective expertise and resources and service capabilities. We will consider the scope of business of potential target companies and only acquire or invest in those companies that we believe are complementary to our existing business. We will carefully consider our options and conduct thorough due diligence before making an acquisition or investment decision. As of the Latest Practicable Date, we have not identified or confirmed any acquisition targets.

OUR SERVICE OFFERINGS

We are China's largest used vehicle transaction service provider in terms of transaction volume in 2022, according to CIC. As an intermediary that connects used vehicle buyers and sellers, we facilitate used vehicle transactions through the provision of a wide range of used vehicle related services. With our core offerings of used vehicle auction services, as complemented by a wide range of value-added services and other services, we offer end-to-end solutions reinventing the used vehicle transaction cycle of our sellers, primarily 4S dealership stores with recurring needs to dispose of consumer trade-in vehicles in bulk, and buyers, primarily individuals, including Professional Buyers and consumers. From vehicle sourcing and acquisition, inspection and appraisal, auction and title transfer to logistics, we connect sellers with buyers in a highly efficient manner and improve profitability and efficiency of their used vehicle operations.



Our service offerings span across the following areas:

- ***Used vehicle auction***. Our online-offline integrated transaction platform connects upstream sellers with downstream buyers of used vehicles and facilitates efficient and transparent used vehicle auction in large volumes. We generate revenue primarily from our used vehicle auction business, consisting of (i) commission charged to buyers for successful used vehicle transactions on our transaction platform, and (ii) service fees charged to buyers for our post-auction services, including title transfer and logistics services provided by third-party service suppliers engaged by us. We expect our used vehicle auction business to remain our core business and continue to contribute a significant portion of our revenue.

- ***Used vehicle value-added services***. We provide various used vehicle value-added services, either for a fee or for free, to our upstream sellers and downstream buyers to streamline, optimize and improve the efficiency and profitability of their used vehicle operations. These value-added services primarily include: (i) for sellers: pre-acquisition inspection and appraisal, used vehicle acquisition assistance, provision of our ADMS system, and title transfer services for used vehicles not transacted on our transaction platform, and (ii) for buyers: used vehicle information lookup and re-inspection.

- ***Arrangement for sale of used vehicles***. We collaborate with certain dealership groups to arrange for the sale of consumer trade-in vehicles at these dealership groups' 4S dealership stores. These used vehicles are entrusted to us by used vehicle owners or 4S dealership stores and subsequently disposed of mainly through auctions on our transaction platform.

- ***Exhibition related services***. We host various automotive exhibitions and charge participating OEMs and dealership groups fees for renting exhibition booths and placing of advertisement.

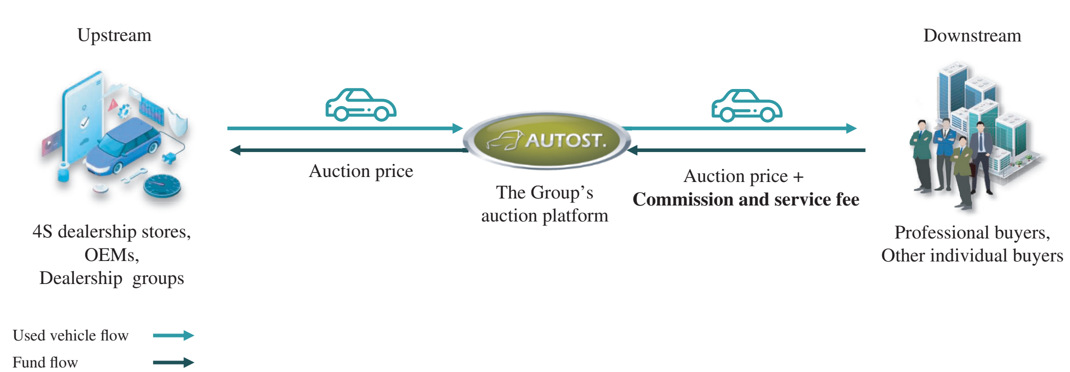
- ***Others***. We provide other vehicle-related services, primarily including facilitation of title transfer services for new vehicles of the 4S dealership stores that we collaborate with.

The following table sets forth a breakdown of our revenue by business segment in absolute amounts and as percentages of our total revenues for the periods indicated:

	2021		**2022**		**2023**	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*
Used vehicle auction	334,444	49.4	240,044	51.3	287,202	58.4
Used vehicle value-added services	73,148	10.8	74,959	16.0	73,814	15.0
Arrangement for sale of used vehicles	154,088	22.7	79,254	17.0	63,567	12.9
Exhibition related services	89,556	13.2	62,864	13.4	54,770	11.1
Others	26,451	3.9	10,510	2.3	12,615	2.6
Total	677,687	100.0	467,631	100.0	491,968	100.0

Our revenue for almost all business segments decreased from 2021 to 2022, primarily as a result of adverse impacts from COVID-19 resurgences and restrictive measures imposed by local governments across China, which caused disruption and interruption in our business operations and reduced market demand for used vehicles. While our business operation gradually resumed in 2023, our transaction volume only experienced a slight decrease in the first quarter of 2023 as a result of the initial spike of confirmed cases in China. As the COVID-19 situation finally stabilized starting from the second quarter of 2023, our pace of recovery significantly accelerated, and our revenue generated from used vehicle auction business as well as our total revenue increased from 2022 to 2023 as a result. See "Financial Information — Effects of the Covid-19 Pandemic on Our Results of Operations."

USED VEHICLE AUCTION BUSINESS



Note: Words in bold represent revenue recognized under used vehicle auction business

Our product and service offerings are made possible through our used vehicle transaction platform, which integrates online and offline auction formats to facilitate instant, transparent and efficient transactions of used vehicles, connecting buyers and sellers across China. Since the debut of our used vehicle auction in 2014, we have become the largest used vehicle transaction service provider in China in terms of transaction volume: in 2022, a total of approximately 160,000 units of used vehicles were transacted through our transaction platform, ranking us the No.1 among China's used vehicle transaction service providers, according to CIC. In 2023, a total of approximately 176,000 units of used vehicles were transacted through our platform.

Our transaction platform provides sellers with an efficient channel to dispose of their used vehicles in large volume and access to thousands of buyers nationwide, and buyers with a real-time view of an extensive selection of used vehicles across the entire spectrum of brand, model, price, age and mileage. During the Track Record Period, the top five brands of the used vehicles transacted on our platform in terms of transaction volume for each year included Volkswagen (most popular model: Polo, Lavida, Bora, Passat and Sagitar), Buick (most popular model: Excelle, Excelle GT, Regal, LaCrosse and GL8), Honda (most popular model: Accord, Civic, CR-V, Fit and City), Nissan (most popular model: SYLPHY, Tiida, TEANA, Qashqai, Sunny and X-Trail), Ford (most popular model: Focus, Mondeo, Fiesta, Escort and Kuga), Toyota (most popular model: Corolla, Camry, Vios, Corolla EX and RAV4) and Chevrolet (most popular model: Cruze, Sail, LOVA, Malibu and Epica), and the majority of used vehicles transacted on our platform were aged over five years.

A substantial majority of used vehicles transacted on our platform during the Track Record Period were used ICEs, and we expect used ICEs to continue to contribute a majority of our transaction volume in the future. With the continued development of China's NEV market, the percentage of used NEVs transacted on our platform during the Track Record Period demonstrated an overall upward trend. In 2021, 2022 and 2023, transaction volume of used NEVs accounted for 0.8%, 1.1% and 2.8% of our total transaction volume, respectively.

While used NEVs only accounted for 4.6% of the total passenger vehicle parc in China in 2022, such percentage is expected to increase rapidly, reaching 20.5% in 2027. To capture such market opportunities, we have formed strategic collaborations with NEV OEMs and actively expanded our service offerings to facilitate used NEV transactions:

- ***Strategic collaboration with NEV OEMs.*** Different from traditional ICE OEMs, that sell new vehicles through dealership groups' 4S dealership stores, NEV OEMs usually adopt the direct selling model and sell NEVs through their own stores. As such, used NEV trade-ins are conducted through NEV OEMs' own stores, rather than through dealership groups' 4S dealership stores. In addition, as NEV OEMs are still in the process of exploring and establishing their used vehicle disposal channel, they prefer cooperating with used vehicle transaction service providers for the disposal of their trade-in vehicles. As such, we believe our cooperation with NEV OEMs is critical to ensuring a large and stable supply of used NEVs. In addition, NEV OEMs prefer to dispose of used NEVs through leading used vehicle transaction service providers, attributable to such platforms' high disposal efficiency. We collaborated with a number of industry-leading NEV OEMs for their disposal of used NEVs and plan to collaborate with an increasing number of NEV OEMs going forward.

- ***R&D initiatives and service provision***. We are in the process of adapting our services and transaction process to catering to the technical features of NEVs, which are very distinct from those of ICEs. For example, we have been conducting R&D on the appraisal of NEV battery residual value and other aspects of used NEV valuation, and are exploring collaboration with leading NEV battery manufacturers. The NEV battery residual value can materially affect the valuation of used NEVs and the methodology and technical aspects of evaluating the NEV battery differ materially from those used for evaluating used ICEs. We are among a small number of players in China's used vehicle industry that have sufficient experience and expertise in used NEV valuation, and we believe our experience and technical know-hows in used NEV valuation is critical for reinforcing our leadership in China's used vehicle industry. We believe these R&D initiatives, as well as the provision of services and supporting facilities tailored for used NEVs, are instrumental in making our transaction platform an efficient, fair and transparent disposal channel for used NEVs, thereby making NEV OEMs more willing to supply used NEVs to us.

The effectiveness of these initiatives are demonstrated by the continued increase in the percentage of used NEVs transacted on our platform during the Track Record Period. Attributable to these initiatives, we believe that an increasing number of NEV OEMs will be willing to cooperate with us and supply us with used NEVs for disposal, and we are also capable of completing such transactions in a highly efficient manner.

For our used vehicle auction business, we charge our buyers the following commission and service fees:

(i) ***Commission:*** we charge buyers a commission for successful used vehicle transactions on our transaction platform. During the Track Record Period, the rate of commission we charged typically ranged between 2.5% and 3.5% of the used vehicle auction price, with the total commission we charged for each transaction typically subjecting to both a floor of RMB100 and a cap of RMB3,000. Effective from February 1, 2023, we have adjusted our commission rate for all used vehicle transactions on our transaction platform upward, such that we typically charged the commission at approximately 3.5% of the used vehicle auction price, with the total commission we charge for each transaction subjecting to both a floor of RMB500 and a cap of RMB3,000. The commission rate for used vehicle transactions in China typically ranges from 1.0% to 5.0%, and our commission rate is in line with industry standard. In 2021, 2022 and 2023, revenue generated from used vehicle auction commission was RMB275.2 million, RMB172.7 million and RMB224.2 million, respectively, accounting for 40.6%, 36.9% and 45.6% of our total revenue during the same periods; and

(ii) ***Service Fees:*** we also facilitate third-party service providers' provision of post-auction services for transacted used vehicles, including facilitation of title transfer services (for which we provide at our sellers' election and charge a service fee typically ranging from RMB400 to RMB1,600 per vehicle) and logistics services (for which we provide at our buyers' election and charge a service fee on a per-vehicle basis that in turn depends on the distance and other relevant factors, typically ranging from RMB350 to RMB3,500). These services are provided by third-party service providers we collaborate with, and we act as an intermediary and facilitator of such services. In 2021, 2022 and 2023, revenue generated from used vehicle auction service fees was RMB59.2 million, RMB67.4 million and RMB63.0 million, respectively, accounting for 8.8%, 14.4% and 12.8% of our total revenue during the same periods.

The following table sets forth a breakdown of our revenue generated from used vehicle auction commission and service fees:

	2021	2022	2023
		(RMB'000)	
Used vehicle auction commission	275,234	172,661	224,242
Used vehicle auction service fees:			
Title transfer services	58,460	58,859	60,536
Logistics services	750	8,524	2,424
	59,210	67,383	62,960
Used vehicle auction commission and service fees	**334,444**	**240,044**	**287,202**

The following table sets forth certain key operational metrics of our used vehicle auction business.

	2021	2022	2023
Number of auction sessions	6,542	8,410	9,732
Number of used vehicle transacted	~261,000	~160,000	~176,000
Average revenue per vehicle *(RMB)*	1,280	1,505	1,636

Number of our used vehicle auction sessions increased from 6,542 sessions in 2021 to 8,410 sessions in 2022, primarily because (1) our auction site network continued to expand in 2022, where the number of our auction sites increased from 41 as of December 31, 2021 to 73 as of December 31, 2022, (2) as our larger auction sites with higher transaction capacity had to cancel their scheduled auction sessions as a result of COVID-19, we increased the number of auction sessions at our smaller auction sites that were less affected by COVID-19 as a backup plan, at the request of certain upstream sellers, and (3) we also increased the number of scheduled auctions to better serve the need of upstream sellers to dispose of used vehicles. Number of our used vehicle auction sessions increased further to 9,732 sessions in 2023, primarily because (1) our auction sites gradually resumed normal operation in the second quarter of 2023, following the alleviation of the COVID-19 situation, and (2) we also increased the number of scheduled auctions to better serve the need of upstream sellers to dispose of used vehicles.

In 2021, 2022 and 2023, our transaction success rate (used vehicle transaction volume as a percentage of the number of used vehicle put up for auctions) was approximately 73%, 51% and 46%, respectively.[†] Fluctuations in our transaction success rate during the Track Record Period mainly

† According to CIC, in China, for used vehicle transaction service providers with relatively large used vehicle transaction volume, their transaction success rate typically ranges between 30% to 50%.

reflected the relative changes in the used vehicle transaction volume and the number of used vehicle put up for auctions during the same period, which is caused by a number of factors beyond our control. In particular, the decrease in our transaction success rate in 2022 was primarily because, compared to the decrease in the number of used vehicle put up for auctions, the decrease in the used vehicle transaction volume was more significant as our business operations were adversely affected by COVID-19 in 2022. Our downstream buyers were less willing to increase their used vehicle inventory and therefore became less active in participating in used vehicle transactions, including used vehicle auctions, when the COVID-19 situation worsened in 2022. See "Financial Information — Effects of the COVID-19 Pandemic on Our Results of Operations" for further details. Such decrease was in line with the decrease in transaction success rate of used vehicle auctions in China from 2021 to 2022. The decrease in our transaction success rate in 2023 was primarily because the supply of used vehicle put up for auctions showed a faster increase and our upstream sellers became increasingly dependent on used vehicle transaction service providers, while our downstream buyers remained relatively conservative in purchasing used vehicles.

Number of used vehicles transacted on our platform decreased from approximately 261,000 units in 2021 to approximately 160,000 units in 2022, primarily due to (1) decreased willingness of our buyers to purchase used vehicles as a result of COVID-19 resurgences in various regions of China: the average number of buyers who placed bids with us during each auction session decreased from 44.9 buyers per auction session in 2021 to 39.7 buyers in 2022; and (2) a decrease in the number of used vehicles entrusted to us by upstream sellers from approximately 359,000 in 2021 to 315,000 in 2022, as a result of COVID-19 resurgences in various regions of China. The number of used vehicles transacted on our platform increased to approximately 176,000 units in 2023, following the alleviation of the COVID-19 situations in 2023, showing the resilience of our business model in a fluctuating market.

The increase of our average revenue per vehicle from RMB1,280 in 2021 to RMB1,505 in 2022 was primarily because (i) we started to adjust our commission rate upward for used vehicle auctions across different auction sites in 2022 (previously certain auction sites charged lower commission rates in order to attract more used vehicle buyers), which led to an increase in the overall commission rate we charged for our used vehicle auctions, and (ii) buyers' increased adoption of our post-auction services. Our average revenue per vehicle increased further to RMB1,636 in 2023, primarily because effective from February 1, 2023, we adjusted the commission rate upward for all used vehicle transactions on our transaction platform to approximately 3.5% of the used vehicle auction price, subject to a floor and a ceiling. We have managed to adjust our commission rate upward primarily because our industry leading market share and transaction efficiency, large and stable supply of used vehicles, as well as the broadest offline geographic coverage, have granted us stronger pricing power in setting used vehicle auction commission rates, and the adjusted commission rate is still in line with the industry standard.

We price our commission rate and service fees primarily based on: (i) our costs for providing the relevant services; and (ii) prevailing market prices of such services and competitive landscape. In particular,

- When we price our commission rate, we target to align our rate with the prevailing market commission rate while ensuring the profitability of our transactions. As the commission rate for used vehicle transactions in China typically ranges from 1.0% to 5.0%, during the Track Record Period, we set our commission rate in the mid-range to both make our commission rate competitive and ensure our commission can sufficiently cover the relevant costs incurred. Effective from February 1, 2023, we adjusted our commission rate to approximately 3.5%, in consideration of our industry leading position and high transaction efficiency.

- Our title transfer service fee consists of (1) the fee quoted by third-party title transfer service providers, and (2) our fee for arranging the service, which is set primarily in consideration of the service fee charged by local used vehicle trading markets.

- Our logistics service fee consists of (1) the fee quoted by third-party logistics and delivery service providers, which varies based on the delivery distance and regions, and (2) our fee for arranging the service, which is set primarily in consideration of the rates charged by peer companies for providing comparable services.

We currently do not charge our sellers any commission or service fee for disposing of used vehicles through our transaction platform.

Our used vehicle auction commission and service fees decreased by 28.2% from RMB334.4 million in 2021 to RMB240.0 million in 2022, and increased by 19.6% to RMB287.2 million in 2023. Fluctuations in our used vehicle auction commission and service fees during the Track Record Period were mainly due to changes in transaction volume of used vehicles on our platform. The decrease from 2021 to 2022 was offset in part in 2022 by our buyers' increasing adoption of our title transfer and logistics services. In addition, the increase in our used vehicle auction commission and service fees in 2023 was also because we have adjusted our used vehicle auction commission rate upward for all used vehicle transactions on our platform since February 2023. We have managed to adjust our commission rate upward primarily because our industry leading market share and transaction efficiency, large and stable supply of used vehicles, as well as the broadest offline geographic coverage, have granted us stronger pricing power in setting used vehicle auction commission rates, and the adjusted commission rate is still in line with the industry standard.

Our gross profit for used vehicle auction commission and service fees decreased by 39.1% from RMB193.1 million in 2021 to RMB117.5 million in 2022, and increased by 43.6% to RMB168.7 million in 2023. Fluctuations in our gross profit for used vehicle auction commission and service fees during the Track Record Period were largely in line with fluctuations in our revenue generated from this business segment. Our gross profit margin for used vehicle auction commission and service fees decreased from 57.7% in 2021 to 49.0% in 2022, primarily due to (1) increased adoption of post-auction services, which had relatively lower gross profit margin, and (2) the increased labor cost in line with the increase in our headcount for our used vehicle auction business, including auctioneers and condition inspectors, in 2022. In light of the rapid growth in our transaction volume and our business performance in 2021, and based on our then belief and assessment that the COVID-19 situation was generally under control, we continued to expand our teams of auctioneers and condition inspectors in 2021 in line with our pre-existing expansion plan. In particular, we hired 12 auctioneers and 124 condition inspectors in 2021. As a result, our labor costs increased from 2021 to 2022. Our gross profit margin for used vehicle auction commission and service fees increased to 58.8% in 2023, primarily because we have adjusted our used vehicle commission rate upward for all used vehicle transactions on our platform since February 2023.

Please see "Financial Information — Results of Operations" for more details.

Our Sellers

China's used vehicle inventory is highly dispersed, with the main upstream supply sources being 4S dealership stores, which are typically operated by dealership groups and affiliated with OEMs. Leveraging our industry leadership in used vehicle auction and provision of a wide range of used vehicle value-added services (see "— Used Vehicle Value-added Services" for more details), we have successfully formed in-depth collaboration with the highest number 4S dealership stores of dealership groups and OEMs across China. These extensive strategic collaborations enable us to secure a large, stable and diverse supply of used vehicles that are disposed of by these 4S dealership stores. As of December 31, 2023, we have conducted extensive used vehicle business with 303 dealership groups in China, including all of the top ten and 69 of the top 100 dealership groups in China in terms of revenue in 2023. Among them, we have formed long-term, strategic collaboration with 137 dealership groups, such as China Grand Automotive Services Group Co., Ltd., Lei Shing Hong Automobile Limited, Guizhou Tongyuan Automotive, and Hengxin Auto Group Co., and 23 OEMs, including leading traditional OEMs such as SAIC Motor, Dongfeng Nissan, FAW Group, and NEV OEMs. As a result, as of December 31, 2023, over 6,900 4S dealership stores had disposed of used vehicles through our platform.

Owing to these strategic collaborations, our sellers primarily include 4S dealership stores. In 2021, 2022 and 2023, approximately 2,900, 4,000 and 4,900 sellers, or 68.9%, 77.0% and 81.0% of our sellers, respectively, were 4S dealership stores. During the same periods, these sellers disposed of approximately 229,000, 142,000 and 149,000 units of used vehicles through our transaction platform, respectively, representing 87.7%, 89.2% and 85.1% of our total transaction volume during the respective periods.

To a lesser extent, our sellers also include Professional Buyers and institutions such as car rental companies and ridesharing companies. In 2021, 2022 and 2023, approximately 1,300, 1,200 and 1,200 sellers, or 31.1%, 23.0% and 19.0% of our sellers, respectively, were other sellers (including Professional Buyers and institutional sellers). During the same periods, these sellers disposed of approximately 32,000, 17,000 and 26,000 used vehicles through our transaction platform, respectively, representing 12.3%, 10.8% and 14.9% of our total transaction volume during the respective periods.

Our transaction platform provides sellers with an efficient channel to wholesale their used vehicles and access to thousands of buyers nationwide. In addition, as China's used vehicle industry continues to develop, the seller base of our transaction platform is also becoming increasingly diversified.

Material Terms of Agreements with Sellers

Framework cooperation Agreements. We typically enter into framework cooperation agreements for a term of one to three years with OEMs, pursuant to which we are designated as one of the preferred used vehicle disposition channels for certain or all of the OEMs' 4S dealership stores, and the OEMs agree to actively promote our transaction platform and services to its 4S dealership stores and encourage them to dispose of used vehicles through our transaction platform. In return, we agree to provide the OEMs with, among others, (i) information on the disposition of used vehicles by their 4S dealership stores on our transaction platform, and (ii) technical support that enables the OEMs to develop their internal used vehicle management systems. The framework cooperation agreements can typically be renewed or terminated with prior written consent from both parties.

Auction cooperation agreements. We typically enter into auction cooperation agreements for a term of one to three years with dealership groups, 4S dealership stores and other sellers, which set forth how the sellers' used vehicles will be auctioned on our transaction platform, and the respective rights and obligations of the sellers and us before, during and after the auction process. When sellers want to dispose of used vehicles through our online-offline integrated transaction platform, they can either upload the information of such used vehicles through our system or send us a list of such vehicles in writing. Sellers are required to inform us of material condition of the vehicles, including any material quality issues, any material accident occurred to the vehicle, any loans, pledges or encumbrances that may impede the title transfer of the vehicle, the absence of document required for title transfer of the vehicle, and any violation of rules and regulations that have not been properly dealt with. If the seller fails to inform us of any of the foregoing, we have the right to refuse to proceed with the auction.

Our sellers are also required to compensate us and/or the relevant buyer according to our standard procedures for dispute resolution in certain specific circumstances, including but not limited to, the used vehicle has ownership dispute, refusal of or delay in handing over the vehicle and related documents, and the vehicle has undisclosed defects or the disclosed information is inconsistent with the actual vehicle condition. The agreement also stipulates that, in the event that the sellers/buyers choose to not proceed with the transaction after the vehicle has been successfully auctioned, the non-breaching party will be compensated according to our standard procedures for dispute resolution. See "— Our Transaction Process" for details on our standard procedures for dispute resolution.

In general, we do not charge our sellers any commission or service fees in connection with the vehicle auction. If the used vehicle has been successfully auctioned off, we are required to transfer the auction price of the used vehicles to our sellers on the second business day after we receive payment from our buyers. Sellers can retrieve from us the used vehicle that is not auctioned off. The payment is typically settled via bank transfer. The auction cooperation agreements can generally be renewed automatically for another year upon expiration if neither party raises any written objection.

Our Buyers

All types of buyers are welcomed on our transaction platform. As long as the registration process has been completed and a security deposit of at least RMB2,000 has been placed, any user is able to bid and purchase used vehicles on our transaction platform at ease. The exact amount of the security deposit that a buyer needs to place with us depends on the buyer's purchasing needs. For each used vehicle transaction, an amount of RMB2,000 from the buyer's security deposit will be frozen until the buyer makes the full payment for the used vehicle transaction, including the vehicle auction price and the commission and service fees. As of the Latest Practicable Date, our buyers primarily comprised Professional Buyers. To a lesser extent, our buyers also include 4S dealership stores and other individual buyers. Used vehicle buyers in China are generally geographically confined and face significant challenges in finding the right inventory, especially used vehicles outside of their local markets. Our transaction platform enables our buyers to conveniently and efficiently identify used vehicle offerings and place bids on used vehicles that meet their specific needs and requirements from a vast and expanding inventory of various brand, model, price, age, mileage and specifications either online or offline. To enhance user experience, we also provide post-auction services including title transfer and logistics to our buyers.

During the Track Record Period, approximately 43,000 of our registered users placed deposits with us (a registered user can only make bids for used vehicles on our platform after he or she places a deposit with us), indicating a large base of potential buyers. During the Track Record Period, our transaction platform cumulatively facilitated sales of used vehicles to approximately 25,000 buyers across China. In 2021, 2022 and 2023, approximately 9,700, 6,900 and 7,100 buyers, or 63.0%, 58.7% and 63.4% of our buyers were Professional Buyers. During the same periods, these buyers purchased approximately 254,000, 153,000 and 170,000 used vehicles through our transaction platform, respectively, representing approximately 97.1%, 96.0% and 96.8% of our total transaction volume for the respective periods. During the Track Record Period, a total of over 16,000 buyers on our transaction platform were Professional Buyers. In 2021, 2022 and 2023, approximately 5,700, 4,900 and 4,100 buyers, or 37.0%, 41.3% and 36.6% of our buyers, respectively, were other buyers (including 4S dealership stores and other individual buyers). During the same periods, these buyers purchased approximately 7,500, 6,300 and 5,500 used vehicles through our transaction platform, respectively, representing 2.9%, 4.0% and 3.2% of our total transaction volume during the respective periods.

Our online-offline integrated used vehicle transaction platform provides buyers with a highly efficient, convenient and reliable platform that offers an extensive selection of used vehicles across the entire spectrum. Interested buyers can visit our auction site, look at the vehicles to be auctioned in a close distance, and attend the auction sessions in person. Alternatively, our user-friendly mobile application enables our buyers to conveniently navigate through a vast selection of used vehicles that are being auctioned and preview the list of used vehicles to be auctioned. Buyers may also search and discover used vehicles through customized filters, such as location, year, brand, model and mileage. Buyers can click on the used vehicles of their interest to access the respective condition reports of such vehicles, and compare these options for price and specifications to make more informed decisions. Buyers may also set up news alerts when used vehicles that meet their preferential specifications are listed for upcoming auctions. The picture below sets forth a sample interface of our mobile application.

With our proprietary AI and big data analytics-powered models and algorithms, our auction system creates and continuously updates a user profile for each buyer and automatically recommends the used vehicles that might interest them the most to them based on their browsing, bidding and purchase history on our transaction platform, effectively guiding their purchase decisions. When the information of a used vehicle is uploaded onto our auction system, our system automatically identifies a group of buyers who may be most interested in the vehicle and, subject to the buyers' preference settings, pushes notifications or send text messages to the same buyers as reminders. Our sales and marketing personnel may further communicate the information of the vehicle to these buyers to increase transaction success rate.

Material Terms of Agreements with Buyers

Auction participation agreement. Before they can place bids, each bidder is required to register a bidding account with us and enter into an auction participation agreement with us when the account is being opened. These agreements are generally renewed automatically if the bidder continues to use the registered account. The agreement specifies the rights and obligations of our bidders in relation to their participation of auctions on our transaction platform. Pursuant to the agreement, each bidder is required to complete real-name verification and undertakes that all information the bidder provides is true, accurate and complete. We have the right to terminate the agreement at any time if the bidder violates any rules or infringes on any third party's rights.

Sales confirmation. All registered bidders who have paid a security deposit can participate in our auctions and place bids. Upon a successful auction, our system automatically generates a sales confirmation, which sets forth details of the used vehicle being purchased (including brand, model, license plate number and vehicle identification number), auction price of the used vehicle, name of the buyer (i.e. the highest bidder), and commission and service fees to be paid to us. After the sale is confirmed, this sales confirmation, together with the auction participation agreement and our auction rules and protocols, constitutes a legally valid and binding agreement between the buyer and us, pursuant to which the buyer agrees to purchase the relevant vehicle at the auction price and pay the commission and service fees.

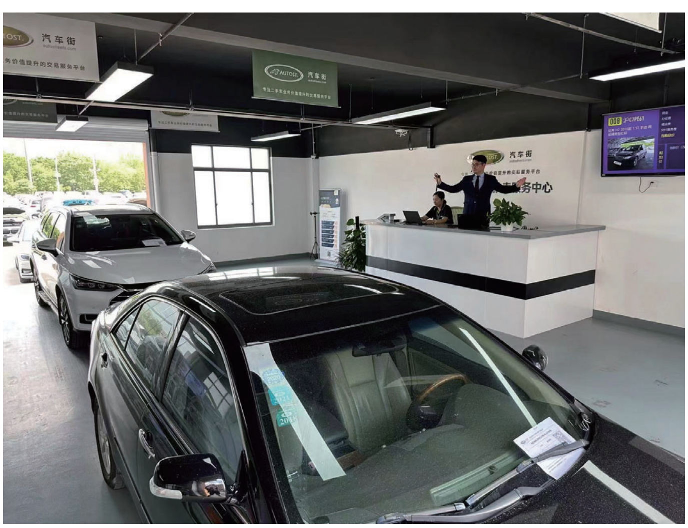
Two-pronged Auction Model

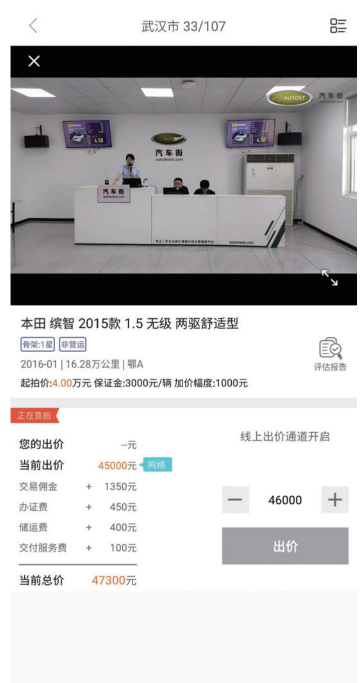
We pioneered a two-pronged, online-offline integrated auction model, comprising online-offline integrated auction and online auction (which is an auction model that supplements our online-offline integrated auction, in an effort to increase the vehicle visibility and enhance our transaction success rate). In 2021, 2022 and 2023, our transaction success rate (used vehicle transaction volume as a percentage of the number of used vehicle put up for auctions) was approximately 73%, 51% and 46%, respectively. We believe the combination of these two types of auctions, which enable buying and selling of used vehicles in-lane, online or right off the sellers' 4S dealership stores, effectively addresses the inefficiencies and operational complexities that exist in traditional used vehicle auctions and transactions, enabling us to rapidly scale and grow our business.

Online-offline Integrated Auction (同步拍)

Our online-offline integrated auction, which is our primary auction format, allows used vehicle buyers across China to participate in in-lane auctions either offline at our auction sites or certain temporary locations, or online via our mobile application in real-time. We sometimes also hold online-offline integrated auction on our auction sites in a remote manner to further extend the coverage of our offline network. Through the availability of multiple forms of online-offline integrated auction, we managed to hold used vehicle auction session on a daily basis throughout the Track Record Period.

For interested buyers to have a detailed preview, the condition report of each pre-auctioned vehicle is available online the day prior to the auction, and the used vehicles are typically displayed at the relevant auction site a few hours before the auction takes place. Led by our auctioneers at the auction site, buyers present in-person or online can bid against each other at the same time on the used vehicle that is put up for auction. Our auctioneers on-site will lead the auction and take bids from bidders online and offline. If the highest bid meets or exceeds the reserve price of the vehicle, the sale is confirmed instantly. With all of our online-offline integrated auctions conducted in the form of "open" auctions, where interested buyers are aware of the competing bid amounts, our transaction platform facilitates transparent transactions of used vehicles, making us a highly trusted platform among Professional Buyers.





In circumstances where the used vehicles to be auctioned are located in cities where we do not have any auction site and cannot be transported cross-city due to time, cost or other considerations, we are also able to hold online-offline integrated auction for these vehicles at our auction sites in a remote manner. Specifically, our condition inspectors will travel to the used vehicles' location to inspect the used vehicles and livestream their conditions and specifications via simulcast to bidders participating in our auctions both offline at our nearby auction sites and online via our mobile application.

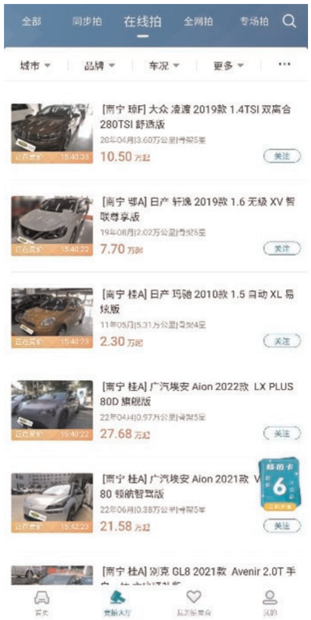
In addition to the online-offline integrated auctions held at our auction sites, we also host online-offline integrated auctions at temporary locations from time to time in cities where we have not established any auction site, in order to meet local market demand (for instance, when a 4S dealership store has accumulated a sufficiently large inventory of used vehicles for disposition). We send our entire team of condition inspectors, auctioneers and other personnel required for the auction to the seller's city to hold our online-offline integrated auctions at a temporary location such as the 4S dealership store's storefront.

For used vehicles that are passed in — where the top bid fails to reach the reserve price set for the vehicle — during our online-offline integrated auctions, we may place such vehicles in our timed auction (全網拍), a major type of our online auction (在線拍), which is an alternative solution to our online-offline integrated auction aimed to increase the vehicle visibility and enhance the success rate of vehicle transactions. Sellers may decide the starting time and duration for which they want to list the used vehicles on our platform for the timed auction. Interested bidders can submit bids during the timed auction. In general, if a used vehicle that has been passed in the online-offline integrated auction is again passed in the subsequent timed auction, we will discuss with the used vehicle seller to adjust the pricing strategy for the vehicle or return the vehicle to the seller.

During the Track Record Period, an average of over 13,200 bidders per month (including those participating offline and online) reviewed used vehicles on our mobile application, an average of over 6,600 bidders per month placed bid in our online-offline integrated auctions, and an average of over 3,800 bidders per month successfully auctioned at least one used vehicle on our platform. In 2021, 2022 and 2023, we held 6,542, 8,410 and 9,732 online-offline integrated auction sessions across China, respectively, in line with the continued expansion of our auction site network. By involving a large number of bidders offline and online, our online-offline integrated auction significantly increases the efficiency of vehicle disposition and success rate of used vehicle auction. Moreover, the expansive geographic coverage of our nationwide auction site network, coupled with our regular auction session at high frequency, can effectively address the need of our upstream sellers for used vehicle disposal, making us the preferred platform for used vehicle transactions for many of our sellers.

Online Auction (在線拍)

Leveraging our technological infrastructure and strong technical capabilities, we also provide buyers with auction options that take place entirely online. Our online auctions supplement our online-offline integrated auctions and the majority of the used vehicles auctioned in our online auctions are those that were passed in during our online-offline integrated auctions. Our online auctions further increase the exposure of used vehicles on our transaction platform and improve the success rate of transactions. For our online auctions, our condition inspectors will travel to the sellers' location to conduct an pre-auction inspection and appraisal, which is followed by an entirely online bidding process. We typically keep the auction open for up to 24 hours before we confirm the highest bid and bidders can place bids online throughout the day via our mobile application. Our online auction is an "open" auction where each bidder knows the bid offered by another bidder. Bidders can view the list of used vehicles that are still accepting bids under the online auction any time during a day.



Our Auction Site Network

We have the largest offline geographic coverage among all used vehicle transaction service providers in China. As of December 31, 2023, we had an aggregate of 79 auction sites strategically located in 74 cities in China, comprising 47 auction centers and 32 auction hubs:

- ***Auction centers***. Our auction centers are typically located in cities that have relatively large and stable used vehicle transaction volume. Our auction centers have fixed and recurring auction schedules, hosting at least one auction session every week. We can conduct the entire transaction process of online-offline integrated auctions that are held at the auction center, including vehicle gathering, pre-auction inspection and appraisal, auction, title transfer, vehicle delivery and logistics, and dispute resolution. The employees we typically staff at each auction center primarily include managerial personnel and other office workers, professional staff for auction services (such as our condition inspectors and auctioneers), and sales team. Each auction center further has an independent financial accounting team.

- ***Auction hubs***. Compared to our auction centers, our auction hubs typically host fewer auction sessions, with at least two auction sessions every month. In addition to holding online-offline integrated auctions, our auction hubs can also facilitate online auctions. The employees we typically staff at each auction hub primarily include professional staff for auction services (such as our condition inspectors and auctioneers) and sales team. We generally upgrade an auction hub to an auction center when it can sustain a relatively large and stable used vehicle transaction volume, typically with an average monthly transaction volume exceeding 200 units.

The following map illustrates the locations of our auction sites across China as of December 31, 2023:

In addition to our auction sites which are permanent locations where we regularly host auction sessions, we host online-offline integrated auctions at temporary locations from time to time in cities where we have not established any auction site. See "— Two-pronged Auction Model—Online-offline Integrated Auction" for more details. We typically set up temporary auction sessions in lower-tier cities where the historical transaction volume of used vehicles is volatile. Moreover, in cities currently not covered by our auction sites, if our upstream sellers accumulate a sufficient amount of used vehicles, we may dispatch our team of condition inspectors to the sellers' location to conduct inspections on those used vehicles and upload the vehicle information to our system for subsequent auctions. These cities further serve as candidates for the expansion of our auction site network if they can sustain a large and stable supply of used vehicles for an extended period of time. We believe this is a more cost-efficient model to expand our geographic coverage nationwide and increase our presence in local markets. As of December 31, 2023, in addition to the 74 cities where our auction sites were physically located, this business model allowed us to reach another 243 cities across China, enabling us to provide offline services in a total of 317 cities.

Our auction sites span across major Tier 1 and Tier 2 cities nationwide. In particular, our auction site network covers all Tier 1 cities and substantially all provincial capitals in China. This nationwide auction site network has enabled us to reach a substantial majority of OEMs, dealership groups and Professional Buyers in China, capturing significant transaction opportunities. Our nationwide auction site network serves as the essential infrastructure for our business model, serving our large and growing used vehicle transaction volume. Our internal system divides cities into four classes, based on the local passenger vehicle parc and the local supply and demand of used vehicles, and we believe this system helps us better monitor and manage our used vehicle auction business. A Class A/B/C city is a city that has a Class A/B/C auction center, and a Class D city is a city that has an auction hub. A city that has multiple classes of auction centers will be categorized based on the highest class of the auction center it has (i.e., a city that has both Class A and Class B auction centers will be considered a Class A city). The table below sets forth a breakdown of the transaction volume of our used vehicle auction business by classes of cities during the Track Record Period.

	2021	**2022**	**2023**
		Units in thousands	
Transaction volume of auction sites located in:			
Class A cities[1]	74	40	43
Class B cities[1]	87	60	62
Class C cities[1]	86	43	51
Class D cities[1]	14	17	20
Total	261	160	176

Note:

As of December 31, 2023, Class A cities include Shanghai, Beijing, Chengdu, Chongqing. Class B cities include Suzhou, Nanjing, Guiyang, Wuhan, Xi'an, Hefei, Ningbo, Jinan, Wuxi, Tianjin, Shenzhen, Hangzhou and Guangzhou. Class C cities include Linyi, Qingdao, Nanning, Zibo, Changsha, Heze, Xuzhou, Wenzhou, Nantong, Shenyang, Harbin, Dalian, Changchun, Hohhot, Tangshan, Zhengzhou, Shijiazhuang, Urumqi, Kunming, Zunyi, Yichang, Nanchong, Liupanshui, Xiamen, Taiyuan, Xiangyang, Lanzhou, Nanchang, Huizhou and Changzhou. Class D cities include other cities under our auction site network.

We plan to selectively expand the geographic coverage of our auction site network to cover additional cities and strengthen our positioning in certain existing markets as the market demand for our used vehicle auction and other used vehicle related services increases. We are currently in the process of upgrading four existing auction sites and building one new auction site. We select potential locations for our auction sites based on various factors, primarily including local market demand and economic condition, local passenger vehicle parc, used vehicle transaction volume, and number of potential sellers and buyers accessible.

Each of our auction sites is staffed with a dedicated team of in-house condition inspectors, auctioneers and sales and marketing personnel, and most of our third-party service providers that we collaborate with are based at or in close proximity with our auction sites. With our nationwide network of auction sites, we are able to complete our auction process more efficiently and provide sellers and buyers with a wide range of used vehicle services before, during and after the auctions:

- ***Pre-auction***. Before a used vehicle is auctioned on our transaction platform, it is transported from the seller to one of our nearby auction sites by third-party service providers, where it undergoes thorough pre-auction inspection and appraisal by our condition inspectors See "— Our Transaction Process" for more details. As such, bidders may preview the used vehicle in person to better assess its condition and value and ensure the accuracy of our condition reports before the auction, which builds trust between the bidders and us and increase our transaction efficiency and success rate.

- ***During auction***. Our auction sites are also an indispensable part of our online-offline integrated auction, which is our primary auction format. Each of our auction site features a team of our experienced in-house certified professional auctioneers, who are in charge of giving introduction and description of the vehicle to be auctioned, leading the auction process, confirming the highest bid and the sale. As of the Latest Practicable Date, all of our auctioneers are certified professional auctioneers as required by the Auction Law of the People's Republic of China.

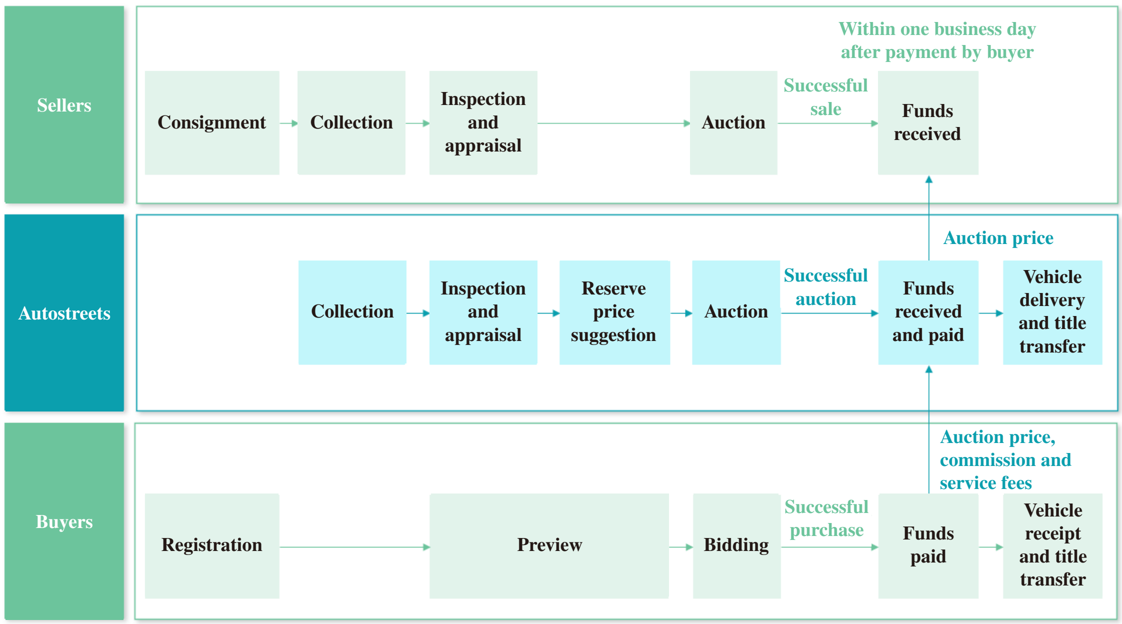
- ***Post-auction***. Our auction sites also provide a range of post-auction services to our buyers, including title transfer and logistics for which we charge service fees. The title transfer and logistics services are provided by third-party service providers we collaborate with based at or in close proximity with our auction sites.

- ***Seller and buyer engagement***. Our well-disbursed auction site network has allowed us to reach and conduct effective sales and marketing activities with local OEMs, dealership groups and their 4S dealership stores, Professional Buyers and consumers. These sales and marketing activities allow us to accumulate valuable insights on seller and buyer statistics, local knowledge and know-how, enabling us to continuously enrich our service offering and optimize transaction process.

Our nationwide offline network also provides buyers the ability to access vehicle inventory from outside of their local markets and optimizes the allocation of used vehicle inventory across China.

Our Transaction Process

Our online-offline integrated used vehicle transaction platform brings together all phases of the used vehicle buying and selling process in a seamless, intuitive and efficient way. The following diagram illustrates our transaction platform's end-to-end facilitation of used vehicle auctions:



Step 1: Consignment and order placement

We typically enter into consignment auction agreements with our sellers for a term of one to three years, which set forth how the sellers' used vehicles will be auctioned on our transaction platform, and the respective rights and obligations of the seller and us before and after the auction process. Pursuant to the consignment auction agreement, once a used vehicle is ready to be disposed of, the seller can conveniently place order with us through our mobile application, our ADMS system or other systems integrated with our auction systems.

Used vehicles directly acquired by us at our collaborating dealership groups' 4S dealership stores can also be disposed of through our transaction platform. See "— Arrangement for Sale of Used Vehicles" for more details.

Step 2: Collection

The used vehicle is then transported to one of our nearby auction sites by third-party service providers and the information of the same vehicle will be entered into our auction system, enabling us to track its status in real time.

Although the used vehicle is physically warehoused at our auction site during the transaction process, it continues to be owned by the seller until it is sold to, and its title is transferred to, the buyer or buyer's designated party upon a successful auction. The title of the vehicle would not be transferred to us, the facilitator of the auction transaction.

Step 3: Pre-auction inspection and appraisal

Each used vehicle to be auctioned in our transaction platform will go through our standardized, thorough pre-auction inspection and appraisal typically one day before the auction. Such inspection and appraisal are conducted by our experienced in-house condition inspectors based at the relevant auction site and typically takes around 45 minutes to complete, inspecting approximately 160 detailed data points across five main aspects of the vehicle, including:

(i) *Structural assessments* that identify prior repairs, quality of repairs and existing damages;

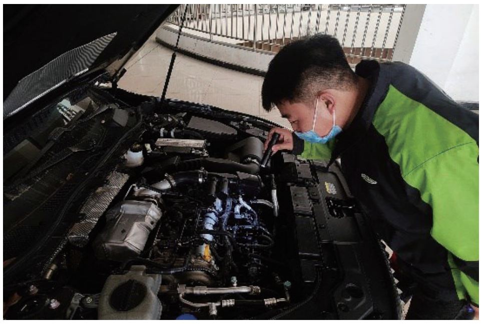
(ii) *Exterior irregularities*, including paint quality;

(iii) *Interior irregularities*, including stains and wear-and-tears;

(iv) *Working condition assessments* that identify issues such as engine oil leakage, abnormalities in the vehicle's engine sound, and whether the relevant causes have been identified; and

(v) *Assessment of electrical appliances* that reports the modification and replacement record of the vehicle's, for example, lights and airbags.

This standard inspection and appraisal process is guided by our self-developed EQS system and only after the entire inspection process is completed can the inspection results be uploaded to generate the condition report. This requirement ensures that the inspection can cover all important aspects relevant to the valuations of a used vehicle while reducing the chance of human errors during the inspection process.



The inspection results are immediately uploaded onto our EQS system, which, powered by our proprietary big data analytics models and algorithms, automatically generates a detailed condition report summarizing the used vehicle's mechanical, structural and cosmetic condition in an intuitive and easy-to-review manner. The report further includes video clips and pictures of the engine and various interior and exterior parts to assist prospective buyers in assessing the vehicle's conditions. The report also details the vehicle's specifications, inspection results of the five main aspects of the vehicle, and other useful information, including the vehicle's repairing and maintenance records and insurance claims records that were separately obtained from third-party sources. The condition report can be conveniently accessed by buyers for free through our mobile application. We also welcome interested buyers to have an in-person preview of the used vehicle at our auction site before the auction. We believe the availability of such detailed and transparent vehicle information enables buyers to make well-informed buying decisions.

We also have an internal evaluation and classification system to regularly review the performance of the condition inspectors from various aspects, including, among others, completion of relevant internal training, number of vehicles inspected, and errors and deviation in the condition reports. We structure the promotion mechanism and provide appropriate incentives based on their professional performance. We believe this system incentivizes our condition inspectors to provide high-quality and consistent inspection results.

Step 4: Determination of auction format and reserve price

Upon completion of pre-auction vehicle inspection and appraisal, we present to the seller's review the data and information of the used vehicle gathered from the pre-auction inspection and appraisal. For the seller's reference, we also include the latest transaction prices of comparable vehicles on our transaction platform. With reference to such information, the seller will determine the reserve price for the vehicle and inform us accordingly.

Powered by big data analytics, our newly launched pricing model is able to automatically generate a suggested reserve price for a particular used vehicle based on our historical transaction data and the specific condition of the used vehicle for the seller's reference.

Step 5: Buyer preview and targeted recommendation

Before the used vehicle is auctioned, interested buyers are able to preview the used vehicle at the relevant auction site. Such information is also widely accessible on our mobile application, enabling buyers to assess the used vehicle's conditions ahead of the auction. In addition, once a used vehicle is ready for auction, our system, leveraging AI and big data analytics technologies, automatically identifies a group of buyers who may be the most interested in the vehicle based on their browsing, bidding and purchasing behavior on our transaction platform, and communicates the vehicle information to these buyers.

Step 6: Auction

For each auction site, we have relatively fixed auction schedules but, depending on the number of used vehicle to be auctioned, the actual auction schedule may vary from time to time. For our online-offline integrated auction, our auctioneers based at the relevant auction site will describe the detailed condition and specification of the used vehicle to be auctioned and start the auction with a starting price set by us. Bidders, after paying a security deposit, can participate in the auction either offline at the relevant auction site or online via our mobile application in real-time. Once the reserve price is reached, our auctioneer will continue to take bids and sell the vehicle to the highest bidder. If the highest bid fails to reach the reserve price, we will discuss with the seller whether the used vehicle should enter subsequent auctions or be returned. See "— Two-pronged Auction Model" for more details.

Step 7: Payment, settlement and post-auction services

Once the used vehicle is sold in the auction, the sale is confirmed instantly with an auction price that is transparent to all bidders, and without any subsequent price negotiation between the buyer and seller which is common in China's used vehicle trading industry. Our system automatically generates a sales confirmation, which sets forth details of the vehicle, name of the buyer (i.e. the highest bidder), and the auction price, commission and service fees for our post-auction services to be paid by the buyer. We currently provide the following types of post-auction services:

- ***Title transfer***. At the seller's discretion, we engage third-party title transfer service providers whose staff can come to our auction sites to facilitate the immediate title transfer of the used vehicles that have been successfully auctioned.

- ***Logistics***. At the buyers' discretion, we can also arrange transportation of the used vehicle to a location as designated by the buyer for them to conveniently pick up. We offer our logistics services in collaboration with third-party logistics service providers.

Although we describe the detailed condition of the used vehicle in our inspection reports, we do not make any warranty with respect to the quality of the vehicle. The buyer is required to pay the auction price, commission and service fees within two business days after the vehicle is sold. Upon receipt of payment, we transfer the auction price of the vehicle to the seller on the next business day and record the commission and service fees as our revenue.

Pursuant to the Auction Law of the PRC (《中華人民共和國拍賣法》) and the Measures for the Administration of Auctions (《拍賣管理辦法》), an auctioneer shall make defects of the objects of auction known to bidders, and a bidder shall have the right to be informed of defects of the objects of auction and the right to inspect them and to have access to information pertaining to them. Based on the above, our PRC Legal Adviser is of the view that we are legally obligated to disclose the defects of the used vehicles to be auctioned on our platform. If we fail to disclose the defects of the used vehicles auctioned on our platform we issue and thus cause losses to the buyer, then the buyer will have the right to claim compensation from us. We have in place standard dispute resolution procedures to handle complaints and disputes (including those in relation to the inspection reports we issue), which are referenced in and constitute an integral part of the auction participation agreements we enter into with our buyers. As such, in case that a buyer raises a dispute concerning our failure to disclose the defects of the used vehicle in our inspection report, the dispute will be handled in accordance with our dispute resolution procedures. For more detailed information on the dispute resolution procedures, see "— Step 8: Dispute resolution."

As advised by our PRC Legal Adviser, our operation with respect to our issuance of the inspection reports complies with relevant laws and regulations in the PRC.

Step 8: Dispute resolution

We have in place standard procedures to handle complaints and disputes and such procedures are referenced in, and constitute an integral part of, the auction participation agreement we signed with our buyers. Complains and disputes on our transaction platform can generally be categorized into three types: (i) failure to sell or purchase a used vehicle that has been auctioned, such as due to the change of will of the seller or buyer, (ii) perceived deviation in vehicle condition from our condition report, and (iii) disputes related to the title transfer of used vehicles.

If there is any dispute related to the failure to sell or purchase a used vehicle that has been successfully auctioned in the auction process, we will penalize the breaching party by charging a fine and compensate the other side. The exact amount of the fine varies depending on the breaching party and the location of the auction sites. Specifically:

- If the buyer fails to purchase the used vehicle after it has been auctioned, we will deduct certain amount from the deposit the buyer has placed with us as penalty and compensate the seller in such amount accordingly as prescribed in our standard procedure. When setting the amount of penalty to the breaching buyer and compensation to the seller, we primarily take into consideration the prevailing level of compensation for comparable circumstances. In addition, we set different amounts of penalty and compensation in certain of our auction sites, following local standards and the practices of other used vehicle companies in those local markets. In general, the amount of penalties typically ranges from RMB2,000 to RMB8,000 per vehicle, among which RMB1,000 will be given to the seller as compensation.

- If the seller forfeits to sell the used vehicle after it has been auctioned, we will impose a penalty on the seller. We also compensate the buyer in certain specified circumstances. When setting the amount of penalty imposed on the breaching seller and compensation to the buyer, we primarily take into consideration the prevailing level of compensation for comparable circumstances. In addition, we set different amounts of penalty and compensation in certain of our auction sites, following local standards and the practices of other used vehicle companies in those local markets. In general, if the buyer has not made the payment when the seller forfeits to sell, we typically penalize the seller for RMB300 per vehicle. Buyer will not be required to make the payment and we will not compensate the buyer. If the buyer has made the payment, we typically penalize the seller RMB2,000 per vehicle, among which RMB1,000 will be given to the buyer as compensation. In certain auction sites, we also penalize the seller who forfeits to sell the used vehicle regardless of whether the buyer has made the payment. We stipulate rules differently for these auction sites, which is in line with the practices of other used vehicle companies in these local markets. In these auction sites, we typically penalize the seller RMB2,000 or RMB4,000 per vehicle, among which RMB1,000 will be given to us, with the remainder given to the buyer as compensation.

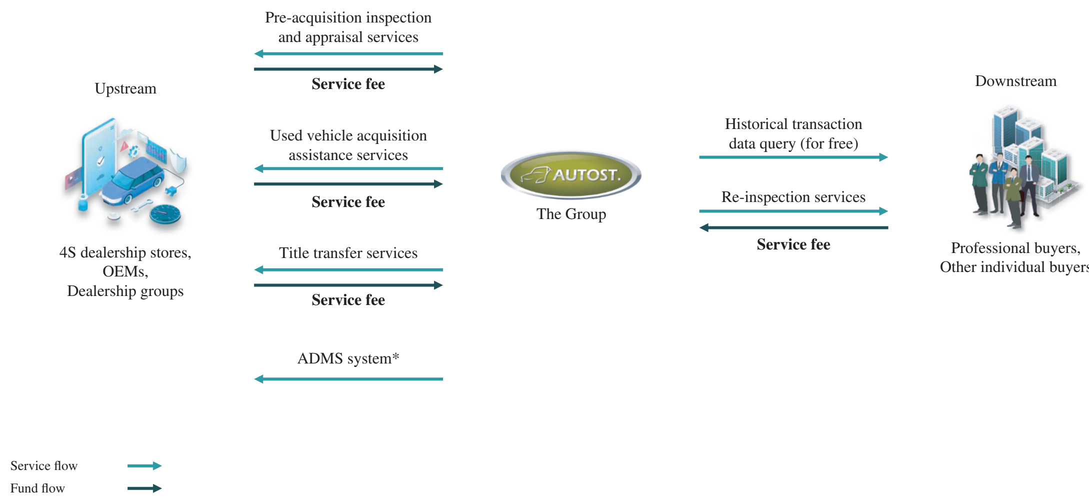
If there is any dispute between buyer and seller or any perceived deviations in vehicle condition from our condition report, we will conduct dispute resolution mechanism at the relevant auction site pursuant to our dispute resolution policies. In general, the dispute resolution will determine (1) whether the vehicle's actual condition deviates from our condition report and (2) the cost in relation to the repair and re-conditioning of the vehicle at issue. If the dispute resolution result concludes that vehicle' actual condition does not deviate from our condition report or, in case of deviation, the cost required for vehicle repair and re-conditioning does not surpass certain threshold values specified in our dispute resolution rules, the transaction shall proceed. Such threshold values generally increase with the auction price of used vehicles, and the cost required for vehicle repair and re-conditioning is estimated with reference to the costs that may be required from a licensed auto repair shop in the local market. The threshold values are specified in our standard procedures of dispute resolution, which are included as a part of the auction participation agreement. If the buyer refuses to proceed with the transaction, the buyer will be deemed to be a breaching party who fails to purchase the used vehicle, and will be subject to a fine as specified above. If the dispute resolution result concludes that the vehicle' actual condition materially deviates from our condition report such that the cost required for vehicle repair and re-conditioning exceeds the relevant threshold value, the transaction will be annulled and we will compensate RMB300 to each of the buyer and seller for each such vehicle. In 2021, 2022 and 2023, the total amount of such compensation was RMB0.6 million, RMB0.6 million and RMB0.6 million, respectively. We have not made provision on the potential liability regarding such compensation because the amount of compensation has been consistently insignificant and the resulting losses have not had any material adverse effect on our financial condition or operating results. Sometimes, the buyer may also raise issues on the vehicle condition based on the vehicle repair and maintenance records or vehicle insurance claim record, and we will conduct dispute resolution with the same mechanism as described above. Our dispute resolution rules further list out certain circumstances of disputes that we will not proceed to our dispute resolution mechanism, such as when the buyer uses a condition report issued by a third party as the basis for the deviation in vehicle condition and when the disputes focus on certain low-value parts and components of the vehicle. In such circumstances, if the buyer refuses to proceed with the transaction, the buyer will be deemed as a breaching party that fails to purchase the vehicle, and will be subject to a fine as discussed above.

In general, the buyer is required to raise any issue in relation to the perceived deviations in vehicle condition from our condition report when the used vehicle is purchased by such buyer. If no such issue is raised, we will require the buyer to sign a confirmation letter to declare that the condition of the used vehicle conforms to the condition report.

However, if the buyer purchases our re-inspection services provided under the used vehicle value-added services and the re-inspection report is materially different from the condition report or the actual vehicle condition, then the relevant buyer can still demand the above dispute resolution with us. For details, see "— Used Vehicle Value-added Services — Downstream Empowerment."

The dispute related to title transfer of used vehicles is primarily related to the failure to complete the title transfer process within an agreed period of time. When such a dispute occurs and parties still agree to proceed with the transaction, we will first determine whether it is due to the fault of the seller, buyer or us. If the delay is due to our fault, we will compensate the buyer accordingly. As stated in the dispute resolution rules, we are liable for RMB100 per day after the agreed period until the title transfer is completed. In 2021, 2022 and 2023, the total amount of such compensation was approximately RMB63,000, RMB40,000 and RMB46,000, respectively. We have not made provision on the potential liability regarding such compensation because the amount of compensation has been consistently insignificant and the resulting losses have not had any material adverse effect on our financial condition or operating results. If the delay is due to the fault of the buyer or seller, we will impose a fine on the breaching party by deducting from the deposits the breaching party has placed with us and compensate the other party accordingly. As stated in our dispute resolution rules, the breaching party is liable for RMB100 per day after the agreed period until the title transfer is completed. If the delay in the title transfer is due to the fault of the buyer or seller and the delay exceeds five business days, the other party has the right to cancel the transaction, in which case the breaching party will be deemed to fail to sell or purchase, as the case may be, a used vehicle that has been successfully auctioned off and the other party will be compensated accordingly. When the buyer is the breaching party, in the event the transaction is not canceled and the buyer's deposit has been exhausted due to the accumulation of fines, the breaching buyer will be required to pay the amount that exceeds the deposit to compensate the non-breaching seller. Specifically, such amount will be included in the gross proceeds transferred for the transaction. When the seller is the breaching party, in the event the transaction is not canceled, the breaching seller will only receive the gross proceeds for the transaction with the corresponding amount of fines deducted, and the non-breaching buyer will be compensated accordingly. In other more serious cases that lead to the failure of title transfer, such as the loss or fabrication of title transfer documents, we will also impose fines and compensate the parties according to the amounts specified in our in-house dispute resolution rules.

USED VEHICLE VALUE-ADDED SERVICES



Note: Words in bold represent revenue recognized under used vehicle value-added services business
Note:* ADMS system is currently generally offered free of charge

We strive to become a solution provider offering a broad range of services that can meet the varied and evolving needs of used vehicle sellers and buyers. To this end, in addition to providing used vehicle auction services, we leverage data and technology to provide end-to-end value-added services to sellers and buyers throughout the entire used vehicle transaction cycle. For our sellers, our used vehicle value-added services range from accurately appraising and inspecting potential consumer trade-in vehicles, other services that assist our sellers in acquiring the consumer trade-in vehicles and efficiently manage the acquired used vehicles to providing title transfer services for used vehicles not transacted on our transaction platform. We also assist our buyers in re-inspecting the used vehicles they purchase and grant them access to a massive pool of used vehicle-related information. These value-added services effectively address the pain points of our sellers and buyers that oftentimes create challenges for the efficient and profitable operation of their used vehicle businesses, allowing them to streamline their used vehicle transaction process. We believe these services further enhances our cooperation with our sellers and buyers and ultimately increase the number of used vehicles transacted via our transaction platform.

Upstream Empowerment

Leveraging our existing used vehicle-related service offerings provided under our used vehicle auction business, as well as our experience and expertise in used vehicle transactions accumulated over the years, we provide operational and technical support, either for free or for fees, for the used vehicle business operation of dealership groups, OEMs and their 4S dealership stores. We offer a wide range of value-added services and digital tools to dealership groups and OEMs and their 4S dealership stores, which address challenges they face in many critical aspects of their used vehicle management, including pre-acquisition inspection and appraisal, used vehicle acquisition assistance, inventory management, vehicle disposition and title transfer, assisting them to digitalize, optimize and increase the efficiency and profitability of their used vehicle operations. We believe our diverse service offering to these 4S dealership stores can significantly enhance the operating efficiency of their used vehicle business and make us the go-to partner for their used vehicle business. Our provision of used vehicle value-added services not only allows us to further diversify our income streams, but also allows us to strengthen our business relationship with dealership groups, the main upstream supply source of used vehicles for our used vehicle auction business.

Pre-acquisition Inspection, Appraisal and Used Vehicle Acquisition Assistance

Unlike new auto vehicles that have the same standard in their quality and condition based on their brand and model, every used vehicle is different in terms of its condition and valuation and used vehicle sellers face many challenges when appraising the value of, determining the right price for, consumer trade-in vehicles. Building upon our used vehicle auction business, where our in-house condition inspectors conduct thorough pre-auction inspection and appraisal on used vehicles, we possess highly capable professional personnel and have accumulated experience and expertise in determining used vehicles' condition and valuation. As such, to address the pain points faced by our upstream sellers in acquiring consumer trade-in vehicles, we provide the following value-added services:

Pre-acquisition inspection and appraisal: in order to acquire consumer trade-in vehicles, dealership groups need to conduct inspection and appraisal in order to determine the right purchase price of the vehicles, but they may not have the requisite personnel or expertise in inspecting or appraising such vehicles. As such, we dispatch our experienced condition inspectors to assist dealership groups' 4S dealership stores in conducting preliminary inspection and appraisal on-site on consumer trade-in vehicles they plan to acquire. Our professional condition inspectors can more accurately assess the vehicle's condition and identify defects, damages and scratches that may affect the vehicle's valuation. Based on the inspection results, we provide the 4S dealership stores with the latest transaction prices of used vehicles of the comparable brand, model, year, mileage and condition sold on our transaction platform, enabling them to determine a fairer acquisition price based on the latest market supply and demand as well as the specific condition of the trade-in vehicle. Leveraging our in-house developed digital tool, we have recently introduced a new pricing model, which can automatically generate a suggested reserve price for a particular used vehicle based on our historical transaction data and the specific condition of the used vehicle, enabling our buyers and sellers to transact and manage used vehicles with confidence and efficiency. For pre-acquisition inspection and appraisal, we typically charge RMB100 to RMB380 per vehicle. We price the service fee by considering the rates charged by peer companies for providing comparable during the Track Record Period services in the local markets.

The inspection and appraisal services conducted under our used vehicle auction business and the pre-acquisition inspection and appraisal services under our used vehicle value-added services are provided in different stages across used vehicles' lifecycle to different recipients for different purposes, and they differ distinctively in the following aspects:

- *Time of service provision*. The pre-acquisition inspection and appraisal service under our used vehicle value-added services is provided prior to, and in connection with, the 4S dealership stores' acquisition of consumer trade-in vehicles from used vehicle owners. In contrast, the pre-auction inspection and appraisal under our used vehicle auction business is provided prior to, and in connection with, used vehicle auctions, and is a key step in our standard transaction process of used vehicle auctions.

- *Purposes of services.* The pre-acquisition inspection and appraisal under our value-added services aims to assist 4S dealership stores in more accurately determining the valuation of the consumer trade-in vehicle. In contrast, the pre-auction inspection and appraisal service under our used vehicle auction business is conducted to generate a detailed condition report for each used vehicle to be auctioned, which will be viewed by interested buyers participating in our auction sessions.

- *Recipient of services.* Under our used vehicle value-added services business, we provide pre-acquisition inspection and appraisal service to 4S dealership stores, because the 4S dealership stores will need to determine whether and at what price they should acquire the consumer trade-in vehicles from used vehicle owners. In contrast, under our used vehicle auction business, the pre-auction inspection and appraisal service and the condition reports generated therefrom are primarily produced for the benefits of interested buyers participating in our auction sessions.

  The difference in the service recipient corresponds to the different revenue models of the respective business segments. Under our used vehicle value-added services business, we charge the 4S dealership stores a service fee for our provision of pre-acquisition inspection and appraisal service, regardless of whether the 4S dealership stores ultimately acquire the consumer trade-in vehicle from the used vehicle owner or whether the vehicle will be subsequently disposed of through our transaction platform. In contrast, under our used vehicle auction business, we do not charge 4S dealership stores any fee for their disposal of used vehicles on our platform; instead, we charge commission (which is priced at a level to cover the costs for providing the relevant services, including the pre-auction inspection and appraisal service) to used vehicle buyers for each used vehicle successfully auctioned on our transaction platform.

- *Content and scope of services.* Under our used vehicle value-added services, the pre-acquisition inspection and appraisal service aims to provide certain preliminary but important information (such as defects, damages and scratches) that is relevant to the valuation of consumer trade-in vehicle. In contrast, under our used vehicle auction business, the pre-auction inspection and appraisal and the condition report generated therefrom provide substantially more comprehensive and detailed information about the used vehicle to be auctioned. For details, see "— Used Vehicle Auction Business-Our Transaction Process-Step 3: Pre-auction inspection and appraisal."

Used vehicle acquisition assistance: dealership groups that have very little expertise or resources in operating used vehicle business may need more assistance in acquiring consumer trade-in vehicles. As such, we assist the dealership groups in price negotiation with consumers and provide other necessary services (including but not limited to pre-acquisition inspection and appraisal, depending on the needs of the dealership groups) to ensure the successful acquisition of the used vehicles, and charge the dealership groups service fees upon the successful acquisition of the used vehicles. We price the service fee for our used vehicle acquisition assistance services depending on the volume of consumer trade-in vehicles to which we provided such services, the cost of providing such services and the scope of services we actually provided. During the Track Record Period, the service fee we charged generally ranged from RMB 1,100 to RMB 1,300 per transaction.

Once the trade-in vehicle is acquired, the 4S dealership store can leverage our used vehicle management system to efficiently manage its used vehicle inventory. See "— Used Vehicle Management System" for more details.

Title Transfer

As part of our used vehicle auction business, we engage third-party service providers to provide post-auction title transfer services for used vehicles transacted on our platform. As such, for used vehicles acquired by these 4S dealership stores that are not ultimately transacted on our transaction platform (such as used vehicles disposed of by dealership groups directly to Professional Buyers), we are also able to provide title transfer services through third-party service providers, which are substantially similar to the post-auction title transfer services we provide under our used vehicle auction business. These services are provided by third-party service providers we collaborate with, and we act as an intermediary and facilitator of such services. This saves the dealership groups from the trouble of dealing with third-party title transfer service providers on their own; instead, they can leverage their pre-existing business relationship with us and focus more on their own core business. The fee rate and pricing policy for these title transfer services are substantially similar to those for the title transfer services we provided under our used vehicle auction business. For more information, see "— Used Vehicle Auction Business".

Operating Metrics

The following table sets forth key operational metrics of our used vehicle value-added services:

	2021	**2022**	**2023**
Number of used vehicles[1]	~79,000	~149,000	~220,000
Average revenue per vehicle *(RMB)*	788	446	310

Note:

1. Represents the total number of used vehicles which received the following value-added services: pre-acquisition inspection and appraisal, used vehicle acquisition assistance and title transfer services.

Number of used vehicles that received our used vehicle value-added services increased from approximately 79,000 units in 2021 to approximately 149,000 units in 2022, primarily due to a significant increase in demand of 4S dealership stores for our pre-acquisition inspection and appraisal services and, to a lesser extent, increased provision of title transfer services. Number of used vehicles that received used vehicle value-added services increased further to approximately 220,000 units in 2023, primarily due to the increase in demand of 4S dealership stores for our pre-acquisition inspection and appraisal services.

Average revenue per vehicle for our used vehicle value-added services decreased from RMB788 in 2021 to RMB446 in 2022, and decreased further to RMB310 in 2023, primarily due to an increase in the proportion of our pre-acquisition inspection and appraisal services, which we charged relatively lower service fee per vehicle as compared to other used vehicle value-added services.

Used Vehicle Management System

There is a growing need for dealership groups in China to expand their used vehicle business, both as an additional source of revenue and a method to promote their new vehicle sales. However, dealership groups in China typically do not have dedicated in-house systems for used vehicle management. Our proprietary ADMS system, which we have developed specifically for dealership groups, provides intuitive, easy-to-use digital tools that enable dealership groups to centrally and systematically manage their used vehicle inventory across their 4S dealership stores and enhance the overall transparency, efficiency and profitability of their used vehicle business:

- ***Centralized store management***. Dealership groups can set KPIs, such as number of trade-in vehicles and disposal rate, for their 4S dealership stores and track each store's KPIs in real time on a single, easy-to-use interface, enabling them to stay fully informed of the performance of their stores. As a result, the dealership groups do not need to exclusively rely on the self-report of individual stores, which is the conventional method that is subject to non-transparency and manipulation.

- ***Inventory analysis***. Our ADMS system also enables dealership groups to conduct inventory analysis, which helps them optimize their used vehicle acquisition and selling strategy.

- ***Used vehicle disposition***. Seamlessly integrated with our auction system, our ADMS system also enables the relevant dealership groups' 4S dealership stores to conveniently dispose of used vehicles through our transaction platform when needed.

Our ADMS system is currently offered to dealership groups free of charge and we plan to promote this system to an increasing number of dealership groups and their 4S dealership stores. We also provide complimentary training to employees of dealership groups which have adopted our ADMS system, including an onboarding training to help them familiarize the system and ongoing trainings to assist them efficiently manage used vehicles using the system. We believe our ADMS system can contribute to the organic and sustainable growth of the dealership groups' used vehicle business. As their used vehicle businesses continue to grow utilizing our ADMS system, their used vehicle inventory is expected to increase, for which they may choose to dispose of through our transaction platform that has been seamlessly integrated with the ADMS system.

As China's used vehicle industry continues to grow, OEMs are in urgent need of digital tools that help them oversee their dealership groups' used vehicle operations, instead of exclusively relying on self-reporting of each dealership group, which is the conventional method that lacks transparency. Our ADMS system can also be offered to OEMs to help them more efficiently oversee their dealership groups' used vehicle operations. We are also able to customize our ADMS system for OEMs to cater to their specific used vehicle management needs. We believe our ADMS system can contribute to the organic and sustainable growth of OEMs' used vehicle business. In addition, through the customized functions that address the specific needs of OEMs, we can further reinforce our position as OEMs' go-to business partner that is able to address all of their used vehicle related needs and demands.

As of December 31, 2023, our ADMS system was used by a total of 811 4S dealership stores affiliated with SAIC Motor. We charged SAIC Motor service fees for the provision and ongoing maintenance of such system, because such system features customized functions meeting SAIC Motor's specific needs and requirements. This system enables SAIC Motor to, among others, efficiently oversee the used vehicle management (such as consumer trade-in and subsequent disposal of used vehicles) of its dealership stores and facilitates SAIC Motor's granting of rebates to dealership stores with respect to their acquisition of consumer trade-in vehicles. As of the same date, all of the revenue generated from the provision of ADMS system was derived from SAIC Motor's 4S dealership stores.

We plan to offer our ADMS system to an increasing number of OEMs going forward. Similar to our practice with dealership stores, we intend to initially offer such system to OEMs for free in order to increase the adoption of such system among OEMs. However, depending on the specific scope of functions required by the OEMs, we may charge fees if significant customization and research and development efforts are needed.

Downstream Empowerment

In addition to the post-auction services we offer in relation to our used vehicle auction business, we further provide services that facilitate the used vehicle business of our downstream buyers. Our downstream empowerment focuses on providing easy-to-use tools to help Professional Buyers access used vehicle information in a highly cost-effective manner. We collaborate with third-party data service providers to offer buyers access for free to specific vehicle information, such as repair and maintenance records and insurance claims history, of used vehicles both on and off our platform. These services are currently provided free of charge.

Some of the buyers may not be able to come to our auction sites and inspect the used vehicle in person (for example, when the buyer is located in a different city or when the buyer participates in our auction online via our mobile application in real-time). Accordingly, they may want to have someone to re-inspect the vehicles they have purchased on their behalf. To address these buyer's needs, we offer them used vehicle re-inspection services, for which we assign condition inspectors to focus particularly on certain material defects of the vehicle. If the re-inspection report is materially different from the condition report or the actual vehicle condition, then the relevant buyer can demand dispute resolution with us. For details of such standard dispute resolution, see "— Used Vehicle Auction Business — Our Transaction Process — Step 8: Dispute Resolution." During the Track Record Period, the amount of revenue generated from the re-inspection services was insignificant. During the Track Record Period, none of our buyers who purchased our re-inspection services has demanded dispute resolution with us and we did not incur any compensation in connection with our provision of the re-inspection services. For used vehicle re-inspection services, we typically charge RMB149 per vehicle (inspection for material defects only) or RMB299 per vehicle (for comprehensive inspection). We price the service fee by considering fee rates charges by peer companies for providing comparable services in the local markets.

Collectively, these services help our buyers, primarily Professional Buyers, more accurately appraise the value of used vehicles and make more informed purchase decisions. We believe the provision of such services effectively addresses pain points permeating our buyers' used vehicle business (especially the low transparency of used vehicle information) and further encourages our buyers to participate in used vehicle auctions on our transaction platform.

Financial Performance

Revenue generated from used vehicle value-added services slightly increased by 2.5% from RMB73.1 million in 2021 to RMB75.0 million in 2022. Revenue generated from used vehicle value-added services remained relatively stable at RMB73.8 million in 2023.

Our gross profit for used vehicle value-added services remained relatively stable at RMB60.4 million, RMB61.0 million and RMB61.1 million in 2021, 2022 and 2023, respectively. Our gross profit margin for used vehicle value-added services remained relatively stable at 82.6%, 81.3% and 82.8% in 2021, 2022 and 2023, respectively.

The following table sets forth revenue and cost breakdown of our used vehicle value-added service business during the Track Record Period:

	2021		**2022**		**2023**	
	Revenue	**Cost**	**Revenue**	**Cost**	**Revenue**	**Cost**
			(RMB'000)			
Pre-acquisition inspection and appraisal	10,522	2,719	35,052	6,085	59,789	9,941
Used vehicle acquisition assistance	40,675	6,811	13,239	2,182	6,615	1,716
Title transfer	11,340	2,933	17,982	4,832	1,711	543
Used vehicle management system	10,611	244	8,686	894	5,699	506

Please see "Financial Information — Results of Operations" for more details.

ARRANGEMENT FOR SALE OF USED VEHICLES

Some dealership groups, who are also our upstream used vehicle sellers, are interested in exploring and developing their own used vehicle business, while we are equipped with the required expertise and experience that can help them carry out such businesses in a cost-effective manner. To deepen the collaboration with these dealership groups and supplement the used vehicle supply on our transaction platform, we also arrange for the sale of consumer trade-in vehicles at our collaborating dealership groups' 4S dealership stores. Same as our used vehicle auction business, we act as an agent for the entrusting party (the used vehicle owner or the dealership group) under our arrangement for sale of used vehicle business, to dispose of used vehicles that the entrusting party entrusts to us for sale. We selectively conduct this business and primarily work with established and reputable dealership groups, ensuring that we can execute the business opportunities in a commercially viable manner. In the process, we may also assist the dealership groups in training their professional staff dedicated to the vehicle trade-in business (these trainings include detailed explanation and demonstration of each of the steps throughout the used vehicle trade-in process — from condition inspection, valuation to price negotiation with the used vehicle owner, and further to acquisition of the used vehicles and subsequent day-to-day management of the acquired used vehicle using digital tools), as well as cultivate their overall operational and managerial capabilities in carrying out the used vehicle business. We believe this business collaboration can create long-term synergy between us and these dealership groups, who may be able to source more used vehicles from consumers in the future while continuously serving as a stable used vehicle supplier for us. Under such collaboration, our condition inspectors are dispatched to the relevant dealership groups' 4S dealership stores to conduct pre-acquisition inspection and appraisal of the consumer trade-in vehicles and negotiate the trade-in prices directly with consumers based on the inspection results.

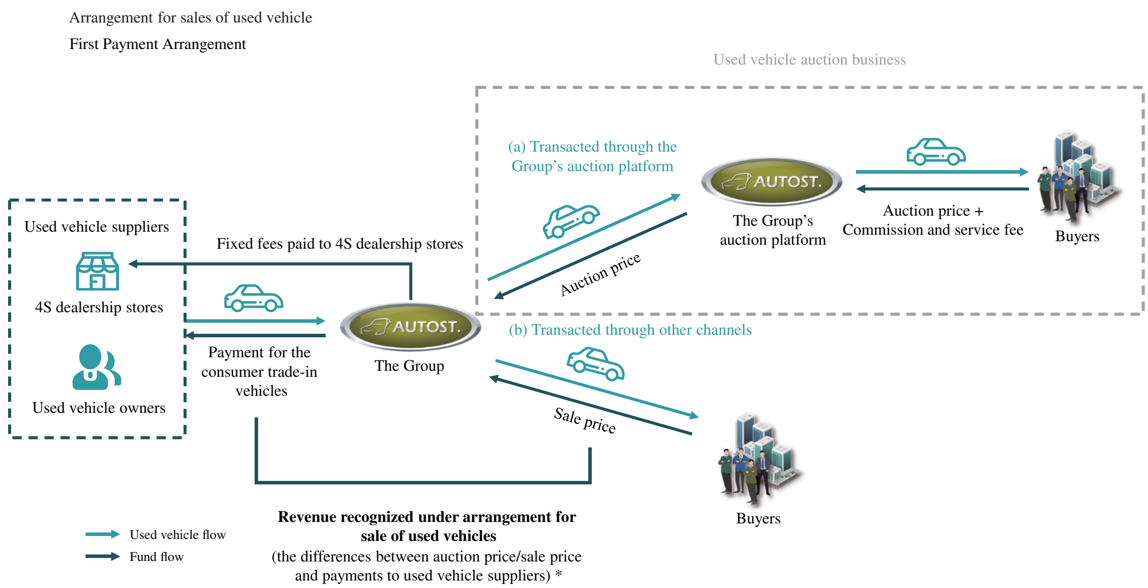
In 2021, 2022 and 2023, approximately 55,000, 34,000 and 30,000 used vehicles were transacted under this business segment, and most of these vehicles were subsequently transacted through our transaction platform. As such, our arrangement for sale of used vehicles business allows us to further supplement the used vehicle supply on our transaction platform while earning the corresponding commission and post-auction service fees as revenue under our used vehicle auction business.

In addition to the revenue contribution to our used vehicle auction business, our arrangement for sale of used vehicle business allows us to deepen our business relationship with these established and reputable dealership groups, creating cross-selling opportunities in the long term. Through our arrangement for sale of used vehicle services, we help (including training their professional staff and sharing technical know-hows) dealership groups cultivate their overall capabilities in acquiring consumer trade-in vehicles on their own. With such pre-existing business collaboration, many dealership groups that were our client under the arrangement of sale of used vehicles business, have subsequently become major upstream sellers under our used vehicle auction business. For example, following our provision of arrangement for sale of used vehicle services to a leading dealership group in 2020, this dealership group started to acquire consumer trade-in vehicles on its own in 2021, and became a major upstream seller of our used vehicle auction business. As of December 31, 2023, we had provided arrangement for sale of used vehicle services to 14 dealership groups, all of which had subsequently become upstream sellers of our used vehicle auction business.

We conduct our arrangement for sale of used vehicle business under two payment arrangements. The following table sets forth a breakdown of our revenue generated from arrangement for sale of used vehicle business by two payment arrangement during the Track Record Period:

	2021	**2022**	**2023**
		(RMB'000)	
First Payment Arrangement	54,325	47,017	25,062
Second Payment Arrangement	99,763	32,237	38,505
	154,088	79,254	63,567

First Payment Arrangement



Note: Words in bold represent revenue recognized under arrangement for sales of used vehicle

Note:* To be recognized or paid in both scenario (a) and (b)

Under the first scenario (the "**First Payment Arrangement**"), the used vehicles are entrusted to us by (i) the used vehicle owners who traded in these used vehicles, or (ii) the 4S dealership stores, if the used vehicles have been acquired by the 4S dealership stores from the user vehicle owners, and are subsequently disposed of mainly through our transaction platform. The terms and conditions of the used vehicle trade-in arrangements are negotiated between the used vehicle owner (i.e. original owner of the used vehicle) and the 4S dealership store, and we are not involved in that process. The entrusting party will propose a transaction price for the subsequent sale of the used vehicle. We will assess whether such proposed transaction price is reasonable, based on our inspection and appraisal of the used vehicle as well as the latest transaction prices of used vehicles with similar condition on our transaction platform. If we consider such proposed transaction price to be reasonable, we will accept the entrustment and enter into an agency service agreement with the entrusting party, which entrusts the used vehicle to us for subsequent settlement. If we consider such proposed transaction price to be too high, we will suggest the entrusting party to adjust the proposed transaction price downward, and only accept the entrustment and enter into the agency service agreement with the entrusting party when the proposed transaction price is adjusted to a level which is expected to be lower than the final transaction price of the used vehicle in the subsequent sale. After entering into the agency service agreement, we will pay the proposed transaction price to the entrusting party, in order to secure the source of the used vehicle and obtain the exclusive right to dispose of the vehicle. We do not take the entrusted used vehicle into inventory, and record such payment as advances to used vehicle suppliers.

After we accept the entrustment and enter into the agency service agreement with the entrusting party, the used vehicle will first be put up for auction on our transaction platform. We will set up a reserve price (the lowest price the used vehicle can be sold) for the used vehicle that is greater than the proposed transaction price. If the used vehicle is not successfully auctioned off through one or several rounds of auctions, we will adjust our disposal strategy on a case by case basis, including lowering the reserve price or selling the used vehicle offline to Professional Buyers (in which case we will negotiate the final transaction price with the Professional Buyer in order to maximize our revenue). We record the difference between our payment made to the entrusting party and the final transaction price of such used vehicle as our revenue. Due to the risk of price fluctuation of the used vehicles, we try to dispose of used vehicles through our transaction platform or through offline channels as quickly as possible.

As such, we are generally able to avoid loss-making transactions as illustrated above, and only incurred losses (i.e. when the final transaction price at which the used vehicle is sold is lower than the proposed transaction price we paid) under very limited circumstances. See "— Key Operational Metrics" for more details.

The following table sets forth the fund flows under the First Payment Arrangement during the Track Record Period:

	2021	2022	2023
		(RMB'000)	
Fund inflow[1]	868,853	835,044	476,521
Fund outflow[2]	(814,528)	(788,027)	(451,459)
Difference	54,325	47,017	25,062

Notes:

(1) Represents the proceeds of the consumer trade-in vehicles we successfully arranged for sale.

(2) Represents the payments we made to the used vehicle owners/4S dealership stores for the consumer trade-in vehicles we successfully arranged for sale.

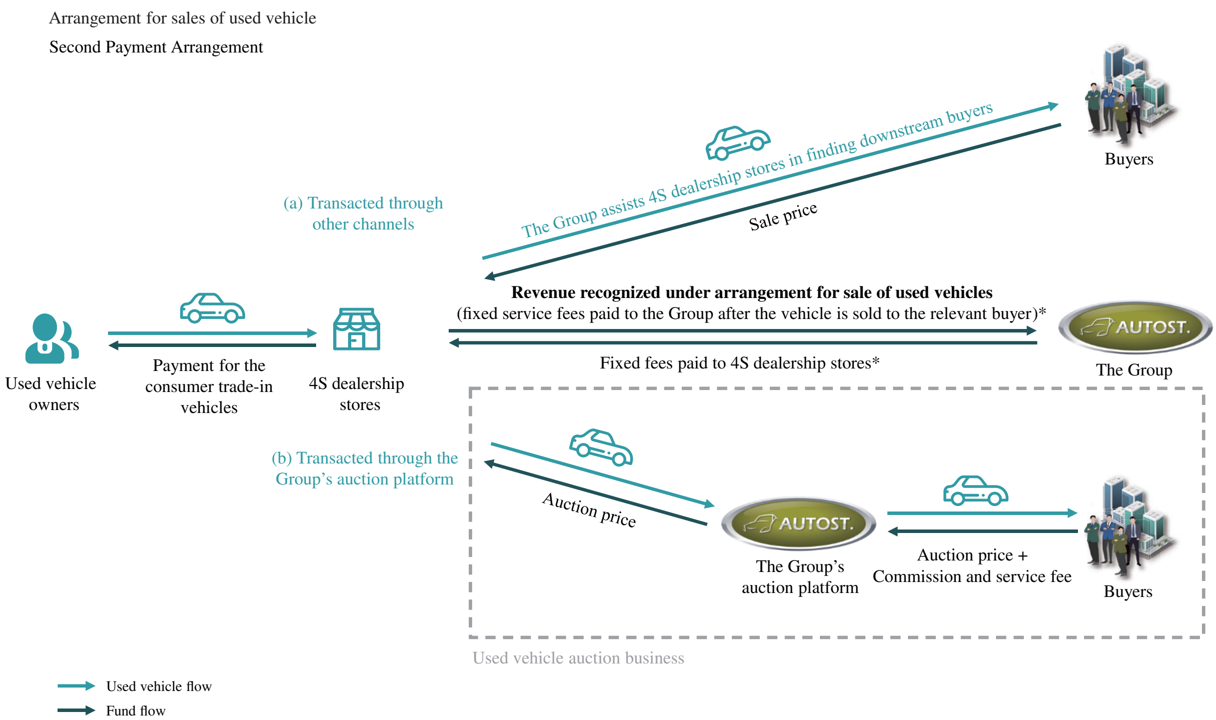
In general, the used vehicle owner who traded in the used vehicle at the 4S dealership store holds the title of the vehicle until the vehicle is ultimately sold through our transaction platform or otherwise disposed of, at which point the title will be transferred directly from the used vehicle owner to the buyer of the vehicle. In limited circumstances, the used vehicle owner will first sell and transfer the title to the 4S dealership stores, who in turn entrust us to arrange for the sale of these used vehicles. In this case, the 4S dealership store holds the title of the vehicle until the vehicle is ultimately transacted through our transaction platform or otherwise transacted, and the title accordingly will be transferred directly from the 4S dealership store to the end buyer of the vehicle. The used vehicles that have been traded in are typically kept at the 4S dealership stores where the vehicles are traded in. The used vehicle owner (or the 4S dealership stores if they have purchased the vehicle and acquired the vehicle's title from the owner) would bear the inventory risk of these vehicles and would be responsible for any damages to these vehicles prior to their disposal. If the vehicle is subsequently transacted through our transaction platform, it will follow our standard used vehicle auction procedures and will be transported and stored accordingly. See "— Used vehicle Auction Business — Our Transaction Process" for details.

Material Terms of Agreements

Framework cooperation Agreements. For the First Payment Arrangement, we typically enter into one-year framework cooperation agreements with the cooperating dealership groups, which specify our respective rights and obligations. During the term of the agreement, the dealership group is prohibited from cooperating with a third party for the same type of business. For each used vehicle offered to be sold by the owner, the dealership group shall notify us and our designated personnel covering this dealership group will conduct inspections of this vehicle and negotiate trade-in price directly with the used vehicle owner. We are responsible for the title transfer, including the related expenses, of the vehicles and the dealership group is required to provide necessary assistance in completing the title transfer. For trade-in used vehicles we successfully arrange for sale, we generally pay the vehicle trade-in price as advance either directly to the used vehicle owner or to the dealership group within three business days, and pay the dealership group a fixed amount of fees on a per-vehicle basis as specified in the agreement, which is settled on a monthly basis. Under the First Payment Arrangement, the amount of the fees typically ranged from RMB500 to RMB3,000 per vehicle, depending on the trade-in price (i.e. the payment amount made to the used vehicle owner) of the vehicles we arranged for sale. In general, the higher the trade-in price, the more fees we will pay to the dealership groups. In 2021, 2022 and 2023, the fees we paid to the dealership groups amounted to RMB36.9 million, RMB10.2 million and RMB11.9 million, respectively. These payments are typically settled via bank transfer. These agreements generally do not contain any renewal provisions but can be terminated by giving one-month prior written notice.

Agency Service Agreements. For each used vehicle that we arrange for sale, we will enter into an agency service agreement with the used vehicle owner who trades in such used vehicle or the 4S dealership store who has acquired such used vehicle from the used vehicle owner, which set forth our respective rights and obligations. Pursuant to the agreement, the used vehicle is entrusted to us by the used vehicle owner or the 4S dealership store, as applicable, for the subsequent sale (through our transaction platform or through other disposal channels) at the proposed transaction price. In addition, we will make payment of the proposed transaction price to the used vehicle owner or the 4S dealership store in order to secure the source of the used vehicle and obtain the exclusive right to dispose of the vehicle. The used vehicle owner or the 4S dealership store is required to provide to us relevant vehicle documents that are required for the used vehicle transaction and subsequent title transfer. We have the right to terminate this agreement and the used vehicle owner or the 4S dealership store is required to refund any amount we have paid and further compensate us for any loss in certain specified circumstances, including: (i) the used vehicle owner or the 4S dealership store fails to provide the ownership certificate of the used vehicle, or provides a fraudulent or otherwise defective ownership certificate that results in the subsequent failure to complete the title transfer of the used vehicle within an agreed period of time, (ii) the person who trades in the used vehicle or the 4S dealership store does not have the legal right to dispose of the used vehicle, (iii) the actual condition of the used vehicle deviates from the vehicle condition described by the used vehicle owner or the 4S dealership store, or the used vehicle owner or the 4S dealership store fails to provide prompt assistance to us for completing the title transfer of the used vehicle within an agreed period of time, or (iv) the used vehicle fails to be disposed of within three months after the trade-in vehicle is entrusted to the Group. However, in practice, we do not terminate such agreement or ask for refund even when we expect to incur losses for a particular transaction, because (i) we value our long-standing cooperation and solid relationship with the dealership groups, (ii) rather than focusing on a single loss-making transaction, we assess the overall profitability of our arrangement for sale of used vehicle transactions with dealership groups as a whole, and our arrangement for sale of used vehicle transactions with the relevant dealership groups is profitable overall, and (iii) we also earn commission and service fees for the used vehicles entrusted to us through our used vehicle auctions, which is recorded as revenue under our used vehicle auction business. In practice, during the Track Record Period, save for the first three aforementioned circumstances, transactions under our arrangement for sale of used vehicles business were successfully completed generally within one month.

Second Payment Arrangement



Note: Words in bold represent revenue recognized under arrangement for sales of used vehicle

Note:* To be recognized or paid in both scenario (a) and (b)

From time to time, we also collaborate with certain dealership groups under a different payment arrangement (the "**Second Payment Arrangement**"), where these dealership groups (rather than us) make the payment for the consumer trade-in vehicles and receive the sale price of these vehicles directly from the end buyers, and pay us a fixed service fee on a per-vehicle basis for our arrangement for sale of used vehicle services. For the Second Payment Arrangement, we record the service fee we receive as our revenue.

Similar to the First Payment Arrangement, under the Second Payment Arrangement, the terms and conditions of the used vehicle trade-in arrangements are negotiated between the used vehicle owner (i.e. original owner of the used vehicle) and the 4S dealership store, and we are not involved in that process. In addition, generally the used vehicle entrusted to us for subsequent sale will first be put up for auction on our transaction platform. Based on our inspection and appraisal of the vehicle condition as well as the latest transaction prices of used vehicles with similar condition on our transaction platform, we will suggest a reserve price of the used vehicle for the entrusting party, while the discretion to determine the reserve price remains with the entrusting party. The process of the subsequent sale of the used vehicle under the Second Payment Arrangement is substantively the same as that under the First Payment Arrangement.

As we do not make any advance payment to the entrusting party under the Second Payment Arrangement and instead receive fixed service fee on a per-vehicle basis upon the successful disposal of the used vehicle, we do not incur any loss under the Second Payment Arrangement.

Material Terms of Agreements

Under the Second Payment Arrangement, we typically enter into framework cooperation agreements with the dealership groups under a term of three years, which specify our respective rights and obligations. Under the agreements, we are responsible for disposing of the consumer trade-in vehicle the dealership group entrusts to us for sale, and the dealership group pays us a fixed amount of fees on a per-vehicle basis as specified in the agreement, which is settled on a monthly basis. Under the agreement, the amount of such fees typically ranged from RMB1,000 to RMB3,000 per vehicle. These payments are typically settled via bank transfer. For trade-in used vehicles successfully arranged for sale under the Second Payment Arrangement, we also pay the dealership group a fixed amount of fees on a per-vehicle basis as specified in the agreement, which is settled on a monthly basis. These agreements may contain renewal provisions.

Key Operational Metrics

As our arrangement for sale of used vehicles services are primarily provided to serve strategic purposes as outlined above, we proactively adjust the scale of this business in response to the changing circumstances, including the demand for such services from dealership groups, the risks and profitability of this business segment, as well as our overall business operation and strategic priorities. For example, we enhanced our business relationships with certain dealership groups in Guizhou and Hunan provinces in 2021 by providing arrangement for sale of used vehicle services to assist them in building up their used vehicle businesses. These dealerships subsequently became upstream sellers of our used vehicle auction business, and we have accordingly reduced our collaboration with them under the arrangement for sale of used vehicles business. Moreover, as the operation of our auction sites was disrupted by the COVID-19 in 2022 and we had to cancel scheduled auction sessions, it became more unpredictable whether and when the used vehicles that are traded in could be ultimately disposed of. As such, we became more cautious in conducting our arrangement for sale of used vehicle business in 2022 and intentionally reduced our transaction volume.

The following table sets forth certain key operational metrics of our arrangement for sale of used vehicles business.

	2021	2022	2023
Number of consumer trade-in vehicles transacted[1]	~55,000	~34,000	~30,000
Average revenue per vehicle *(RMB)*	2,777	2,319	2,104

Number of consumer trade-in vehicles transacted decreased from approximately 55,000 in 2021 to approximately 34,000 units in 2022, primarily because we gradually reduced our arrangement for sale of used vehicle services to certain dealership groups in 2022, as they started to dispose of consumer trade-in vehicles on our transaction platform through auctions and became upstream sellers of our used vehicle auction business. Number of consumer trade-in vehicles transacted decreased to approximately 30,000 units in 2023 primarily because our collaborating dealership groups adjusted their strategies in acquiring consumer trade-in vehicles in light of the changing circumstances in the automotive industry and decreased their the demand for our arrangement for sale of used vehicle services.

Average revenue per consumer trade-in vehicle transacted decreased from RMB2,777 in 2021 to RMB2,319 in 2022, and decreased further to RMB2,104 in 2023, primarily due to the continuous decrease in the price of used vehicles when they are subsequently transacted during the same period. In 2022, due to the negative impact of COVID-19 on China's used vehicle industry, the average transaction price of used vehicles in China presented a downward trend throughout 2022, decreasing from RMB71.2 thousand in January 2022 to RMB59.3 thousand in December 2022, according to CIC. In 2023, as the decline in the sales price of new vehicles created price pressure on and adversely affected the recovery of the used vehicle market, the average transaction price of used vehicles in China decreased to RMB64.0 thousand in 2023 from an average price of RMB66.3 thousand in 2022, according to CIC. Such downward trends led to a decrease in the price of the consumer trade-in vehicles we arranged for sale, as buyers were more conservative in purchasing consumer trade-in vehicles.

1 Most of these used vehicles were transacted through our transaction platform via auctions, with the remainder transacted through other channels.

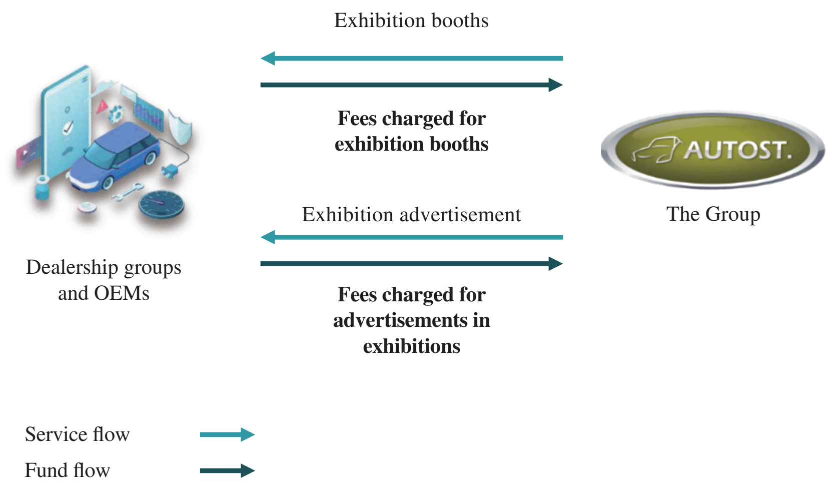
Revenue generated from arrangement for sale of used vehicles decreased by 48.6% from RMB154.1 million in 2021 to RMB79.3 million in 2022, and decreased by 19.8% to RMB63.6 million in 2023. Fluctuations in our revenue generated from arrangement for sale of used vehicles were primarily due to the fluctuations in the number of consumer trade-in vehicles we arranged for sale under this business segment, which was in line with our adjustment of the scale of this business and our collaborating dealership groups' evolving demand for our arrangement for sale of used vehicle services in response to the changing circumstances.

During the Track Record Period, all the trade-in used vehicles were successfully transacted either through our transaction platform or sold directly to Professional Buyers. Under limited circumstances, the transaction price of the used vehicles was lower than the advance paid to the trade-in consumer or 4S dealership store for the same vehicles, and we incurred losses for such transactions accordingly. In 2021, 2022 and 2023, we incurred losses for the transaction of approximately 1,800, 1,400 and 1,500 units of the used vehicles transacted under this business (or 3.2%, 4.0% and 5.0% of the used vehicles transacted under this business), respectively, and the losses we incurred for these transactions amounted to RMB6.6 million, RMB4.9 million and RMB2.9 million, respectively. We bear the risk of transacting the trade-in used vehicles at a loss. We are not required to compensate any third parties for such loss-making transactions, and because we do not terminate the agency service agreements with the consumers/the 4S dealership stores or ask for refund in practice, we are not compensated by the consumers or the 4S dealership stores for such losses.

Our gross profit for arrangement for sale of used vehicles decreased by 41.2% from RMB115.3 million in 2021 to RMB67.8 million in 2022, and decreased further by 24.9% to RMB50.9 million in 2023. Fluctuations in our gross profit for arrangement for sale of used vehicles were largely in line with the fluctuations in our revenue generated from this business segment. Our gross profit margin for arrangement for sale of used vehicles increased from 74.9% in 2021 to 85.5% in 2022, primarily due to our reduced collaboration with certain dealership groups, which had relatively lower gross profit margin, for our arrangement for sale of used vehicles business. Our gross profit margin for arrangement for sale of used vehicles decreased to 80.0% in 2023, primarily due to a decrease in the final transaction price (i.e. when eventually sold to downstream buyers) of the consumer trade-in vehicles we arranged for sale.

Please see "Financial Information — Results of Operations" for more details.

EXHIBITION RELATED SERVICES



Note: Words in bold represent revenue recognized under exhibition related services

Our exhibition related services primarily include (1) hosting of auto shows and exhibitions primarily for dealership groups and OEMs from time to time, such as Changchun International Automobile Industry Exhibition and Tianjin International Automobile Industry Exhibition, and (2) occasional provision of certain advertisement services. In hosting such events, we are responsible for all material aspects of event organization, including space leasing, layout design and decoration, event promotion, participants invitation and advertisement placement. In line with industry practices, we generate revenues for our exhibition related services primarily from fees charged for exhibition booths and advertisements to the dealership groups and OEMs that participate in automotive exhibitions we host. For exhibition booths, the fee we charge generally ranges from RMB600 to RMB1,400 per sq.m. The fee rate is based on the size and location of the exhibition booth, the scale of the exhibition and the length of the exhibiting time.

Dealership groups and OEMs are the main supply source of used vehicles in China. Despite the fact that dealership groups and OEMs are launching and expanding their used vehicle businesses, they have traditionally focused on the sales of new vehicles and frequently participate in auto shows and exhibitions to promote their new vehicle sales. As such, we consider the hosting of auto shows and exhibitions a pivotal part of our used vehicle ecosystem, serving multiple business purposes at the same time:

(1) *Strong brand recognition*. We selectively host high-profile auto shows and exhibitions, such as Changchun International Automobile Industry Exhibition and Tianjin International Automobile Industry Exhibition. Being the host of these high-profile auto shows and exhibitions is a strong testimony to our industry leadership and brand recognition, bringing strong credibility to our transaction platform and service offering.

(2) *Highly efficient communicative channel*. As auto shows and exhibitions gather a large number of dealership groups and OEMs in the same physical space, we are able to conveniently approach potential and/or existing business partners in a highly efficient manner. For dealership groups and OEMs that the we have not collaborated with, we can promote our transaction platform and service offering to them, increasing our brand awareness and potentially acquiring customers for used vehicle value-added services business or upstream sellers for our used vehicle auction business. For dealership groups and OEMs that are our existing business partners, we can interact with them to gather feedbacks and cross sell our other services.

(3) *Saving selling and marketing expenses while generating additional revenue*. Hosting auto shows and exhibitions generates an additional stream of revenue while saving a substantial amount of selling and marketing expenses in relation to promoting our used vehicle auction and other service offerings that we may otherwise incur for separately approaching the dealership groups and OEMs that are scattered across China.

As of December 31, 2023, ten OEMs have formed strategic collaboration with us after attending the auto shows and exhibitions we hosted, designating us as one of the preferred auction venues for their affiliated 4S dealership stores' used vehicles. As of the same date, over 2,600 of their affiliated 4S dealership stores had disposed used vehicles through our transaction platform. The extensive business relationships established with these OEMs demonstrate the strategic importance of our exhibition related services and its significant synergies with our other business segments.

The following table sets forth certain key operational metrics of our exhibition related services business.

	2021	**2022**	**2023**
Numbers of exhibition days	32	21	32
Number of exhibition participants	535	310	312

Number of exhibition days decreased from 32 days in 2021 to 21 days in 2022, primarily due to the restrictive measures imposed by local governments in response to the COVID-19 outbreak. Number of exhibition days increased to 32 days in 2023, primarily due to the lifting of restrictive measures imposed by local governments in response to the COVID-19 outbreak.

Number of exhibition participants decreased from 535 in 2021 to 310 in 2022, primarily because (i) we hosted fewer auto shows and exhibitions in 2022 due to the restrictive measures imposed by local governments in response to the COVID-19 outbreak, and (ii) dealership groups and OEMs were less willing to participate in auto shows and exhibitions in 2022, as there were fewer audiences attending these events due to COVID-19 restrictions. Number of exhibition participants remained relatively stable at 312 in 2023.

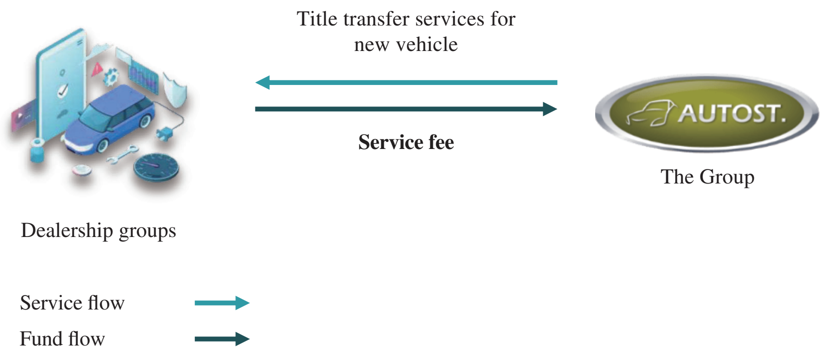
Hosting auto shows and exhibitions not only enables us to diversify our revenue streams, but also provides us with valuable opportunities to approach, form strategic collaboration with, and promote our used vehicle auction services to, the participating dealership groups and OEMs.

Revenue generated from our exhibition related service decreased by 29.8% from RMB89.6 million in 2021 to RMB62.9 million in 2022, primarily as a result of COVID-19 resurgences in 2022. Revenue generated from our exhibition related service decreased by 12.9% to RMB54.8 million in 2023, primarily because the participating OEMs and dealership groups were more conservative in incurring expenses related to auto show exhibition booths and advertisements. We expect to generate a relatively stable level of revenue from our exhibition related service business going forward.

Our gross profit for exhibition related service decreased by 17.6% from RMB37.8 million in 2021 to RMB31.2 million in 2022, largely in line with the decrease in our revenue generated from this business segment during the same period. Our gross profit for exhibition related service decreased to RMB23.3 million in 2023. Our gross profit margin for exhibition related service increased from 42.3% in 2021 to 49.6% in 2022, primarily because we ceased to provide certain radio advertisement placement services in 2022, which had relatively lower gross profit margin. Our gross profit margin for exhibition related service decreased to 42.6% in 2023, primarily because the participating OEMs and dealership groups were more conservative in incurring expenses related to auto show exhibition booths and advertisements in 2023, while our costs of auto exhibitions (which primarily consist of rental expenses and costs of facilities), are generally required and remained relatively stable for hosting such auto exhibitions regardless of the eventual turnout of the participating OEMs and dealership groups.

Please see "Financial Information — Results of Operations" for more details.

OTHER BUSINESSES



Note: Words in bold represent revenue recognized under other business

To further deepen our business relationship with dealership groups, we are also able to address the *ad hoc* business needs of dealership groups that may arise from time to time, including the provision of title transfer services for dealership groups' new vehicles. The dealership groups to which we provide new vehicle title transfer services are typically our existing business partners who collaborate with us with respect to its used vehicle auction and/or value-added services. We generally charge a service fee of RMB1,500 for each vehicle, consisting of (1) the fee charged by relevant governmental authorities for handling the title registration for new vehicles, and (2) our fee for arranging the services, which was priced primarily with reference to the rates charges by peer companies for providing comparable services in the local markets.

We believe our provision of these services further strengthens our business relationship with the dealership groups, reinforcing our position as the dealership groups' go-to business partner that is able to address their used vehicle and new vehicle related needs and demands.

Revenue generated from other services decreased by 60.3% from RMB26.5 million in 2021 to RMB10.5 million in 2022, and increased by 20.0% to RMB12.6 million in 2023. The fluctuations from 2021 to 2023 were primarily due to the changing demand for title transfer services for new vehicles of the 4S dealership stores that we collaborated with.

Our gross profit for other services decreased by 60.9% from RMB18.8 million in 2021 to RMB7.4 million in 2022, and increased by 14.3% to RMB8.4 million in 2023. The fluctuations from 2021 to 2023 were largely in line with the fluctuations in our revenue generated from this business segment during the same period. Our gross profit margin for other services remained relatively stable at 71.1% and 70.0% in 2021 and 2022, respectively. Our gross profit margin for other services decreased to 66.7% in 2023, primarily because we offered dealership groups certain discounts on our service price in order to expand our other services business.

Please see "Financial Information — Results of Operations" for more details.

RESEARCH AND DEVELOPMENT

Our operations are supported by technologies throughout all stages of the used vehicle buying and selling process, enabling our buyers and sellers to buy, sell and manage used vehicles with confidence and efficiency. We place significant emphasis on research and development to continuously improve our technologies, develop new technologies and services that are complementary to existing ones and find ways to better support, and meet the evolving demands of, our buyers and sellers. As of December 31, 2023, we had 38 R&D personnel and many of our R&D personnel came from the background of computer sciences and electrical engineering, which are essential to the product development and system maintenance of our platform, and have an average of seven years of work experience in related fields. In particular, all of our core R&D members have several years of experience in the used vehicle auction field in addition to their respective technical expertise in areas like programming, testing and product development. The primary responsibilities of our R&D team include: (i) improving and upgrading our systems and software; (ii) providing internal training on our systems and software, including our ADMS system and pricing model, to our sales team who in turn provide the training to our upstream sellers and downstream buyers; and (iii) ensuring the security of our database. This diverse and experienced team that is familiar with the details of auction business is crucial for our development of a system with technical features highly suitable and convenient for the actual, front-line business operation. Our R&D personnel are primarily based in Shanghai, and may travel to our auction sites or our sellers' sites to further support the technical improvement and smooth operation of our used vehicle auction and other related services.

Our Ongoing R&D Efforts

Building upon our existing platform infrastructure and technology, we are also developing our database and AI and big data-driven technologies specifically for further facilitating used vehicle transactions in China. Aspired by our goal to help both sellers and buyers to conduct used vehicle transaction with confidence and efficiency, our R&D efforts are designed to address pain points in our industry and to be highly scalable to support our rapid growth, while maintaining a high level of data security. As of the Latest Practicable Date, the key projects that we are currently working on include the following:

- ***User Profiles and Used Vehicle Recommendation Algorithm***. We are continuously upgrading our big data analytics capabilities to create more information-rich user profiles and more accurate recommendation algorithms. Towards this goal, we are conducting deeper analysis on the interactions and other data of our buyers, which we believe will enable us to make more targeted used vehicle recommendation based on the vehicle's brand, model and price range that a used vehicle buyer may be interested in, thus increasing their activity levels on our platform.

- ***Vehicle Inspection and Appraisal based on Image Recognition***. Based on our existing database of used vehicle images, we are developing AI-empowered digital tools for detecting and analyzing images of used vehicles to automatically capture defects and recognize used vehicles' conditions. For example, these digital tools can recognize whether the vehicles have undergone collision and repair, and may remind our condition inspectors of certain abnormalities in the vehicles' conditions that warrant a closer look. We expect these digital tools to be highly useful in assisting our professional condition inspectors in the standard pre-auction appraisal and inspection process, enhancing their inspection efficiency and appraisal accuracy.

- ***Continuous Digitalization Initiatives***. We are continuously leveling up the degree of electronification and digitalization of our business operation. Toward this end, we are upgrading the relevant systems and developing process automation for both our auction sites operation and group management. We expect such digitalization initiatives to reduce the occurrence of human errors throughout our business and optimize our internal control system by making it more standardized and effective, thereby reducing our operational costs, improving our operational efficiency and customer satisfaction.

- ***Used NEV Appraisal***. With the rapid development of the NEV market, we expect the number of used NEVs to be disposed of to grow correspondingly in the next few years. As the technical features and disposition model of NEVs are very distinct from those of traditional fuel vehicles—especially for certain highly technical aspects, such as the valuation of battery packs, where there may not be well-recognized and established guidance for reference in our industry—we have commenced our efforts in adapting our services and transaction processes to facilitate the auction of NEVs.

SALES AND MARKETING

Our sales and marketing efforts are primarily focused on educating potential sellers and buyers as to the benefits of our service offerings, attracting new sellers and buyers and maintaining relationship with existing sellers and buyers. As of December 31, 2023, we had 182 in-house sales representatives, who are divided into two dedicated teams:

- ***Sales team targeting upstream sellers.*** One team is focused on increasing our awareness among, promoting our ADMS and other systems to, and developing and maintaining relationships with, OEMs, dealership groups and their 4S dealership stores. We maintain close relationships with sellers through a Plan-Do-Change-Action ("**PDCA**") customer service cycle, which is an iterative, four-stage approach for continually improving our customer services, resolving problems and deepening our strategic collaboration with sellers. Under the PDCA approach, we initiate communication with sellers who wish to dispose of used vehicles, and demonstrate the efficiency and effectiveness of our transaction platform through auctioning off the used vehicles. In the process, we keep regular contact with such sellers to learn about their experience and understand how our platform and services can be further improved to cater to their needs. We then implement the relevant changes to ensure sellers will continue to use our platform in the future, thereby deepening our collaboration and completing the PDCA cycle. Specifically, at the group level, our sales team conducts quarterly and annual business review and communication with our cooperating dealership groups, analyzes in detail their operational and business indicators, and customize solutions to address their issues. At the store level, our sales team maintains close communication with 4S dealership stores through regular on-site visits, promptly resolving their problems and addressing their needs; and

- ***Sales team targeting downstream buyers.*** The other team is focused on assisting buyers in identifying inventory that match their preferences and guiding them through each phase of their used vehicle buying process and providing more individualized customer services. For example, once a used vehicle is ready for auction, we identify a group of buyers who may be the most interested in the vehicle based on their browsing, bidding and purchase behavior on our transaction platform, and our sales representatives communicate the vehicle information to these buyers. We believe such tailored recommendations help our buyers to more efficiently identify and bid for used vehicles that meet their specific needs and requirements. We classify our buyers into five levels based on their browsing, bidding and transaction history on our platform and conduct differentiated sales and marketing efforts based on each buyer's level in order to retain our buyers and increase their participation on our platform. We also distribute coupons to buyers to increase their participation on our platform. In addition, this team is also responsible for expanding our customer base and promoting our brand, platform and products and services to potential buyers.

Our sales representatives, most of whom are based at our auction site across China, have extensive experience in the used vehicle business and specialized knowledge of the local markets they are in charge of. Our sales team targeting upstream sellers primarily consists of members with prior working experience at 4S dealership stores, which make them more familiar with the process of used vehicle acquisition and disposal and the needs of upstream sellers. Members of our sales team targeting downstream buyers come from more diverse backgrounds, including both those with experience in dealing used vehicles. Our local sales representatives are managed by a corporate-level team focused on developing and implementing standard best practices and expanding relationships with major dealership groups.

We also host auto shows and exhibitions, such as Changchun International Automobile Industry Exhibition and Tianjin International Automobile Industry Exhibition, to increase our visibility and enhance our industry reputation. See "— Exhibition and Related Services" for details. We further regularly participate in a variety of industry conferences, such as the annual conferences of China Automobile Dealers Association, to keep abreast with the latest industry policies and trends and exchange ideas and information with other companies and potential customers in our industry. In addition, we have benefited from word-of-mouth recommendations by the large number of used vehicle buyers and sellers who were pleased with our services. We intend to continue improving our services to encourage more recommendations and referrals, which we believe is an effective and cost-efficient way to promote our business.

In 2021, 2022 and 2023, our selling and distribution expenses were RMB79.8 million, RMB88.9 million and RMB90.0 million, respectively.

OUR CUSTOMERS

During the Track Record Period, our customers mainly included (i) Professional Buyers, who purchase used vehicle through our transaction platform, and (ii) dealership groups, to whom we provided our used vehicle value-added services and arrangement for sale of used vehicles. Our customers are located in China. Our aggregate revenue from our five largest customers in each year of the Track Record Period amounted to RMB181.0 million, RMB120.2 million and RMB124.5 million, accounting for 26.8%, 25.7% and 25.3% of our total revenue in the respective periods; and our aggregate revenue from our largest customer in each year of the Track Record Period amounted to RMB71.0 million, RMB65.1 million and RMB78.9 million, representing 10.5%, 13.9% and 16.0% of our total revenue during the respective periods.

The table below sets forth details of our five largest customers in each year during the Track Record Period:

For the Year Ended December 31, 2021

Rank	Customer	Business Profile	Major Products Provided	Credit terms	Time to Establish Business Relationship	Payment Method	Transaction Amount *(RMB in millions)*	Revenue Contribution *(%)*
1	Guizhou Tongyuan Investment Co., Ltd. and together with its subsidiaries & Guizhou Tongyuan Automobile Group Co. LTD and together with its subsidiaries1 (the "**Guizhou Tongyuan Group**")	Private companies which are mainly engaged in automobile sales, motor vehicle repair and maintenance, sale of used vehicles. It has over 30 years of experience in China's automobile dealership industry, authorized by more than 30 world-renowned automobile brands. Its business operation covers 11 provinces and municipalities and 25 cities in China, and has become one of the largest dealership groups in Western China. In 2022, its total revenue exceeded RMB30 billion, and it was one of the top 100 dealership groups in China in terms of revenue in 2022.	Arrangement for sale of used vehicles, used vehicles value-added services	30 days	2016	Telegraphic transfer	71.0	10.5

Rank	Customer	Business Profile	Major Products Provided	Credit terms	Time to Establish Business Relationship	Payment Method	Transaction Amount *(RMB in millions)*	Revenue Contribution *(%)*
2	China Grand Automotive Services Group Co., Ltd.	A public company listed on Shanghai Stock Exchange (SH. 600297) that is mainly engaged in automobile sales, retail and wholesale of auto parts, auto decoration supplies sales, auto leasing, information consulting services, sale of used vehicles	Used vehicle auction and related services	30 days	2016	Telegraphic transfer	57.5	8.5
3	Customer A	A private company which is mainly engaged in automobile sales, lubricating oil sales, sales of used vehicles. It is a well-known dealership group that has been authorized by more than 20 well-known international and domestic automobile brands. In 2022, its total revenue exceeded RMB5 billion, and it was one of the top 100 dealership groups in China in terms of revenue in 2022.	Arrangement for sale of used vehicles, used vehicles value-added services and other services	30 days	2018	Telegraphic transfer	23.8	3.5
4	Customer B	A private company which is mainly engaged in automobile and auto parts sales. Its business operation covers multiple provinces and municipalities in China. In 2022, its total revenue exceeded RMB10 billion, and it was one of the top 100 dealership groups in China in terms of revenue in 2022.	Arrangement for sale of used vehicles, used vehicles value-added services	30 days	2018	Telegraphic transfer	15.5	2.3

Rank	Customer	Business Profile	Major Products Provided	Credit terms	Time to Establish Business Relationship	Payment Method	Transaction Amount *(RMB in millions)*	Revenue Contribution *(%)*
5	Customer C	A private company which is mainly engaged in automobile sales. It has been authorized by a world-renowned automobile brand and it operates a service network mainly in a southern province in China.	Arrangement for sale of used vehicles, used vehicles value-added services	30 days	2019	Telegraphic transfer	13.2	2.0
	Total						181.0	26.8

Note:

1. (a) Guizhou Tongyuan Investment Co., Ltd. and together with its subsidiaries and (b) Guizhou Tongyuan Automobile Group Co. LTD and together with its subsidiaries are fellow subsidiaries controlled by Mr. Zang Fengjiang, a director of Guizhou Xintong Used Vehicle Auction Co., Ltd.* (貴州信通二手車拍賣有限公司), a subsidiary of our Company. Guizhou Xintong Used Vehicle Auction Co., Ltd.* (貴州信通二手車拍賣有限公司) is responsible for carrying out used vehicle auction services and related services, as well as used vehicle value-added services. The revenue attributable to this subsidiary accounted for 12.7%, 18.3% and 20.3% of our total revenue, respectively, during 2021, 2022 and 2023. See "Connected Transaction" for further details.

For the Year Ended December 31, 2022

Rank	Customer	Business Profile	Major Products Provided	Credit terms	Time to Establish Business Relationship	Payment Method	Transaction Amount *(RMB in millions)*	Revenue Contribution *(%)*
1	Guizhou Tongyuan Group	Private companies which are mainly engaged in automobile sales, motor vehicle repair and maintenance, sale of used vehicles. It has over 30 years of experience in China's automobile dealership industry, authorized by more than 30 world-renowned automobile brands. Its business operation covers 11 provinces and municipalities and 25 cities in China, and has become one of the largest dealership groups in Western China. In 2022, its total revenue exceeded RMB30 billion, and it was one of the top 100 dealership groups in China in terms of revenue in 2022.	Arrangement for sale of used vehicles, used vehicles value-added services	30 days	2016	Telegraphic transfer	65.1	13.9
2	Customer D	A private company which is mainly engaged in automobile sales, sale of used vehicles. It is one of the leading enterprises in the automobile trade industry in Ningbo, Zhejiang Province.	Arrangement for sale of used vehicles, used vehicles value-added services	30 days	2019	Telegraphic transfer	20.7	4.4
3	Customer C	A private company which is mainly engaged in automobile sales. It has been authorized by a world-renowned automobile brand and it operates a service network mainly in a southern province in China.	Arrangement for sale of used vehicles, used vehicles value-added services	30 days	2019	Telegraphic transfer	13.0	2.8

Rank	Customer	Business Profile	Major Products Provided	Credit terms	Time to Establish Business Relationship	Payment Method	Transaction Amount	Revenue Contribution
							(RMB in millions)	*(%)*
4	Customer B	A private company which is mainly engaged in automobile and auto parts sales. Its business operation covers multiple provinces and municipalities in China. In 2022, its total revenue exceeded RMB10 billion, and it was one of the top 100 dealership groups in China in terms of revenue in 2022.	Arrangement for sale of used vehicles, used vehicles value-added services	30 days	2018	Telegraphic transfer	12.1	2.6
5	Customer A	A private company which is mainly engaged in automobile sales, lubricating oil sales, sales of used vehicles. It is a well-known dealership group that has been authorized by more than 20 well-known international and domestic automobile brands. In 2022, its total revenue exceeded RMB5 billion, and it was one of the top 100 dealership groups in China in terms of revenue in 2022.	Arrangement for sale of used vehicles, used vehicles value-added services and other services	30 days	2018	Telegraphic transfer	9.2	2.0
	Total						120.2	25.7

For the Year Ended December 31, 2023

Rank	Customer	Business Profile	Major Products Provided	Credit Terms	Time to Establish Business Relationship	Payment Method	Transaction Amount *(RMB in millions)*	Revenue Contribution *(%)*
1	Guizhou Tongyuan Group	Private companies which are mainly engaged in automobile sales, motor vehicle repair and maintenance, sale of used vehicles. It has over 30 years of experience in China's automobile dealership industry, authorized by more than 30 world-renowned automobile brands. Its business operation covers 11 provinces and municipalities and 25 cities in China, and has become one of the largest dealership groups in Western China. In 2022, its total revenue exceeded RMB30 billion, and it was one of the top 100 dealership groups in China in terms of revenue in 2022.	Arrangement for sale of used vehicles, used vehicles value-added services	30 days	2016	Telegraphic transfer	78.9	16.0
2	China Grand Automotive Services Group Co., Ltd.	A public company listed on Shanghai Stock Exchange (SH. 600297) that is mainly engaged in automobile sales, retail and wholesale of auto parts, auto decoration supplies sales, auto leasing, information consulting services, sales of used vehicles.	Used vehicle auction and related services	30 days	2016	Telegraphic transfer	20.5	4.2
3	Customer A	A private company which is mainly engaged in automobile sales, lubricating oil sales, sales of used vehicles. It is a well-known dealership group that has been authorized by more than 20 well-known international and domestic automobile brands. In 2022, its total revenue exceeded RMB5 billion, and it was one of the top 100 dealership groups in China in terms of revenue in 2022.	Arrangement for sale of used vehicles, used vehicles value-added services and other services	30 days	2018	Telegraphic transfer	16.0	3.3
4	Customer E	A Professional Buyer which is mainly engaged in sales of used vehicles.	Used vehicle auction and related services	30 days	2017	Telegraphic transfer	5.1	1.0
5	Customer F	A public company listed on the Nasdaq Global Select Market which is mainly engaged used vehicle retail business in China.	Used vehicle auction and related services	30 days	2021	Telegraphic transfer	4.0	0.8
Total							124.5	25.3

To the best knowledge of our Directors, except for Guizhou Tongyuan Group and China Grand Automotive Services Group Co., Ltd., each of our five largest customers in each year during the Track Record Period was an independent third party. Guizhou Tongyuan Group is a connected person of our Company. See "Connected Transaction" for further details. China Grand Automotive Services Group Co., Ltd. is not a connected person of our Company and it is an indirect shareholder that beneficially owned approximately 7.7% of our Company as of the Latest Practicable Date. See "Substantial Shareholders" for more details. As of the Latest Practicable Date, Mr. Yang Aihua was indirectly interested in 7.73% of Grand Baoxin Auto Group Limited (HK. 1293), a subsidiary of China Grand Automotive Services Group Co., Ltd, through a discretionary trust that Ms. Yang Chuyu (the daughter of Mr. Yang Aihua) set up with TMF (Cayman) Ltd. As of the Latest Practicable Date, Mr. Yang Hansong held an approximately 1% equity interest in Grand Baoxin Auto Group Limited. Save as disclosed above, none of our Directors, and to the best knowledge of our Directors, none of our Shareholders who own more than 5% of the Shares in issue, nor any of their respective associates, had any interest in any of our five largest customers in each year during the Track Record Period. We entered into a strategic partnership agreement with China Grand Automotive Services Group Co., Ltd. on December 31, 2021. For details of the strategic partnership agreement, see "History, Reorganization and Corporate Structure — Corporate Reorganization — (ii) Shares issuance to certain strategic business partners." Save as disclosed above and to the best knowledge of our Directors, there is no other relationship between China Grand Automotive Services Group Co., Ltd. and/or Grand Baoxin Auto Group Limited and their subsidiaries, directors, senior management, substantial shareholders and/or their respective associates on one hand, and our Group, our Directors, the senior management and/or substantial shareholders of our Company and any of their respective associates on the other hand as at the Latest Practicable Date. During the Track Record Period and as of the Latest Practicable Date, our transactions and collaboration with China Grand Automotive Services Group Co., Ltd. were conducted on normal commercial terms.

OUR SUPPLIERS

During the Track Record Period, our suppliers primarily included dealership groups, third-party service providers for services such as title transfer, logistics and advertisement, as well as lessors of exhibition sites. Our suppliers are located in China. Our aggregate purchases from our five largest suppliers in each year of the Track Record Period amounted to RMB84.0 million, RMB35.6 million and RMB37.4 million, accounting for 33.3%, 19.7% and 20.8% of our total purchases in the respective periods; and purchases from our largest supplier in each year of the Track Record Period amounted to RMB36.7 million, RMB9.6 million and RMB11.7 million, representing 14.6%, 5.3% and 6.5% of our total purchases during the respective periods.

The table below sets forth details of our five largest suppliers in each year during the Track Record Period:

For the Year Ended December 31, 2021

Rank	Supplier	Business Profile	Major Products and/ or Services Supplied	Credit terms	Time to Establish Business Relationship	Payment Method	Purchase Amount *(RMB in millions)*	Percentage to Total Purchase *(%)*
1	China Grand Automotive Services Group Co., Ltd.	A public company listed on Shanghai Stock Exchange (SH. 600297) that is mainly engaged in automobile sales, retail and wholesale of auto parts, auto decoration supplies sales, auto leasing, information consulting services, sale of used vehicles	Supporting services on used vehicle transactions, including provision of venue, vehicle sourcing related information and other operational support in relation to our used vehicle auction business	90 days	2016	Telegraphic transfer	36.7	14.6
2	Supplier A	A private company which is mainly engaged in automobile and auto parts sales. Its business operation covers multiple provinces and municipalities in China. In 2022, its total revenue exceeded RMB10 billion, and it was one of the top 100 dealership groups in China in terms of revenue in 2022.	Supporting services on used vehicle transactions, including provision of venue, vehicle sourcing related information and other operational support in relation to our arrangement for sale of used vehicle business and used vehicle value-added service business	90 days	2018	Telegraphic transfer	17.5	6.9
3	Guizhou Tongyuan Group	Private companies which are mainly engaged in automobile sales, motor vehicle repair and maintenance, sale of used vehicles. It has over 30 years of experience in China's automobile dealership industry, authorized by more than 30 world-renowned automobile brands. Its business operation covers 11 provinces and municipalities and 25 cities in China, and has become one of the largest dealership groups in Western China. In 2022, its total revenue exceeded RMB30 billion, and it was one of the top 100 dealership groups in China in terms of revenue in 2022.	Supporting services on used vehicle transactions, including provision of venue, vehicle sourcing related information and other operational support in relation to our arrangement for sale of used vehicle business and used vehicle value-added service business	90 days	2016	Telegraphic transfer	12.0	4.8

Rank	Supplier	Business Profile	Major Products and/ or Services Supplied	Credit terms	Time to Establish Business Relationship	Payment Method	Purchase Amount *(RMB in millions)*	Percentage to Total Purchase *(%)*
4	Supplier B	A private company which is mainly engaged in automotive sales, used vehicles dealership and brokerage, motor vehicle maintenance. It is a well-known dealership group with business operations covering mainland China, Taiwan, and certain other countries and regions in Asia and Europe. In 2022, its total revenue exceeded RMB90 billion, and it was one of the top 100 dealership groups in China in terms of revenue in 2022.	Supporting services on used vehicle transactions, including provision of venue, vehicle sourcing related information and other operational support in relation to our arrangement for sale of used vehicle business	90 days	2017	Telegraphic transfer	9.9	3.9
5	Supplier C	A private company which is mainly engaged in exhibition and venue leasing based in Changchun, Jilin province.	Exhibition and venue leasing services	180 days	2018	Telegraphic transfer	7.9	3.1
	Total						84.0	33.3

For the Year Ended December 31, 2022

Rank	Supplier	Business Profile	Major Products and/ or Services Supplied	Credit terms	Time to Establish Business Relationship	Payment Method	Purchase Amount *(RMB in millions)*	Percentage to Total Purchase *(%)*
1	Guizhou Tongyuan Group	Private companies which are mainly engaged in automobile sales, motor vehicle repair and maintenance, sale of used vehicles. It has over 30 years of experience in China's automobile dealership industry, authorized by more than 30 world-renowned automobile brands. Its business operation covers 11 provinces and municipalities and 25 cities in China, and has become one of the largest dealership groups in Western China. In 2022, its total revenue exceeded RMB30 billion, and it was one of the top 100 dealership groups in China in terms of revenue in 2022.	Supporting services on used vehicle transactions, including provision of venue, vehicle sourcing related information and other operational support in relation to our arrangement for sale of used vehicle business and used vehicle value-added service business	90 days	2016	Telegraphic transfer	9.6	5.3
2	China Grand Automotive Services Group Co., Ltd.	A public company listed on Shanghai Stock Exchange (SH. 600297) that is mainly engaged in automobile sales, retail and wholesale of auto parts, auto decoration supplies sales, auto leasing, information consulting services, sale of used vehicles	Supporting services on used vehicle transactions, including provision of venue, vehicle sourcing related information and other operational support in relation to our used vehicle auction service business	90 days	2016	Telegraphic transfer	8.0	4.4
3	Supplier D	A private company which is mainly engaged in development of computer software, network technology, communication technology and products, designated driving service, dedicated to digitalizing and improving the efficiency of designated driving services.	Logistics service	30 days	2016	Telegraphic transfer	7.0	3.9

Rank	Supplier	Business Profile	Major Products and/ or Services Supplied	Credit terms	Time to Establish Business Relationship	Payment Method	Purchase Amount *(RMB in millions)*	Percentage to Total Purchase *(%)*
4	Supplier E	A private company which is mainly engaged in transportation of goods, technical services, software development, dedicated to digitalizing the automobile logistics process, providing one-stop nationwide door-to-door automobile transportation services.	Logistics service	30 days	2022	Telegraphic transfer	5.7	3.2
5	Supplier F	A private company which is mainly engaged in automotive technical services based in Beijing.	Title transfer services	30 days	2019	Telegraphic transfer	5.2	2.9
	Total						35.6	19.7

For the Year Ended December 31, 2023

Rank	Supplier	Business Profile	Major Products and/or Services Supplied	Credit Terms	Time to Establish Business Relationship	Payment Method	Purchase Amount *(RMB in millions)*	Percentage to Total Purchase *(%)*
1	Guizhou Tongyuan Group	Private companies which are mainly engaged in automobile sales, motor vehicle repair and maintenance, sale of used vehicles. It has over 30 years of experience in China's automobile dealership industry, authorized by more than 30 world-renowned automobile brands. Its business operation covers 11 provinces and municipalities and 25 cities in China, and has become one of the largest dealership groups in Western China. In 2022, its total revenue exceeded RMB30 billion, and it was one of the top 100 dealership groups in China in terms of revenue in 2022.	Supporting services on used vehicle transactions, including provision of venue, vehicle sourcing related information and other operational support in relation to our arrangement for sale of used vehicle business and used vehicle value-added service business.	90 days	2016	Telegraphic transfer	11.7	6.5
2	Supplier D	A private company which is mainly engaged in development of computer software, network technology, communication technology and products, designated driving service, dedicated to digitalizing and improving the efficiency of designated driving services.	Logistics services	30 days	2016	Telegraphic transfer	9.2	5.1
3	Supplier C	A private company which is mainly engaged in exhibition and venue leasing based in Changchun, Jilin province.	Exhibition and venue leasing services	180 days	2018	Telegraphic transfer	5.9	3.3
4	Supplier G	A private company which is mainly engaged in automobile sales, lubricant oil sales, sales of used vehicles. It is a well-known dealership group that has been authorized by more than 20 international and domestic automobile brands. In 2022, its total revenue exceeded RMB5 billion, and it was one of the top 100 dealership groups in China in terms of revenue in 2022.	Title transfer services	90 days	2018	Telegraphic transfer	5.3	3.0
5	Supplier F	A private company which is mainly engaged in automotive technical services based in Beijing.	Title transfer services	30 days	2019	Telegraphic transfer	5.3	2.9
Total							37.4	20.8

To the best knowledge of our Directors, except for Guizhou Tongyuan Group and China Grand Automotive Services Group Co., Ltd., each of our five largest suppliers in each year during the Track Record Period was an independent third party. Guizhou Tongyuan Group is a connected person of our Company, while China Grand Automotive Services Group Co., Ltd. is not a connected person of our Company. Save as disclosed in "— Our Customers" above, none of our Directors, and to the best knowledge of our Directors, none of our Shareholders who own more than 5% of the Shares in issue, nor any of their respective associates, had any interest in any of our five largest suppliers in each year during the Track Record Period.

CUSTOMERS WHO ARE ALSO OUR SUPPLIERS

In 2021, 2022 and 2023, to the best knowledge and belief of our Directors, 38, 29 and 32 of our customers were also our suppliers, respectively. These are customers of our used vehicle auction business, used vehicle value-added service business, arrangement for sale of used vehicle business and exhibition related services business, and they are also our suppliers mainly of our used vehicle value-added service business and arrangement for sale of used vehicle business. In 2021, 2022 and 2023, sales to all the customers who were also our suppliers accounted for approximately 30.2%, 28.4% and 25.6%, respectively, of our total revenue. During the same periods, purchases from them accounted for approximately 39.0%, 26.8% and 21.9%, respectively, of our total purchases.

In 2021, 2022 and 2023, to the best knowledge and belief of our Directors, five, five and three of our top five customers (including Guizhou Tongyuan Group in 2021, 2022 and 2023, China Grand Automotive Services Group Co., Ltd. in 2021 and 2023, Customer A in 2021, 2022 and 2023, Customer B in 2021 and 2022, Customer C in 2021 and 2022, and Customer D in 2022) were also our suppliers, respectively. These are customers of our used vehicle auction business, used vehicle value-added service business, arrangement for sale of used vehicle business and other services business. In 2021, 2022 and 2023, our sales to these customers accounted for 26.7%, 25.7% and 23.5%, respectively, of our total revenues. During the same periods, our purchases from such customers accounted for 30.1%, 10.3% and 11.7%, respectively, of our total purchases. These entities are both our customers and suppliers mainly because in connection with our provision of arrangement for sale of used vehicles and used vehicle value-added services to them, such entities provide us with supporting services ancillary to our provision of these services (primarily including staff support and provision of physical space in order for us to provide the relevant services), and we made relevant payments in turn. Other than these customers, to the best knowledge and belief of our Directors, during the Track Record Period, we do not have any other major customers who is also our supplier.

In 2021, 2022 and 2023, to the best knowledge and belief of our Directors, four, two and two of our top five suppliers (including Guizhou Tongyuan Group in 2021, 2022 and 2023, China Grand Automotive Services Group Co., Ltd. in 2021 and 2022, Supplier A in 2021, Supplier B in 2021 and Supplier G in 2023) were also our customers, respectively. In 2021, 2022 and 2023, our purchases from these suppliers accounted for approximately 30.2%, 9.7% and 9.5%, respectively, of our total purchases. During the same periods, our sales to these suppliers accounted for approximately 21.4%, 14.2% and 19.3%, respectively, of our total revenues. These entities are both our customers and suppliers mainly because of the same reasons described above. Other than these suppliers, to the best knowledge and belief of our Directors, during the Track Record Period, we do not have any other major supplier who is also our customer.

The terms of contracts that we entered with our overlapping customers and suppliers are based on arm's length negotiations and are substantially the same as those we enter into with other customers and suppliers, respectively, that of similar services. There are no material differences between the pricing and other terms of transactions between us and our overlapping customers and suppliers and those between us and other customers and suppliers, respectively. Furthermore, according to CIC, the terms of contracts that we entered into with our overlapping customers and suppliers are in line with the industry practice because, when used vehicle transaction service providers provide arrangement for sale of used vehicles or used vehicle value-added services for other entities, it is common practice in the industry for the entities who receive such services to provide various supporting services to the used vehicle transaction service providers and charge relevant fees accordingly.

MATERIAL REGULATORY CHANGES AFFECTING OUR GROUP AND INDUSTRY

New Regulations

The New Regulations, which were promulgated on July 5, 2022 by 17 departments including the MOFCOM, provided a series of measures designed to standardize the administration and incentivize the growth of used vehicle transactions in China. These measures remove various cumbersome requirements that were difficult or commercially impracticable for used vehicle business participants to fulfill, in order to provide a better business environment for used vehicle business participants. For instance, in order for corporate entities to conduct used vehicle sales, they are required to have business addresses located in the local used vehicle trading markets and the size of their offices must meet certain minimum thresholds. The New Regulations removed these restrictions and corporate entities are now able to conduct used vehicle sales, regardless of whether their business addresses are located in the local used vehicle trading markets and the size of their offices. In addition, previously, in practice, only invoices issued by local used vehicle trading markets were accepted by used vehicle administration authorities for used vehicle title transfer registration. Starting from October 1, 2022, invoices issued by other entities engaged in used vehicle business are also accepted for used vehicle title transfer registration purposes, significantly streamlining and improving the efficiency of used vehicle transactions.

The New Regulations also stipulate that starting from January 1, 2023, title transfer registration shall not be processed for natural persons who transfer the title of three or more used vehicles that have been held for less than one year within a calendar year (the "**Title Transfer Limit**"). The Title Transfer Limit is designed to further standardize the administration and enhance the transparency of used vehicle transactions in China by encouraging more used vehicle business participants to register as corporate entities, which makes it easier for the relevant authorities to oversee used vehicle business participants in a more systematic manner. As of the Latest Practicable Date, the Title Transfer Limit has not yet been widely implemented in practice.

The New Regulations do not specifically target used vehicle transaction service providers like us, and as such do not impose any specific additional requirements or obligations for used vehicle transaction service providers like us that do not issue invoices or handle title transfer registration to fulfill. See "Regulatory Overview-Regulations on the Circulation of Used Vehicles" for more details on the New Regulations.

The New Regulations have brought positive impact to China's used vehicle market:

- ***Used vehicle transaction volume***. In 2023, China's used vehicle transaction volume reached 14.4 million, representing a 15.0% increase from 12.5 million in 2022.

- ***Increased cross-reginal transactions***. As the New Regulations streamline the used vehicle transaction process, cross-regional transactions as a percentage of total used vehicle transactions increased to 27.2% in 2023, increasing from 24.9% in 2022.

Our Directors are of the view that the New Regulations have brought, and are expected to continue to bring, positive impact on China's used vehicle market and accordingly, the business operations of used vehicle transaction service providers such as ours. In particular, the Title Transfer Limit has not caused, and is not expected to cause, any material adverse impact on our business operations and financial performance during the Track Record Period and going forward, based on the following:

- pursuant to the New Regulations, the entities that (1) issue invoices for the sale of used vehicles and (2) handle title transfer registration for such used vehicles will be obliged to ensure the Title Transfer Limit is complied with. As advised by the PRC Legal Adviser, as we do not issue invoices for the sale of used vehicles or handle used vehicle title transfer registration, the New Regulations do not impose any legal obligation on us to verify (a) whether an individual buyer who purchases used vehicles through our transaction platform is a consumer or a Professional Buyer, (b) even if a buyer is considered as a Professional Buyer by the relevant regulatory authority, whether such buyer has obtained requisite qualifications, approvals or filings for its business operation under the existing regulations governing the used vehicle circulation, including the Management Measures of Circulation of Used Vehicles (二手車流通管理辦法) (the "**Existing Regulation**") (such as whether it has registered a corporate entity), or (c) whether a buyer has exceeded the Title Transfer Limit;

- as advised by the PRC Legal Adviser, Professional Buyers can continue to purchase three or more used vehicles within a calendar year on our transaction platform under the New Regulations if their business activities do not involve the transfer of title of used vehicles exceeding the Title Transfer Limit and are not deemed as used vehicle dealership and/or brokerage by regulatory authorities. In addition, for Professional Buyers who trigger the Title Transfer Limit and/or are considered as used vehicle dealerships and/or brokerage by regulatory authorities, compared to the Existing Regulation, it is easier for them to register as corporate entities under the New Regulations as elaborated above; and

- our transaction volume, user activity level and buyer base continued to grow subsequent to the Title Transfer Limit becoming effective on January 1, 2023. As of December 31, 2022 and 2023 a total of 15,684 and 17,112 users registered users, respectively, had placed deposits in their accounts with our transaction platform[3]. In 2022 and 2023, approximately 160,000 and 176,000 units of used vehicles, respectively, were sold through auctions on our transaction platform. Our used vehicle auction commission and service fees also increased by 19.6% from RMB240.0 million in 2022 to RMB287.2 million in 2023. In addition, in Guiyang, Guizhou province, where the Title Transfer Limit has been widely implemented and approximately 32% of our registered users were corporate entities in 2023 (compared to approximately 17% in 2022), our business operations still experienced growth: our transaction volume in Guiyang increased by 14.9% from approximately 6,000 units in 2022 to approximately 7,000 units in 2023, whereas the number of buyers who placed bids with us increased from 485 in 2022 to 641 in 2023.

We have been and plan to continue to closely monitor the impact of the New Regulations on our business operations. We plan to promptly react to ongoing market condition and regulatory requirements, and maintain and enhance our internal control measures in a timely manner to ensure full compliance with relevant regulatory requirements on a continuous basis.

Trial Measures and Supporting Guidelines

The Trial Measures and Supporting Guidelines, which were promulgated on February 17, 2023 and came into effect on March 31, 2023, regulate both direct and indirect overseas offering and listing of PRC domestic companies' securities by adopting a filing-based regulatory regime. Pursuant to the Trial Measures and Supporting Guidelines, where an issuer submits an [REDACTED] for [REDACTED] to competent overseas regulators, such issuer must file with the CSRC within three business days after such [REDACTED] is submitted. The Trial Measures and Supporting Guidelines also require subsequent reports to be filed with the CSRC on material events, such as change of control or voluntary or forced delisting of the issuer(s) who have completed overseas offerings and listings.

[3] Only registered users who have placed deposits in their accounts with our platform are able to auction used vehicles on our platform.

Specifically, following the principle of substance over form, if an issuer meets both of the following criteria, its overseas offering and listing will be deemed as an indirect overseas offering and listing by a PRC domestic company: (1) any of the total assets, net assets, operating revenue or profits of the domestic operating entities of the issuer in the most recent accounting year accounts for more than 50% of the corresponding figure in the issuer's audited consolidated financial statements for the same period; and (2) its major operational activities are carried out in China or its main places of business are located in China, or a majority of the senior management in charge of operation and management of the issuer are Chinese citizens or are domiciled in China.

Based on the above and the current expected timetable of this [REDACTED], our PRC Legal Adviser is of the view that this [REDACTED] shall be deemed as an [REDACTED] by a PRC domestic company, and we are required to [REDACTED] with the CSRC within three business days after we submit [REDACTED]. As confirmed by our Directors and our PRC Legal Adviser, we have [REDACTED] with the CSRC within the specific time limit as required by the Trial Measures and Supporting Guidelines after [REDACTED]. As of the Latest Practicable Date, we have [REDACTED] procedures. We plan to [REDACTED] with the relevant requirements of the Trial Measures and Supporting Guidelines in all material respects by seeking guidance from the relevant regulator and our PRC Legal Adviser.

In addition, according to the Confidentiality and Archives Administration Provisions, which were promulgated on February 24, 2023 and took effect on March 31, 2023, overseas securities regulators and competent overseas authorities may request to inspect, investigate or collect evidence from a domestic company concerning its overseas offering and listing or from the domestic securities companies and securities service providers that undertake relevant businesses for such domestic companies, such inspection, investigation and evidence collection shall be conducted under a cross-border regulatory cooperation mechanism, and the CSRC or other competent Chinese authorities will provide necessary assistance pursuant to bilateral and multilateral cooperation mechanisms. The domestic company, securities companies and securities service providers shall first obtain approval from the CSRC or other competent Chinese authorities before cooperating with the inspection and investigation by the overseas securities regulator or competent overseas authority, or providing documents and materials requested in such inspection and investigation. To be specific, a domestic company that plans to, either directly or through its overseas listed entity, publicly disclose or provide to relevant individuals or entities including securities companies, securities service providers and overseas regulators, (i) any documents and materials that contain state secrets or working secrets of government agencies, shall first obtain approval from competent authorities and file with competent secrecy administrative department; (ii) any other documents and materials that, if leaked, will be detrimental to national security or public interest, shall strictly fulfill relevant procedures stipulated by applicable national regulations. A domestic company that provides documents and materials to securities companies and securities service providers shall abide by applicable national regulations on confidentiality in handling such documents and materials, and shall provide a written statement to relevant securities companies and securities service providers simultaneously.

During the Track Record Period and up to the Latest Practicable Date, we had not received any negative enquiries, comments, instructions, guidance or other concerns from any PRC competent authorities (including the CSRC) with respect to [REDACTED] or our Previous Contractual Arrangements. We are also proactively following up changes in laws and regulatory development and will carry out relevant work to ensure compliance with laws and regulations with the aid of external counsels.

See "Regulatory Overview — Regulations on M&A and Overseas Listing" for more details.

THIRD-PARTY SETTLEMENT PRACTICE

Background

Historically, there were instances where the auction price and the commission and service fees of used vehicles that were successfully transacted on our platform were settled by third parties (the "**Actual Payors**"), instead of the buyers who registered the bidding account with us (the "**Relevant Buyers**") (the "**Third-party Settlement Practice**"). In 2021 and 2022:

- the number of buyers who settled transactions with us under the Third-party Settlement Practice was 6,858 and 3,968, respectively, representing 44.5% and 33.8% of total buyers on our platform, respectively;

- the number of transactions involving Third-party Settlement Practice was 67,772 and 25,038, respectively, representing 25.9% and 15.7% of the total number of transactions on our platform, respectively;

- our commission and service fees generated from transactions involving Third-party Settlement Practice were RMB92.2 million and RMB35.5 million, respectively, representing 27.6% and 14.8% of our aggregate amount of commission and service fees under our used vehicle auction business, respectively;

- our total fund inflow from transactions involving Third-party Settlement Practice[11] was RMB3,631.0 million and RMB1,243.3 million, respectively, representing 26.5% and 18.4% of our total fund inflow from the relevant business involving Third Party Settlement Practice, respectively; and

- our revenue generated from transactions involving Third-party Settlement Practice[12] was RMB100.1 million and RMB36.3 million, respectively, representing 14.8% and 7.8% of our total revenue, respectively.

11 Includes (i) for used vehicles auctioned on our transaction platform that do not come from our arrangement for sale of used vehicles business, (a) the auction price of the used vehicles involving Third-party Settlement Practice, which we subsequently transfer to the relevant sellers and do not record as our revenue, and (b) the commission and service fees of such used vehicles, recorded as revenue for our used vehicle auction business, and (ii) for used vehicles entrusted to us under our arrangement for sale of used vehicle business which are subsequently auctioned on our transaction platform, (a) the auction price of the used vehicles involving Third-party Settlement Practice (we record the difference between such auction price and the payment we made for such used vehicles as revenue for our arrangement for sale of used vehicle business), and (b) the commission and service fees of such used vehicles, recorded as revenue for our used vehicle auction business.

12 Includes (i) the commission and service fees of the transactions involving Third-party Settlement Practice under our used vehicle auction business, and (ii) revenue we generated from the used vehicles involving Third-party Settlement Practice under our arrangement for sale of used vehicle business, which represents the difference between the payment we made for the trade-in used vehicle and auction price of such used vehicles.

During the Track Record Period, no individual buyer involved in Third-party Settlement Practice had contributed to more than 2.0% of our revenue.

During the Track Record Period, we had not initiated or encouraged any Third-party Settlement Practice, nor had we been involved in any separate arrangements between any Relevant Buyer and any Actual Payor for any transaction settlements. Moreover, we had not provided any discount, commission, rebate or other benefit to any Relevant Buyers or Actual Payors to facilitate or incentivize the Third-party Settlement Practice. The pricing and payment terms of the agreements we entered into with the Relevant Buyers were the same with those of buyers not involved in the Third-party Settlement practice.

During the Track Record Period, the Actual Payors primarily consisted of family members and business partners of the Relevant Buyers. Other than some of the Actual Payors who were also buyers registered with our platform, there were no other past or present relationships or transactions between the Actual Payors and our Group, and to our best knowledge, there were no other past or present relationships or transactions between the Actual Payors and our shareholders, Directors or any of our respective associates. Our Directors confirm that, all the Actual Payors are independent of our existing and former directors, senior management and shareholders, and none of them are connected persons of our Group.

We had ceased all Third-party Settlement Practices upon the completion of our system upgrade by the end of September 2022, and we requested the Relevant Buyers and Actual Payors involved in Third-party Settlement Practice during the Track Record Period to sign the payment designation letters (the "**Payment Designation Letters**"), which require such Relevant Buyers and Actual Payors to confirm, among others: (i) they are independent from our Group and each of our current and former directors, senior management and shareholders, (ii) other than buying used vehicles on our platform and the Third-party Settlement Practice, there is no other arrangement between the Relevant Buyers and the Actual Payors on the one hand and our Group on the other hand, and (iii) the nature of relationship between the Relevant Buyer and Actual Payor, such as family members, business partners, or other kinds of relationships which will be further specified. Since October 1, 2022 and up to the Latest Practicable Date, we have not been involved in any transaction involving Third-party Settlement Practice. As of the Latest Practicable Date, our used vehicle auction business has not been adversely affected by the reduction and cessation of Third-party Settlement Practice. The following table sets forth certain quarterly operating data before and after the cessation of the Third-party Settlement Practice:

	For three months ended				
	June 30, 2022	**September 30, 2022**	**December 31, 2022**	**March 31, 2023**	**June 30, 2023**
Transaction volume *(units)*	~34,000	~44,000	~37,000	~35,000	~43,000

	As of June 30, 2022	As of September 30, 2022	As of December 31, 2022	As of March 31, 2023	As of June 30, 2023
Number of registered bidders that paid a security deposit	16,571	16,560	15,684	17,385	17,581

While we began to reduce transactions involving Third-party Settlement Practice since June 2022, we experienced strong growth in our transaction volume during the third quarter of 2022. Our transaction volume increased from approximately 34,000 units in the second quarter of 2022 to approximately 44,000 units in the third quarter of 2022, mainly because of the ease of COVID-19 pandemic and related control measures (such as quarantines, social distancing, lockdowns and travel restrictions). The number of registered bidders that paid a security deposit remained relatively stable as of June 30 and September 30, 2022.

Our transaction volume decreased from approximately 44,000 units in the third quarter of 2022 to approximately 37,000 units in the fourth quarter of 2022, and the number of registered bidders that paid a security deposit decreased from 16,560 as of September 30, 2022 to 15,684 as of December 31, 2022. The decreases were primarily due to a new round of COVID-19 resurgences throughout October and November 2022, which led to the strict imposition of COVID-19 related restrictive measures across multiple cities in China. In addition, since late 2022 and early 2023, China has experienced a surge in COVID-19 confirmed cases following the lifting of these restrictive measures. The wide spread of the COVID-19 pandemic has forced people to stay at home, which led to a turndown in economic activities including a temporary reduction in China's used vehicle transaction volume. The total transaction volume of used vehicles in China in the second, third and fourth quarter of 2022 was approximately 3.0 million units, 3.5 million units and 3.3 million units, respectively, and the increasing or decreasing trend of the transaction volume on our transaction platform is largely in line with that of the total used vehicle transaction volume in China.

However, as the COVID-19 pandemic gradually started to alleviate, the growth of our transaction volume and bidding activities has resumed. This is evident from the increase in our transaction volume from approximately 160,000 units in 2022 to approximately 176,000 units in 2023, and the increase in the number of registered bidders that paid a security deposit from 15,684 as of December 31, 2022 to 17,112 as of December 31, 2023. Overall, our used vehicle auction commission and service fees increased by 19.6% from RMB240.0 million in 2022 to RMB287.2 million in 2023, primarily because (i) our transaction volume increased from approximately 160,000 units in 2022 to approximately 176,000 units in 2023, and (ii) we have adjusted our commission rate upward for all used vehicle auction transactions on our platform since February 2023.

Based on the foregoing, our Directors confirm that the cessation of Third-party Settlement Practice does not have any material adverse impact on our business operation or financial performances.

Reasons for Third-party Settlement Practice

The Third-party Settlement Practice occurred primarily due to the following reasons:

(i) China's used vehicle market is highly dispersed, and it is a common commercial practice for business participants in China's used vehicle industry to engage in used vehicle trading business in the capacity of individuals. At the same time, a substantial majority of used vehicle trading businesses in China are conducted on a small scale, and it is therefore more economical and flexible for buyers to conduct this business in the capacity of individuals instead of corporate entities. As a result, many Professional Buyers do not operate their business in the form of corporate entities but only in the capacity of individuals, and settle payments through their personal bank accounts;

(ii) as many Professional Buyers only operate small-scale used vehicle trading business, they tend to engage parties that they consider trustworthy and reliable, which typically include their family members or business partners, as treasurers and finance managers, whose personal accounts are usually used to settle payments; and

(iii) Professional Buyers, as individuals, typically pool personal financial resources from family members or business partners together to meet the cash flow requirements in operating the used vehicle trading business. Therefore, it is common and more convenient for individual Professional Buyers' family members or business partners to use their personal accounts to make payments on behalf of such Professional Buyers.

As such, a bidder may bid for used vehicles on our platform through his own registered bidding account and designate his family members or business partners to make payment through their own personal bank accounts, leading to the occurrence of Third-party Settlement Practice. According to CIC, the Third-party Settlement Practice is common in China's used vehicle market due to the same reasons as listed above.

Implications Relating to Third-party Settlement Arrangement

Our Directors are of the view that our books and records are accurate and complete in all material respects and there have not been any fabricated transactions with respect to the Third-party Settlement Practice, based on the following:

(i) *Anti-fraud, anti-money laundering measures.* We have implemented various know-your-customer procedures to effectively prevent fraud or money-laundering activities. To register as a bidder on our transaction platform, an individual or entity is requested to provide detailed information, such as name, ID card information and phone number for individual buyers, and business license and ID card information of their legal representatives and owners of bidding accounts for corporate buyers. During registration, each bidder is also required to complete real-name authentication and undertake that all information provided by him or her is true, accurate and complete. Each successful bidder is also required to submit to us his or her bank account information before signing a sales confirmation.

In addition, we require payments to be settled via bank transfers and generally do not accept cash payments or mobile payments (such as WeChat or Alipay), which further minimizes fraud and money laundering risks as such payments had gone through stringent screening process by the banks. Bank transfers can better minimize money laundering risk as compared to cash payments or mobile payments for the following reasons:

a. Banks will issue a remittance receipt or bank slip upon the completion of the money transfer, which sets forth details of the payment including the transaction date, names and bank account information of the payor and payee, transaction amount, and the license plate number of the transacted used vehicle, which enables us to match the payment with the corresponding used vehicle transaction and verify and track the cash flow. Pursuant to our internal policy, we would check and match each payment with the corresponding used vehicle transaction.

b. As advised by our PRC Legal Adviser, according to the Anti-money Laundering Law of the PRC (《中華人民共和國反洗錢法》), financial institutions in China are legally obligated to follow anti-money laundering laws and regulations, detect and prevent money laundering activities, and report suspicious transactions. As such, we believe that banks, as highly regulated financial institutions, typically have systematic anti-money laundering internal control procedures, including real-name account registration, authentication and ID card verification, and other KYC procedures for bank account holders. When a bank transfer is initiated, banks will generally further verify whether the payor using the service is the same person named on the bank account. Therefore, in general, if a bank account can be used and a payment from that account can be processed, it should be reasonable to infer that the relevant bank has not identified any money-laundering risks with respect to that bank account. During the Track Record Period and up to the Latest Practicable Date, we have not encountered the situation where a payment could not be processed due to identification by banks of any anti-money laundering concerns.

c. In contrast, when cash payments and mobile payments are used, it is more difficult for recipients to verify the identity of the actual payors, thereby exposing the recipients of the payment to higher risks of money laundering. Although mobile payments may require users to complete real-name authentication, the payment information available to the payees may not always show the complete real names of the payors, making it difficult for the recipients to verify the payors' identities.

(ii) *Genuine underlying transactions and internal control measures.* All transactions on our platform are supported by genuine underlying transactions. Unlike consumer goods, every used vehicle transacted on our platform has its own vehicle identification number and can be traced throughout the transaction in real time. In addition, we have historically implemented a variety of internal control measures to ensure that each transaction involving Third-party Settlement Practice is being properly identified and recorded. For the payment we receive, we require the payor to note the used vehicle's license plate number in the payment slip, which enables us to match the payment with the corresponding used vehicle transaction and verify and track the fund flow. If the payor's name or bank account number does not match the buyer's latest information we have on file, our personnel will contact the buyer and confirm for which auctioned vehicle the payment is being made. These steps enable us to ensure that every payment we receive involving Third-party Settlement Practice can be matched to a particular used vehicle transacted on our platform, thus minimizing the risks of fraud or money laundering.

(iii) *Written confirmation from Relevant Buyers and Actual Payors*. We have requested all Relevant Buyers and Actual Payors involved in Third-party Settlement Practice during the Track Record Period to enter into Payment Designation Letters, which specify that:

a. the Actual Payor is making the payment for a particular used vehicle (with the transaction number, license plate number, vehicle identification number and model of the vehicle clearly stated) on behalf of the Relevant Buyer;

b. the payment made by the Actual Payor is upon the request of the Relevant Buyer and the transaction is genuine;

c. the source of fund used to settle the transaction is legitimate and is not derived from any criminal or illegal activities;

d. there is no dispute or disagreement between the Relevant Buyer and the Actual Payor in respect of the Third-party Settlement Practice, and the Actual Payor will not request us to return the funds or bring any other claims against us;

e. the Actual Payor assumes full responsibility for any legal and other consequences for Third-party Settlement Practice; and

f. all of the Relevant Buyers and Actual Payors are independent from our Group and each of our current and former directors, senior management, shareholders and employees; other than buying used vehicles on our platform and the Third-party Settlement Practice, there is no other arrangement between the Relevant Buyers and Actual Payors on the one hand and our Group on the other hand.

As of December 31, 2023, we have received Payment Designation Letters for transactions representing (1) over 90% of commission and service fees as a percentage of the total commission and service fees generated from transactions involving Third-party Settlement Practice during the Track Record Period, and (2) over 90% of revenue as a percentage of total revenue generated from transactions involving Third-party Settlement Practice during the Track Record Period. As of December 31, 2023, we have not received Payment Designation Letters for 9,506 transactions (with an aggregate transaction amount of RMB563.7 million) and 283 transactions (with an aggregate transaction amount of RMB26.6 million) which took place in 2021 and 2022, respectively. During the Track Record Period and up to the Latest Practicable Date, we have not been requested by any Actual Payors to return funds, and to our best knowledge, there was no actual or pending dispute or disagreement involving any Third-party Settlement Practice.

While we are still in the process of collecting Payment Designation Letters for as many transactions as possible, we do not expect to receive all Relevant Buyers and Actual Payors involving the Third-party Payment Practice prior to [REDACTED], due to the following reasons: (i) some of the Relevant Buyers and Actual Payors involved in the Third-party Settlement Practice during the Relevant Periods no longer use our transaction platform to purchase used vehicles, and we do not expect to receive the signed Payment Designation Letters from many of them, and (ii) we have a fragmented buyer base involving Third-party Settlement Practice, which makes it impractical for us to receive signed Payment Designation Letters from all Relevant Buyers and Actual Payors. During the period between January 1, 2021 and September 30, 2022, we had an aggregate of approximately 8,000 Relevant Buyers involving Third-party Settlement Practice. In particular, some of the Relevant Buyers and Actual Payors involved in the Third-party Settlement Practice, especially the Relevant Buyers with low transaction frequency, may choose not to respond to our request.

As advised by our PRC Legal Advisor, the relevant Actual Payors of transactions involving Third-party Settlement Practice for which no Payment Designation Letters were received have the right to claim for the return of such funds from us. However, we believe the risk that such Actual Payors claim for the return of such funds from us is relatively low, based on the following reasons:

- As described above, the Actual Payors are usually the Relevant Buyers' family members or business partners operating the same used vehicle dealership. Due to the nature of such relationship, the Actual Payors are less likely to pursue a refund for their payment to us on behalf of the Relevant Buyers; and

- During the Track Record Period and up to the Latest Practicable Date, we have not been asked by any Actual Payors to refund funds, and to our Director's best knowledge, there was no actual or pending dispute or disagreement involving any Third-party Settlement Practice.

With respect to the transactions involving Third-party Settlement Practice where the Payment Designation Letters were received, as advised by the PRC Legal Adviser, the Third-party Settlement Practice is an assignment of payment obligation from Relevant Buyers to Actual Payors, and the signed Payment Designation Letters constitute legally valid and binding consent of assignment of payment obligation from the Relevant Buyers to Actual Payors pursuant to the Civil Code of the PRC, and therefore the risk that we are found obligated to return the funds to the Actual Payors who have entered into Payment Designation Letters is remote.

In addition, during the Track Record Period, there were a very small number of our employees who participated in the transactions involving Third-party Settlement Practice. The historical occurrence of this situation was mainly in relation to the circumstances where (1) our employees occasionally participated in the used vehicle auction or made the payment on behalf of their friends and family members, and (2) our employees participated in the used vehicle auction or made the payment on behalf of a small number of buyers, including: (i) certain buyers who were not familiar with our transaction process and did not know how to participate in our used vehicle auctions, and our employees, in order to facilitate such buyers' used vehicle transactions on our platform, placed bids and purchased the used vehicles on behalf of these buyers, and the buyers settled payment of the used vehicles with us directly, and (ii) certain buyers who won the bids of used vehicles in our auctions were unable to settle the payment with us using our designated payment method (i.e. bank transfer) within the prescribed time period (e.g. the buyers preferred to use WeChat or Alipay to make payment), and our employees, in an effort to facilitate such transactions, made payment of the used vehicles to us via bank transfer on behalf of these buyers. For the transactions involving our employees making payment to us, our employees generally made payment to us after they have received the funds from the relevant buyers, and all employees involved in these transactions have received the funds from the relevant buyers. All such transactions are genuine transactions and the revenue derived from the relevant transactions were included in our total revenue during the Track Record Period.

The number of historical used vehicle transactions involving Third-party Settlement Practice and our employees participating in the bidding or payment process is very low, and the corresponding revenue contribution is negligible. In 2021 and the nine months ended September 30, 2022, we identified an aggregate of 143 and 39 transactions involving Third-party Settlement Practice where our employees participated in the bidding or payment process. The revenue/total fund inflow from these transactions only accounted for less than 0.1% of our total revenue/total fund inflow from relevant business in each of these periods.

In connection with [REDACTED], we have improved and upgraded our internal control policies and systems to prohibit our employees (including senior management) from participating in the used vehicle transactions on our transaction platform. Since the completion of the system upgrade by the end of September 2022 and up to the Latest Practicable Date, we have not discovered any used vehicle transaction on our platform where our employee participates in the bidding and/or payment process. We are able to verify whether the Relevant Buyers and Actual Payors are our employees primarily through the following ways:

- With respect to Relevant Buyers, they are required to submit their personal identity information when registering an account on our platform and our system recorded the identity of bidders in the auction sessions. We conducted spot checks in our system for bidders' identity information to check whether our employees have placed bids in the auction sessions.

- With respect to Actual Payors, their identities are disclosed in the remittance receipts/ bank slips in connection with the payment settlements through bank transfers, and we will check the identity information to check whether the Actual Payors are our employees.

- We require our employees to report any business activities conducted by our employees and/or their affiliates which involve us (including used vehicle transactions on our transaction platform).

- We update and maintain our employee list in real time, and regularly conduct a check on our registered bidding accounts against such employee list. Any bidding account we find to be registered by our employees will be deregistered.

(iv) *Work performed by reporting accountants*. Our Directors confirm that all of our transactions involving Third-party Settlement Practice during the Track Record Period and up to the Latest Practicable Date have been recorded in our books and records using consistent accounting policies adopted for our other transactions. During their work on our historical financial information for the Track Record Period, our Auditor and Reporting Accountants', Ernst & Young, were not aware of any significant issue in respect of the work they performed.

As advised by our PRC Legal Adviser, (i) we are not in breach of any applicable laws or regulations in China with respect to the Third-party Settlement Practice; and (ii) the Third-party Settlement Practice is an assignment of payment obligation from Relevant Buyers to Actual Payors, and the Payment Designation Letters, once duly signed, constitute legally valid and binding consent of assignment of payment obligation from the Relevant Buyers to Actual Payors pursuant to the Civil Code of the PRC. Given that (i) we have requested all Relevant Buyers and Actual Payors involved in Third-party Settlement Practice during the Track Record Period and have received Payment Designation Letters from over 80% of transactions involving Third-party Settlement Practice, and (ii) during the Track Record Period and up to the Latest Practicable Date, we have not been asked by any Actual Payors to refund funds, and to our best knowledge, there was no actual or pending dispute or disagreement involving any Third-party Settlement Practice, our PRC Legal Adviser is of the view that our risk to be found obligated to return funds to the Actual Payors who have entered into such Payment Designation Letters is remote.

Based on the independent due diligence work conducted by the Joint Sponsors, the supporting documents provided by the Company, having considered the reasons provided by the Company that 100% of the Payment Designation Letters are not expected to be obtained, the work performed by the Reporting Accountants and the view of the PRC Legal Advisers, nothing has come to the attention of the Joint Sponsors that would reasonably cause them to cast doubt on the sufficiency of the coverage of over 80% for the Payment Designation Letters as of the Latest Practicable Date in any material respect.

According to Article 191 of the Criminal Law of the PRC (中華人民共和國刑法), the crime of money laundering is committed only if we commit certain acts as referred to under Article 191 of the Criminal Law of the PRC for the purpose of covering up or concealing the source and nature of the proceeds or gains obtained from drug-related crimes, crimes committed by criminal organizations, crimes of terrorism, smuggling, bribery and corruption, crimes undermining the financial order of society and financial fraud.

With our know-your-customer procedures, we have no grounds to believe that our buyers are involved in the abovementioned crimes, nor do we have reason to believe that the relevant payment involves proceeds or gains from such crimes. We have obtained confirmations from certain number of the Relevant Buyers and Actual Payors on the legitimacy of the relevant payment source and that there is no illegal purpose or involvement in any money laundering or other illegal activities of them in respect of the Third-party Settlement Practice. We have obtained enterprise credit reports of all members of our Group involved in our used vehicle auction business from the Credit Reference Center of PBOC, and none of the reports show any negative information related to money laundering. We further confirm that we have never committed any acts for the purpose of covering up or concealing any source and nature of any proceeds or gains from crimes. As of the Latest Practicable Date, we have not been subject to any settled or ongoing criminal sanctions, public security investigations or administrative penalties by any competent authorities in relation to money laundering.

Based on the analysis above, our PRC Legal Adviser is of the view that the risk that our past practice of accepting third-party payments would be deemed as constituting the crime of money laundering and subject to relevant criminal liability is low.

Enhanced Internal Control Measures and Remedial Measures

To safeguard our interest against risks associated with Third-Party Settlement Practice, we implemented the following transitional measures since June 2022 to cease such practice:

(i) we have requested all Relevant Buyers and Actual Payors involved in Third-party Settlement Practice during the Track Record Period to enter into Payment Designation Letters, and as of the Latest Practicable Date, we have received Payment Designation Letters for over 80% of transactions involving Third-party Settlement Practice during the Track Record Period;

(ii) since June 2022, we have been actively communicating with Relevant Buyers to minimize Third-party Settlement Practice. For example, we are urging Relevant Buyers to make payments via their own bidding accounts on our platform;

(iii) we have been more proactive in reminding buyers not to engage in Third-party Settlement Practice. Buyers are reminded throughout the transaction process to pay the auction price and commission and service fees through their own bidding accounts. For example, signs are set up at prominent locations of our auction sites and the auctioneers will remind the buyers at least three times during each auction that payment should only be settled through their own bidding accounts (rather than via third parties), and a reminder will be included in the text message that confirms the sales with the successful bidder that Third-party Settlement Practice is no longer accepted;

(iv) our finance staff has been checking and inspecting transactions involving Third-party Settlement Practice. Any payment made by third-party payors will be returned by the finance staff;

(v) we have revised agreements we enter into with buyers and sellers during the transaction process to include provisions prohibiting Third-party Settlement Practice. The revised auction participation agreement each seller or buyer enters into when registering with our platform provides that (i) the buyer is required to make payments using his or her own bank accounts, (ii) the bidder is required to settle the payment directly with us; and (iii) we are entitled to return any payment that involve Third-party Settlement Practice. The sales confirmation to be signed by the buyer once a sale is confirmed also contains similar provisions; and

(vi) we have adopted written anti-money laundering policies and formed a dedicated anti-money laundering working group consisting of legal, finance, risk management and compliance personnel. These policies include standardized protocols and procedures in verifying buyers' identity, recording each used vehicle transaction, identifying large amount, suspicious transactions, preventing fraud or money laundering activities. We have also updated agreements we enter into with buyers and sellers to include anti-money laundering related provisions.

In addition to the transitional measures, we also implemented the corresponding enhanced internal control measures to prevent the recurrence of Third-party Settlement Practice in the future. We completed our system upgrade in September 2022, which primarily includes the following steps:

(i) we imposed more stringent bidder identity verification requirement. The completion of the bidder identity verification is mandatory for the registered bidders to participate in the used vehicle auctions on our platform. The registered bidders may be verified as an individual member or entity member. As an individual member, the bidder must provide his or her personal information, including his or her name and national ID number, the authenticity of which is verified through a third-party platform that we collaborate with. As an entity member, in addition to providing such information required for an individual member, the entity member must further provide information related to the entity, including the entity name and business registration number. We verify the authenticity of the information provided by an entity member through both a third-party platform we collaborate with and our own staff. The identification information provided by the bidders serves as a basis for us to monitor the transaction payment and ensure the payment is directly made by the bidders; and

(ii) we have collaborated with China Merchants Bank, as our receiving bank, to set up a card-account registration system for most of our relevant subsidiaries, which requires the registered bidders to link the cards held under their names to their registered account on our platform. We require the bidder to settle the payment with his or her registered card for the used vehicle transactions, and our system would automatically compare the information of payors and the transaction amount with the information of the bidders and the transaction information of such bidders to help identify whether the transaction involves the Third-party Settlement Practice before we record any payment settlement. If a card registered under the bidder's account is used for payment, the payment will be automatically accepted by our system. If a card that is not registered under the bidder's account is used for payment, the payment information will be sent directly to our designated staff in the finance department, who will inspect and verify the information of the bank account. If the bank account holder's name matches the registered bidder's name, the payment will be accepted and our customer service team will follow up with the bidder to remind him or her to either link the card to his or her account, or otherwise use his or her account-registered card for future transactions. If we conclude that the payment was made by a third-party payor, the payment will not be accepted and the finance staff will refund the payment to such third-party payor.

Since October 1, 2022 and up to the Latest Practicable Date, we have not been involved in any transactions involving Third-party Settlement Practice. Based on the above, our Directors are of the view that the above upgraded system and the associated measures are effective and adequate in preventing the Third-party Settlement Practice. Based on the independent due diligence work performed by the Joint Sponsors, and having considered the work and procedures performed by the internal control consultant to the Company, nothing has come to the attention of the Joint Sponsors that would cause the Joint Sponsors to disagree with the aforementioned view of our Directors in any material respect.

ASSISTANT FUNDS TO BUSINESS PARTNERS

Background

During the Track Record Period and up to the Latest Practicable Date, we extended assistant funds to certain dealership groups we collaborated with in the ordinary course of our business, in order to support their used vehicle business operation and deepen our collaboration with them. The balance of our assistant funds to business partners are recorded under prepayments, deposits and other receivables in our consolidated statements of financial position, and our interest income from assistant funds to business partners are recorded under other income and gains, net in our consolidated statement of profit or loss. See "Financial Information — Analysis of Selected Consolidated Statements of Financial Position — Prepayment, Deposits and Other Receivables — Assistant Funds to Business Partners" and "Financial Information — Principal Components of Consolidated Statements of Profit or Loss — Other Income and Gains, Net" for more details. As of December 31, 2023, our outstanding balance of assistant funds to business partners amounted to RMB61.9 million.

Commercial Rationale and Compliance

Dealership groups in China traditionally focus on, and typically devote their existing financial resources to, the sale of new vehicles. As such, they generally require external financial assistance when conducting used vehicle related business. As dealership groups' 4S dealership stores are the main upstream supply sources of used vehicles in China and the vast majority of used vehicles sold through our transaction platform are from dealership groups' 4S dealership stores, we consider dealership stores our important business partners and strive to meet their evolving used vehicle related demands. To support the dealership groups' used vehicle business operation, we entered into framework agreements with them and provide services spanning across their entire used vehicle business life cycle, including (1) the provision of comprehensive onsite used vehicle services by dispatching professional personnel to their 4S dealership stores to assist them in completing the entire used vehicle transaction process, (2) the provision of value-added services and digital tools (such as our ADMS system) that enable dealership groups to acquire used vehicles from consumers and centrally and systematically manage their used vehicle inventory across their 4S dealership stores, (3) a transaction platform that enables dealership groups to conveniently and efficiently dispose of used vehicles, and (4) the provision of funding to meet dealership groups' temporary capital needs in connection with their used vehicle business. We believe that, as a part of the wide range of services we provide to dealership groups, our provision of assistant funds to these dealership groups further deepens and strengthens our business relationships with them and generate significant synergistic effects: as the used vehicle business of these dealership group expands, they are able to acquire and manage more used vehicles, and are more inclined to dispose of used vehicles through our transaction platform owing to our deep and trusted existing relationship with them.

According to capital requirements for its operations from time to time, a dealership group would apply to us for assistant funds. In determining whether to extend assistant funds to a dealership group and the terms of the assistant funds, we take into consideration a number of factors, including the dealership group's scale of business, financial performance, capital needs, overall business reputation and credibility, as well as our existing and expected future business cooperation with such dealership group. All dealership groups that we extended assistant funds to during the Track Record Period are among China's top 100 dealership groups, according to the list of top 100 dealership groups in China in terms of revenue in 2022 ranked by China Automobile Dealers Association. After conducting a systematic evaluation of the dealership group's used vehicle projects for which funding was requested and confirming the authenticity and commercial reasonableness of the projects, we would further execute agreements and provide the assistant funds to support the various used vehicle projects and development plans that the dealership group proposes to undertake. We collect a fee for the dealership group's utilization of our assistant funds to cover our capital costs and we do not aim to profit through extending the assistant funds. At the end of the year, we evaluate our business cooperation with each dealership group during the year and forecasts our business cooperation with such dealership group going forward, and make adjustments that it deems appropriate to the terms, such as the amount, of assistant funds we extend to such dealership group.

Our Directors confirm that (1) all the assistant funds to business partners during the Track Record Period arose from ordinary course of business with such parties, (2) the assistant funds are generally made for the purpose of such parties' normal business operation and their capital needs for their used vehicle businesses, (3) we do not conduct the assistant fund arrangement as a money-lending business; we made provide such arrangement to deepen our collaboration with business partners, rather than to make profit out of interest collection, and (4) our provisions of assistant funds to business partners did not involve the circumstances as set forth in Articles 146, 153 and 154 of the Civil Code of the PRC or Article 13 of the Judicial Interpretations on Private Lending Cases. The interest rates of the assistant funds to business partners did not exceed four times the market interest rate for loans with a maturity of one year or less at the conclusion of the contract. As of the Latest Practicable Date, we had not been subject to any administrative penalties, investigations, enforcement actions or received any notice from any regulatory authority with respect to any administrative penalties, investigations or enforcement actions as a result of extending these assistant funds to business partners. During the Track Record Period and up to the Latest Practicable Date, (1) we did not encounter any material default of these assistant funds, and (2) we did not have any material disputes with such dealership groups in relation to these assistant funds.

According to the PBOC's response to our inquiry on the PBOC headquarters' website, it was confirmed that the General Lending Provisions regulate lending behaviors between a borrower and a lender (which, according to the General Lending Provisions, refers to a Chinese-invested financial institution lawfully established in the PRC that is engaged in the loan business), and our assistant fund arrangement described in the inquiry (where a private company using its own funds to support its business partners while receiving compensation in return) does not constitute behaviors regulated under the General Lending Provisions.

In addition, during the Track Record Period, our assistant fund arrangements were mainly made through two of our local subsidiaries. In September 2023, we conducted interviews with the PBOC Wenzhou Branch and the PBOC Guizhou Provincial Branch, the two PBOC branches that are the competent regulatory authorities for the regions where these two subsidiaries are located, and we were confirmed that the PBOC does not regulate our private lending as set forth above.

According to the interviews conducted by our PRC Legal Adviser and the PRC legal adviser of the Joint Sponsors with the major business partners that we have assistant funds arrangement with as of June 30, 2023, they confirmed that (1) they have established a long-term partnership with us, and the assistant funds is a part of the wide range of services we provided; (2) they applied for assistant funds from us as needed for their used vehicle business from time to time; and (3) they have used the assistant funds only for their used vehicle business matters, and not for other purposes.

Based on the above, our PRC Legal adviser is of the view that: (1) the assistant funds agreements with our business partners as set forth above are valid and legally binding; (2) the risk of us being penalized thereby in respect of the corresponding assistant fund arrangement as set forth above is remote; and (3) the assistant fund arrangement as set forth above is in compliance with the applicable PRC laws and regulations in all material aspects.

According to CIC, our provision of financial assistance to dealership groups in support of their development of used vehicle business, together with the relevant accounting treatments, is in line with industry practice. The provision of financial assistance to business partners is not uncommon among market participants of the used vehicle industry both in China and overseas. Several other major used vehicle transaction service providers in China, Japan and the United States also provide financial assistance to their business partners, including dealership groups. In recent years, dealership groups have been under great pressure to survive in the market. They are generally in need of external financial assistance to carry out their new vehicle and used vehicle business, both of which require substantial capital resources. The dealership groups that we extend assistant funds to are our important business partners, and our provision of assistant funds not only helps them secure their business development, but also enhances their trust in us and strengthens our long-term business with them. Based on the above, CIC is of the view that our provision of financial assistance to dealership groups is in line with industry practice.

Material Terms, Balance and Settlement

During the Track Record Period, pursuant to the relevant agreements, the term of assistant funds we extended to dealership groups was typically one year, and the interest rate typically ranged between 1.5% and 8.6%. The interest rates are determined primarily based on (a) the prevailing interest rates of loans offered by third-party financial institutions during the same period when such assistant funds were extended by us, and (b) the status of business operation of the relevant dealership groups, such as their revenue, net profit, cash flow status and scale of operation. We generally did not require guarantee or collaterals for our extension of assistant funds, as the dealership groups to whom we extended assistant funds are established and reputable enterprises with stable financial performances and strong cash flow management capabilities. The relevant agreements specify that our assistant funds extended to these dealership groups should be used exclusively for conducting their used vehicle business.

As of December 31, 2021, 2022 and 2023, our outstanding balance of assistant funds to business partners amounted to RMB299.0 million, RMB294.8 million and RMB61.9 million, respectively, extended to four, four and two dealership groups, respectively. In 2021, 2022 and 2023, our interest income from assistant funds to business partners amounted to RMB20.8 million, RMB14.3 million and RMB9.0 million, respectively. The outstanding balance of assistant funds to business partners as of December 31, 2023 was extended to two dealership groups, with the interest rates between 1.7% and 4.5%, which were in line with the prevailing interest rates of loans offered by third-party financial institutions. In 2021, 2022 and 2023, the weighted average interest rate of the assistant funds was 5.6%, 4.3% and 3.7%, respectively. The weighted average interest rate of the assistant funds steadily decreased throughout the Track Record Period primarily due to the continuous decrease in the interest rate of loans offered by major financial institutions in China during the same period, which we made reference to when setting our interest rate for our assistant funds. During the Track Record Period and up to the Latest Practicable Date, we had not encountered any material default on the assistant funds we extended to dealership groups. As the dealership groups we extended assistant funds to are reputable enterprises with stable financial performances and their risk of default is low, we did not make any provisions as of December 31, 2023.

The following table sets forth details of the assistant funds we extended to business partners:

For the Year Ended December 31, 2021

Identity	Interest rate	Outstanding balance as of December 31, 2020	Amount of funds extended	Amount of funds repaid	Outstanding balance as of December 31, 2021	Turnover days[(2)]	Business relationship with our group	Revenue/purchase amount and contribution during the year
			(RMB in millions)					*(RMB in millions/%)*
Dealership group A	6.0%–8.6%	107.5	265.6	218.6	154.5	234.9	*Used vehicle auction:* in 2021, this dealership group supplied 454 units, or 0.2%, of used vehicles transacted on our platform, with a gross transaction value of RMB34.5 million, representing 0.3% of the gross transaction value of used vehicles transacted on our platform for the same period. *Used vehicle value-added services:* in 2021, we provided/facilitated used vehicle value-added services for 4,839 units of used vehicles for this dealership group, representing 6.3% of the used vehicles that received our value-added services for the same period. *Arrangement for sale of used vehicles:* in 2021, we arranged 8,560 units of consumer trade-in vehicles for sale for this dealership group, representing 15.4% of the consumer trade-in vehicles we arranged for sale for the same period.	Revenue: 15.5 (2.3%) Purchase: 17.5 (6.9%)
Guizhou Tongyuan Group	1.7%	20.1	1,663.9	1,598.5	85.5	7.2	*Used vehicle auction:* in 2021, this dealership group supplied 15,875 units, or 6.1%, of used vehicles transacted on our platform, with a gross transaction value of RMB907.5 million, representing 6.6% of the gross transaction value of used vehicles transacted on our platform for the same period. *Used vehicle value-added services:* in 2021, we provided/facilitated used vehicle value-added services for 42,299 units of used vehicles for this dealership group, representing 55.4% of the used vehicles that received our value-added services for the same period. *Arrangement for sale of used vehicles:* in 2021, we arranged 21,041 units of consumer trade-in vehicles for sale for this dealership group, representing 37.9% of the consumer trade-in vehicles we arranged for sale for the same period.	Revenue: 71.0 (10.5%) Purchase: 12.0 (4.8%)

	Interest rate	Outstanding balance as of December 31, 2020	Amount of funds extended	Amount of funds repaid	Outstanding balance as of December 31, 2021	Turnover days(2)	Business relationship with our group	Revenue/purchase amount and contribution during the year *(RMB in millions/%)*
		(RMB in millions)						
Dealership group B	5.0%	53.0	107.0	114.3	45.7	145.5	*Used vehicle auction:* in 2021, this dealership group supplied 1,355 units, or 0.5%, of used vehicles transacted on our platform, with a gross transaction value of RMB42.5 million, representing 0.3% of the gross transaction value of used vehicles transacted on our platform for the same period. *Used vehicle value-added services:* in 2021, we provided/facilitated used vehicle value-added services for 4,874 units of used vehicles for this dealership group, representing 6.4% of the used vehicles that received our value-added services for the same period. *Arrangement for sale of used vehicles:* in 2021, we arranged 2,068 units of consumer trade-in vehicles for sale for this dealership group, representing 3.7% of the consumer trade-in vehicles we arranged for sale for the same period. *Others:* we facilitated new vehicle title transfer services provided by third-party service providers for this dealership group.	Revenue: 23.8 (3.5%) Purchase: 6.8 (2.7%)
China Grand Automotive Service Group Co., Ltd.(1)	4.35%	Nil	388.4	375.1	13.3	69.0	*Used vehicle auction:* in 2021, this dealership group supplied 120,618 units, or 46.1%, of used vehicles transacted on our platform, with a gross transaction value of RMB6,988.0 million, representing 50.9% of the gross transaction value of used vehicles transacted on our platform for the same period.	Revenue: 57.5 (8.5%) Purchase: 36.7 (14.6%)

Notes:

(1) This dealership group did not have any outstanding balance as of December 31, 2020.

(2) Equal to the average monthly outstanding balance of the year divided by amounts of funds repaid during the year and multiplied by 360. Turnover days reflect the average period and frequency of repayment by the relevant dealership group during the year.

For the Year Ended December 31, 2022

Identity	Interest rate	Outstanding balance as of December 31, 2021	Amount of funds extended	Amount of funds repaid	Outstanding balance as of December 31, 2022	Turnover days(3)	Business relationship with our group	Revenue/purchase amount and contribution during the year *(RMB in millions/%)*
			(RMB in millions)					
Dealership group A	6.0%–8.6%	154.5	74.5	61.8	167.2	778.5	*Used vehicle auction:* in 2022, this dealership group supplied 320 units, or 0.2%, of used vehicles transacted on our platform, with a gross transaction value of RMB19.2 million, representing 0.3% of the gross transaction value of used vehicles transacted on our platform for the same period. *Used vehicle value-added services:* in 2022, we provided/facilitated used vehicle value-added services for 1,150 units of used vehicles for this dealership group, representing 0.8% of the used vehicles that received our value-added services for the same period. *Arrangement for sale of used vehicles:* in 2022, we arranged 3,311 units of consumer trade-in vehicles for sale for this dealership group, representing 9.7% of the consumer trade-in vehicles we arranged for sale for the same period.	Revenue: 12.1 (2.6%) Purchase: 1.6 (0.9%)
China Grand Automotive Service Group Co., Ltd.	4.35%	13.3	255.9	209.2	60.0	65.0	*Used vehicle auction:* in 2022, this dealership group supplied 32,844 units, or 20.6%, of used vehicles transacted on our platform, with a gross transaction value of RMB1,520.7 million, representing 22.5% of the gross transaction value of used vehicles transacted on our platform for the same period.	Revenue: 1.1 (0.2%) Purchase: 8.0 (4.4%)
Guizhou Tongyuan Group	1.7%	85.5	527.1	557.6	55.0	40.5	*Used vehicle auction:* in 2022, this dealership group supplied 14,471 units, or 9.1%, of used vehicles transacted on our platform, with a gross transaction value of RMB728.7 million, representing 10.8% of the gross transaction value of used vehicles transacted on our platform for the same period. *Used vehicle value-added services:* in 2022, we provided/facilitated used vehicle value-added services for 113,750 units of used vehicles for this dealership group, representing 76.6% of the used vehicles that received our value-added services for the same period. *Arrangement for sale of used vehicles:* in 2022, we arranged 14,854 units of consumer trade-in vehicles for sale for this dealership group, representing 43.5% of the consumer trade-in vehicles we arranged for sale for the same period.	Revenue: 65.1 (13.9%) Purchase: 9.6 (5.3%)

Identity	Interest rate	Outstanding balance as of December 31, 2021	Amount of funds extended	Amount of funds repaid	Outstanding balance as of December 31, 2022	Turnover days[3]	Business relationship with our group	Revenue/purchase amount and contribution during the year
			(RMB in millions)					*(RMB in millions/%)*
Dealership group C[1]	1.5%	Nil	33.6	21.0	12.6	110.8	*Used vehicle auction:* in 2022, this dealership group supplied 677 units, or 0.4%, of used vehicles transacted on our platform, with a gross transaction value of RMB26.0 million, representing 0.4% of the gross transaction value of used vehicles transacted on our platform for the same period. *Arrangement for sale of used vehicles:* in 2022, we arranged 1,824 units of consumer trade-in vehicles for sale for this dealership group, representing 5.3% of the consumer trade-in vehicles we arranged for sale for the same period.	Revenue: 5.4 (1.1%) Purchase: nil
Dealership group B[2]	5.0%	45.7	95.1	140.8	Nil	79.2	*Used vehicle auction:* in 2022, this dealership group supplied 735 units, or 0.5%, of used vehicles transacted on our platform, with a gross transaction value of RMB19.4 million, representing 0.3% of the gross transaction value of used vehicles transacted on our platform for the same period. *Used vehicle value-added services:* in 2022, we provided/facilitated used vehicle value-added services for 1,877 units of used vehicles for this dealership group, representing 1.3% of the used vehicles that received our value-added services for the same period. *Arrangement for sale of used vehicles:* in 2022, we arranged 2,204 units of consumer trade-in vehicles for sale for this dealership group, representing 6.4% of the consumer trade-in vehicles we arranged for sale for the same period. *Others:* we facilitated new vehicle title transfer services provided by third-party service providers for this dealership group.	Revenue: 9.2 (2.0%) Purchase: 2.9 (1.6%)

Notes:

(1) This dealership group did not have any outstanding balance as of December 31, 2021.

(2) This dealership group did not have any outstanding balance as of December 31, 2022.

(3) Equal to the average monthly outstanding balance of the year divided by amounts of funds repaid during the year and multiplied by 360. Turnover days reflect the average period and frequency of repayment by the relevant dealership group during the year.

For the Year Ended December 31, 2023

Identity	Interest rate	Outstanding balance as of December 31, 2022	Amount of funds extended	Amount of funds repaid	Outstanding balance as of December 31, 2023	Turnover days[2]	Business relationship with our group	Revenue/purchase amount and contribution during the year
			(RMB in millions)					*(RMB in millions)*
Dealership group A	4.35%–8.6%	167.2	56.8	172.1	51.9	233.3	*Used vehicle value-added services:* in 2023, we provided/facilitated used vehicle value-added services for 490 units of used vehicles for this dealership group, representing 0.2% of the used vehicles that received our value-added services for the same period. *Arrangement for sale of used vehicles:* in 2023, we arranged 528 units of consumer trade-in vehicles for sale for this dealership group, representing 1.7% of the consumer trade-in vehicles we arranged for sale for the same period.	Revenue: 2.2 (0.4%) Purchase: nil (nil)
Guizhou Tongyuan Group	1.7%	55.0	374.2	419.2	10.0	28.6	*Use vehicle auction:* in 2023, this dealership group supplied 15,973 units, or 9.1%, of used vehicles transacted on our platform, with a gross transaction value of RMB721.4 million, representing 9.8% of the gross transaction value of used vehicles transacted on our platform for the same period. *Used vehicle value-added services:* in 2023, we provided/facilitated used vehicle value-added services for 140,183 units of used vehicles for this dealership group, representing 63.7% of the used vehicles that received our value-added services for the same period. *Arrangement for sale of used vehicles:* in 2023, we arranged 18,038 units of consumer trade-in vehicles for sale for this dealership group, representing 59.7% of the consumer trade-in vehicles we arranged for sale for the same period.	Revenue: 78.9 (16.0%) Purchase: 11.7 (6.5%)
China Grand Automotive Service Group Co., Ltd.[1]	4.35%	60.0	291.4	351.4	Nil	25.7	*Use vehicle auction:* in 2023, this dealership group supplied 29,120 units, or 16.6%, of used vehicles transacted on our platform, with a gross transaction value of RMB1,412.4 million, representing 19.1% of the gross transaction value of used vehicles transacted on our platform for the same period. *Used vehicle value-added services:* in 2023, we provided/facilitated used vehicle value-added services for 70,467 units of used vehicles for this dealership group, representing 32.0% of the used vehicles that received our value-added services for the same period.	Revenue: 20.5 (4.2%) Purchase: 4.0 (2.3%)

Identity	Interest rate	Outstanding balance as of December 31, 2022	Amount of funds extended	Amount of funds repaid	Outstanding balance as of December 31, 2023	Turnover days[2]	Business relationship with our group	Revenue/purchase amount and contribution during the year
			(RMB in millions)					*(RMB in millions)*
Dealership group C[1]	1.5%	12.6	68.9	81.5	Nil	42.9	*Use vehicle auction:* in 2023, this dealership group supplied 583 units, or 0.3%, of used vehicles transacted on our platform, with a gross transaction value of RMB21.1 million, representing 0.3% of the gross transaction value of used vehicles transacted on our platform for the same period. *Arrangement for sale of used vehicles:* in 2023, we arranged 1,481 units of consumer trade-in vehicles for sale for this dealership group, representing 4.9% of the consumer trade-in vehicles we arranged for sale for the same period..	Revenue: 0.3 (0.1%) Purchase: 0.1 (0.0%)

Notes:

(1) This dealership group did not have any outstanding balance as of December 31, 2023.

(2) Equal to the average monthly outstanding balance of the period divided by amounts of funds repaid during the year and multiplied by 360. Turnover days reflect the average period and frequency of repayment by the relevant dealership group during the year.

To the best of our knowledge, other than as disclosed above and in "History, Reorganization and Corporate Structure," "Connected Transactions" and "Substantial Shareholders," there are no past and/ or present relationships (including but not limited to business, family, financing and trust) between such business partners and our Company or our subsidiaries, shareholders, directors, supervisors or senior management, or any of their respective associates.

The following table sets forth the ageing analysis and subsequent settlement of our assistant funds to business partners as of the dates indicated.

	2021	2022	2023	As of Latest Practicable Date
		(RMB in thousands)		
Within one year or on demand	298,952	294,812	61,948	60,048
Total	298,952	294,812	61,948	60,048

As of Latest Practicable Date, RMB299.0 million, RMB294.8 million and RMB1.9 million, representing 100.0%, 100.0% and 3.1% of our assistant funds to business partners outstanding as of December 31, 2021, 2022 and 2023, respectively, had been subsequently settled.

As the dealership groups to whom we extended assistant funds are established and reputable enterprises, they are generally able to obtain loans from financial institutions. As such, we believe that these dealership groups do not rely on us for receiving such financial assistance in carrying out their used vehicle business.

Future Plans

We may selectively extend assistant funds to business partners based on our criteria as their needs rise in the future. We believe that the settlement for the assistant funds to business partners would not bring material adverse impact on our business operations and financial conditions, considering that (i) our market position as the largest used vehicle transaction service provider in China in terms of transaction volume in 2022, (ii) the relevant dealership groups consider us as a good and trustworthy business partner primarily due to our market position, and (iii) during interviews with the relevant dealership group conducted in June 2023, they indicated that the settlement of such assistant funds will not affect their business relationships with us, and as of the Latest Practicable Date, these dealership groups remained cooperating with us. For example, although our outstanding balance of assistant funds with Guizhou Tongyuan Group decreased from December 31, 2022 to December 31, 2023, our monthly aggregate transaction volume with Guizhou Tongyuan Group (including the transaction volume of our used vehicle auction business and arrangement for sale of used vehicle business, and the service volume of our pre-acquisition inspection under used vehicle value-added services business) increased from over 73,000 units in the six months ended June 30, 2023 to over 100,000 units in the six months ended December 31, 2023. Similarly, after we settled our outstanding balance as of December 31, 2022 with China Grand Automotive Services Group Co., Ltd., our transaction volume with China Grand

Automotive Service Group Co., Ltd. for our used vehicle auction business increased from approximately 13,000 units for the six months ended December 31, 2022 to approximately 17,000 units for the same period in 2023.

However, we do not plan to completely cease providing assistant funds in the future. We intend to selectively extend assistant funds to dealership groups we collaborate with on an as needed basis going forward to help them grow their used vehicle business, as we believe the provision of such financial support aligns with our overall business strategies and further enables us to secure a large, stable supply of used vehicles from dealership groups to be auctioned on our transaction platform. We will continue to carefully select the business partners to whom we will extend assistant funds and ensure that the terms of such assistant funds comply with the applicable laws and regulations.

For more details on our assistant funds to business partners, see "Risk Factors — Risks Related to Our Business and Industry — We may be subject to penalties from the PBOC or adverse judicial rulings as a result of extending assistant funds to our business partners during the Track Record Period" and "Financial Information — Analysis of Selected Consolidated Statements Of Financial Position — Prepayments, Deposits and Other Receivables — Assistant Funds to Business Partners."

INTELLECTUAL PROPERTY

Our intellectual property includes registrations and applications for patents, trademarks, trade secrets, software copyright and other intellectual property rights. We seek to protect our intellectual property rights through a combination of patent, trademark, trade secret and copyright related laws in the PRC and Hong Kong, as well as through confidentiality agreements and other measures. As of December 31, 2023, we had obtained six registered patents and 18 pending patent applications, 32 registered trademarks, and 41 registered software copyrights in the PRC and Hong Kong. As of the same date, we had also registered 19 domain names, including our main website, www.autostreets.com. Pursuant to their employment contracts with us and our internal policies, our employees are subject to obligations related to confidentiality and intellectual property protection, and they further agree that the rights belong to us for the intellectual properties that they develop relating to their work duties while employed by us. We have also entered into confidentiality and proprietary rights agreement with most of our business partners. In addition, we regularly monitor the status of the intellectual property rights of our products and services under development to avoid infringement of third-party rights or infringement by third parties of our rights. We intend to continue to file additional patent applications with respect to our technology.

With the implementation of the foregoing intellectual property protection measures, during the Track Record Period and up to the Latest Practicable Date, we were not involved in any proceedings in respect of, and we had not received notice of any claims of infringement of, any intellectual property rights, in which we may be a claimant or a respondent, nor were we aware of any breach of the aforementioned confidentiality or non-compete obligations by the counterparties. Based on the above, our Directors believe that we were not involved in any pending, or to their knowledge, potential or threatened intellectual property infringement, litigations or claims during the Track Record Period and up to the Latest Practicable Date.

DATA SECURITY AND PROTECTION

Regulatory Changes

Data and Cybersecurity Review Measures and the Draft Cyber Data Security Regulations

On July 10, 2021, the Cyberspace Administration of China (the "**CAC**") published the Cybersecurity Review Measures (Revised Draft for Comments) (《網絡安全審查辦法(修訂草案徵求意見稿)》), which stipulates that data processors which possess personal information of over one million users and intend for a "foreign" listing must apply for a cybersecurity review. On December 28, 2021, the CAC promulgated the Cybersecurity Review Measures (《網絡安全審查辦法》) (the "**Cybersecurity Review Measures**"), which came into effect on February 15, 2022. According to the Cybersecurity Review Measures: (i) the purchase of cyber products and services by critical information infrastructure operator (the "**CIIO**"), and the data processing activities by an online platform operator, to the extent that affects or may affect national security, will be subject to the cybersecurity review by the Cybersecurity Review Office, the department which is responsible for the implementation of cybersecurity review under the CAC; (ii) an online platform operator who handles personal information of more than one million individual users shall apply for a cybersecurity review before listing of the operator's securities in a foreign country (國外上市); and (iii) the relevant governmental authorities may initiate a cybersecurity review if such governmental authorities believe that a network product or service or data processing activity affect or may affect national security.

On November 14, 2021, the CAC published the Regulations on the Administration of Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) (the "**Draft Cyber Data Security Regulations**") to further expand the scope of application of cybersecurity review, which stipulate that data processing entities seeking a listing in Hong Kong that will influence or may influence national security must apply for a cybersecurity review. Article 13 of the Draft Cyber Data Security Regulations requires data processors that carry out the following activities to apply for the cybersecurity review procedures in accordance with the relevant laws and regulations: (i) merger, reorganization or division of internet platform operators that have gathered a large number of data resources related to national security, economic development and public interests that affect or may affect national security; (ii) seeking of listing in foreign countries by data processors who process the personal information of at least one million individual users; (iii) listing of the data processor in Hong Kong which affects or may affect the national security; and (iv) other data processing activities that affect or may affect national security. In addition to the cybersecurity review procedures mentioned above, the Draft Cyber Data Security Regulations also specify the principles for data processors to carry out data processing activities, relevant measures to be taken and mechanisms to be established. Most of the regulatory details under the Draft Cyber Data Security Regulations have already been embodied in the now-effective texts of the Cyber Security Law of the PRC (《中華人民共和國網絡安全法》) (the "**Cyber Security Law**"), the Data Security Law of the PRC (《中華人民共和國數據安全法》) (the "**Data Security Law**") and the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》) (the "**PIPL**"). As of the Latest Practicable Date, the Draft Cyber Data Security Regulations have not been formally adopted.

Data Cross Border Measures

On July 7, 2022, the CAC promulgated the Measures for the Security Assessment of Cross-Border Data Transfer (《數據出境安全評估辦法》) (the "**Data Cross Border Measures**"), which took effect on September 1, 2022. These measures require a domestic data processor providing data overseas which falls under any of the following circumstances to apply for security assessment of cross-border data transfer with the national cybersecurity authority through its local counterpart: (i) where the data processor intends to provide important data overseas; (ii) where a CIIO or a data processor who has processed personal information of more than 1,000,000 individuals intends to provide personal information overseas; (iii) where a data processor who has provided personal information of 100,000 individuals or sensitive personal information of 10,000 individuals to overseas recipients accumulatively since January 1 of the last year intends to provide personal information overseas; and (iv) other circumstances where security assessment of data cross-border transfer is required as prescribed by the CAC. On February 22, 2023, the CAC promulgated the Measures for the Standard Contract for Outbound Cross-border Transfer of Personal Information (《個人信息出境標準合同辦法》) (the "**Measures for the Standard Contract**"). These measures require a domestic data processor providing data overseas which falls under any of the following circumstances to apply for the standard contract with filing the relative documents to the national cybersecurity authority: (i) not a critical information infrastructure operator; (ii) handling personal information of less than one million individuals; (iii) having provided personal information of less than 100,000 individuals in aggregate to overseas recipients since January 1 of the previous year; and (iv) having provided sensitive personal information of less than 10,000 individuals in aggregate to any overseas recipients since January 1 of the previous year.

Measures for Data Security Management in the Industrial and Information Technology Sector (for Trial Implementation)

On December 8, 2022 the Ministry of Industry and Information Technology promulgated the Measures for Data Security Management in the Industrial and Information Technology Sector (for Trial Implementation) (《工業和信息化領域數據安全管理辦法(試行)》) (the "**Measures for the Industrial Data Security Management**"). According to the legal requirements of such Measures, the data in the industrial and information technology sector shall be divided in three grades: general data, important data, and core data. Meanwhile, the data processor shall file the catalog of its important and core data with the local industry regulatory authority for the record. Moreover, these Measures clarify the processing requirements during the data life cycle per the data division situation. In the case of any violation of the Measures, the data processors shall burden the relative responsibilities per such Measures and other relevant laws and administrative regulations.

Automobile Data Security Provisions

We are also required to comply with relevant requirements under Several Provisions on Automotive Data Security Management (for Trial Implementation) (《汽車數據安全管理若干規定(試行)》) (the "**Automobile Data Security Provisions**"). Pursuant to the Automobile Data Security Provisions, automobile data operators shall conduct risk assessment for its essential data operating activity, and report it to relevant government authorities. See "Regulatory Overview — Regulations on Data Security and Personal Information Protection — Regulations on Data Security." Our business and the services we provide involve the processing of vehicle data, logistics analysis data and personal information of more than 100,000 individuals, which may be deemed as "important data" by regulators under the Automobile Data Security Provisions. As of the Latest Practicable Date, our data processing activities have not been penalized for violating the Automobile Data Security Provisions.

Impact On Our Business

Data and Cybersecurity Review Measures and the Draft Cyber Data Security Regulations

As advised by our PRC Legal Adviser, we believe that the Cybersecurity Review Measures and the Draft Cyber Data Security Regulations should not have a material adverse impact on our business operations or [REDACTED] for the following reasons:

- First, with respect to CIIO, according to the Critical Information Infrastructure Security Protection Regulations (《關鍵信息基礎設施安全保護條例》), competent authorities as well as the supervision and administrative authorities of the specific important industries and sectors are responsible for the security protection of CIIOs (the "**Protection Authorities**"). The Protection Authorities shall formulate the recognition rules for the critical information infrastructure, and shall, according to such recognition rules, be responsible for organizing the recognition of the critical information infrastructure in the industry or field concerned, and informing the relevant operators of the recognition results in a timely manner. As of the Latest Practicable Date, we had not received any notice from any Protection Authorities that identifies us as a CIIO, and therefore, as advised by our PRC Legal Adviser, the obligation of the CIIO to conduct cybersecurity review as mentioned in the Cybersecurity Review Measures does not apply to us as of the Latest Practicable Date.

- Second, with respect to circumstances that affect or may affect national security, Article 10 of the Cybersecurity Review Measures specifies the national security risk factors to be assessed in the cybersecurity review. Although we are not required to voluntarily initiate the application for cybersecurity review pursuant to Article 7 of the Cybersecurity Review Measures, we still assess the following factors prudently, which may be deemed as falling under the circumstances that affect or may affect national security: (i) the risk that the use of products and services could bring about the illegal control of, interference with, or destruction of Critical Information Infrastructure (the "**CII**"); (ii) the harm to CII business continuity on occurrence of such product and service supply disruptions; (iii) the security, openness, transparency, and diversity of sources of products and services, the reliability of supply channels, as well as the risk of supply disruptions due to political, diplomatic, and trade factors; (iv) product and service providers' compliance status with Chinese laws, regulations, and department rules; (v) the risk that core data, important data or large amount of personal information being stolen, leaked, damaged, illegally used or illegally exported; (vi) the risk of CII, core data, important data, or large amount of personal information being affected, controlled, or maliciously used by foreign governments, as well as the risk of network information security, if [REDACTED]; and (vii) other factors that could harm CII security, cybersecurity and data security. As advised by our PRC Legal Adviser, due to the lack of further clarifications or detailed rules and regulations, the interpretation and applicability of "other factors that could harm CII security, cybersecurity and data security" remains uncertain and subject to further clarification by the CAC or relevant regulatory authorities, and the PRC government authorities may have wide discretion in the interpretation and enforcement of these measures and regulations, therefore, we cannot preclude the possibility that this scenario may apply. There are uncertainties about how to determine whether a [REDACTED] by a company like us in Hong Kong affects or may affect national security or not.

However, as advised by our PRC Legal Adviser, we believe [REDACTED] should not give rise to the above risks associated with the national security review, for the following reasons:

(1) Article 13 of the Draft Cyber Data Security Regulations, which have not come into effect yet, expressly distinguishes between "listing in Hong Kong" and "listing in foreign countries." Since "listing abroad (國外上市)" under the Cybersecurity Review Measures exempts [REDACTED] from the mandatory obligation of ex-ante declaration of cybersecurity review, [REDACTED] for cybersecurity review pursuant to Article 7 of the Cybersecurity Review Measures;

(2) Scenarios (i)–(iv) of Article 10 of the Cybersecurity Review Measures mainly focus on security risks associated with CIIOs in purchasing specific network products and services, which are not applicable to us since we had not received any notice from any Protection Authorities that identify us as a CIIO as of the Latest Practicable Date; and

(3) It is not likely to trigger scenarios (v)–(vi) of Article 10 of the Cybersecurity Review Measures because: (i) the user data collected by us within the territory of mainland China as part of our business operations has been stored within the territory of mainland China; (ii) during the Track Record Period and up to the Latest Practicable Date, we have not experienced any material data or personal information leakage or loss, infringement of data or personal information, or material information security incident, nor have we received any sanctions in respect of any such recently promulgated laws, regulations or policies relating to data and cyber security and (iii) we have set up appropriate technical and organizational measures and will continually make great effort to prevent the related risks that may trigger scenarios (v)–(vi).

- Third, we have taken appropriate and necessary measures, policies and procedures, including legal controls involved in our cybersecurity, data and personal information risk management processes, such as documentation requirements, access control, security, and emergency response mechanism and preventive measures. See "— Our Data Protection Measures" for more details.

- Lastly, as of the Latest Practicable Date, the Draft Cyber Data Security Regulations have not been formally adopted and it also remains uncertain whether the future regulatory changes would impose additional restrictions on companies like us. Although we cannot predict the impact of the Draft Cyber Data Security Regulations, if any, at this stage, we will maintain ongoing communication with relevant authorities regarding the latest development and requirements of new regulations and timely implement necessary measures with the assistance of our onshore and offshore counsel teams.

Based on the foregoing analysis, and the advice of our PRC Legal Adviser, our Directors are of the view that (i) the Cybersecurity Review Measures and the Draft Cyber Data Security Regulations (if implemented in its current form), would not have a material adverse impact on our business operations or [REDACTED], and (ii) the Directors do not foresee any material impediments for us to comply with the Cybersecurity Review Measures and the Draft Cyber Data Security Regulations in all material aspects.

Data Cross Border Measures

As of the Latest Practicable Date, our mobile application is produced, developed and operated in the PRC only. We only use servers within the PRC to store data, and all of the collection and processing activities of data and personal information during our business operation take place in the PRC. Also, we rely on Apple's App store and other major PRC-based Android App stores to distribute our mobile application within the PRC.

As advised by our PRC Legal Adviser, based on the above and their understanding of the Data Cross-border Measures and the Measures for the Standard Contract, the requirement for cross-border data transfer security assessment and standard contract are not applicable to us. First, the individual users determine by themselves whether or not to allow overseas access to their own data through their registered accounts, and therefore we are not offering domestic data overseas out of our own initiative. Second, the display and disclosure of the relevant information is only for personal use of information by domestic users, rather than for collecting and using such personal information abroad or transferring such information to foreign individuals or entities.

Although our PRC Legal Adviser is of the view that as of the Latest Practicable Date, there has not been any data transfer overseas conducted by the Group which may potentially breach the Data Cross Border Measures, our PRC Legal Adviser further advises that the interpretation and application of the Data Cross Border Measures is still uncertain and evolving, and therefore there can be no assurance that the PRC regulatory authorities will not take a view that is contrary to, or otherwise different from, the abovementioned understanding in the future. We will maintain ongoing communication with government authorities and keep ourselves abreast of the latest development of regulations and timely implement necessary measures when required.

Automobile Data Security Provisions

Pursuant to the Automobile Data Security Provisions, when an automobile data operator needs to make a cross-border transferring of important data for business purpose, such operator needs to pass the security assessment organized by CAC and other relevant government authorities. However, according to our PRC Legal Advisers, although our business and the services we provide may be deemed as involving the processing of "important data" by regulators under the Automobile Data Security Provisions, we do not conduct a cross-border transfer of such "important data", and therefore we are not subject to the security assessment related to the cross-border transfer of "important data" under the Automobile Data Security Provisions. Based on the foregoing, our PRC Legal Advisers are of the view that we are not subject to substantial legal risks under the Automobile Data Security Provisions.

Our Data Protection Measures

We utilize proprietary technology and implement internal policies to protect the security and confidentiality of sensitive data that we collect and store in the ordinary course of our business, primarily including personal information relating to our individual registered bidders (such as name, bank account, ID card information and phone number) and vehicle information in relation to the transactions (such as vehicle brand, milage, age and transaction price) to the extent that is required for our used vehicle transactions and in compliance with the relevant laws and regulations. To the extent we collect personal information of registered bidders, we take measures to ensure that they are collected after obtaining prior consent or other legal basis from our registered bidder, the nature and scope of information collected do not exceed the relevant business purposes, and they are overall collected in accordance with applicable laws and regulations. Meanwhile, in order to meet the requirements of relevant laws and regulations, we have established internal management systems on cybersecurity, data security and personal information protection and the relevant operational procedures. We require each department who utilize our information systems to comply with the relevant operating protocols for each system. We have also designed the following guidelines for the critical aspects of our data security, through which we ensure the integrity and safety of our business information.

- ***Data access, authorization and usage***. The relevant data management departments set up and manage our internal user authorizations according to our information system user access management methods, which set forth an authorization system based on seniority and job responsibilities. We use technologies, which we continue to improve, to protect the personal information of our registered bidders and implement strict control regarding who is authorized to access such information and the scope of such authorization. Authorized persons shall use and operate information systems within their prescribed authorizations. For sensitive information such as the phone number of our registered bidders and their personal identification number, when it is accessed by our customer services personnel, we take measures to ensure such sensitive information will not be leaked or disclosed. We are also continuously improving these technologies to better protect the data security and privacy of our registered bidders. Application must be submitted for data export and modification and must be approved by the department supervisor. The data management department shall examine whether the data to be exported contains sensitive data, and if so, our legal department and internal control department shall perform additional review. We keep logs when the relevant data is processed. Our employees must ensure the security of their user information and passwords and may not disclose such to others. They shall access our intranet only after identity confirmation and through virtual private networks for remote access.

- ***Data storage and backup***. The data storage media must conform to technical specifications and requirements applicable to such media. We engaged industry-leading cloud service provider as the storage media for our data and information. We regularly review and inspect its safety measures to ensure the proper functioning and safety of the data storage the accuracy of the backup contents. We require the locations of storage media to satisfy the storage conditions and be equipped with anti-theft, water- and fire-proof facilities. The data management department shall formulate data backup strategies based on characteristics of each information system, including data backup, special backup, version upgrade backup, as well as for data storage period, backup method, backup media and data cleansing cycle. Specifically, we require the cloud service provider to back up our information and data in back-up systems in two physical locations to minimize the risk of data loss or leakage.

- ***Data modification***. Any modification to our data requires a prior application according to the relative internal management system. Depending on the materiality of the data modification, such application shall be submitted to relevant departments and, upon subsequent approval, our data management department shall handle and become responsible for the data modification. The modified data must be inspected before being admitted to our system.

- ***Data confidentiality and security***. Firstly, we have taken various measures to ensure the confidentiality and security of our data, including managing the permission to access our database, anomaly warning, maintenance of data audit logs, and data encryption. Secondly, we have also adopted technical measures to monitor our systems and data environment in relation to data security, including using monitoring platforms to issue alerts if any abnormality is detected in relation to the data traffic and system pressure of our core operational data flow, and periodic cross-regional and remote backup measures. Thirdly, we further adopt corresponding measures to lower the data confidentiality and security risk in relation to our employees' data processing activities on our system. For example, we have adopted the relevant access management and data desensitization measures and implemented an data application approval process to control the risks of our employees' data processing activities. The relevant data processing behavior will be logged and can be audited.

In addition, in order to enhance our employees' awareness of data compliance matters, we regularly host training for employees on network security, data security, and personal information protection.

For the potential impact and related risks for data privacy and security breaches, please refer to "Risk Factors — Risks Related to Our Business and Industry — We collect, process, store, share, disclose and use personal information and other data, and any actual or perceived failure to protect such information and data could damage our reputation and brand and harm our business and results of operation."

During the Track Record Period and up to Latest Practicable Date, we did not experience any material information leakage or loss of user data in the PRC or any overseas market. Our PRC Legal Adviser is of the view that we are in compliance with the applicable PRC laws and regulations currently in effect and published in relation to cybersecurity and data protection in all material respects.

LICENSES AND PERMITS

As advised by our PRC Legal Adviser, our directors confirm that, we have obtained all requisite licenses, permits, approvals and certificates from relevant competent regulatory authorities for our business operations in China that are material to our business as of the Latest Practicable Date. The following table sets out a list of material licenses, permits, and approvals currently held by us.

License/Permit	Holder	Initial grant date	Expiry date
Certificates of approval for auction business	For each of our 12 subsidiaries and 12 branches	Various dates between October 14, 2019 and January 5, 2024	Various dates between December 6, 2027 and December 12, 2033

We have obtained the requisite certificates of approval for our subsidiaries and branches to carry our auction services in the relevant auction sites and these certificates of approval have a fixed term between five years and 13 years and are subject to periodic renewal. Each of such certificate of approval is able to support the operation of multiple auction centers and auction sites. We currently do not expect any material impediment in timely renewing our material permits and licenses as they expire, if applicable. For more information about the laws and regulations that we are subject to in the PRC, please see "Regulatory Overview."

AWARDS AND RECOGNITION

Entity	Award Name	Awarding Institutions/Authority	Award Date
Our Company	Automobile Circulation Industry Comprehensive Strength Outstanding Enterprise Award for 2020 (2020年汽車流通行業綜合實力傑出企業獎)	China Automobile Dealers Association (中國汽車流通協會)	November 2020
	Excellent Member of Automobile Circulation Industry — Brand Building Award for 2021 (2021年汽車流通行業優秀會員—品牌建設獎)	China Automobile Dealers Association (中國汽車流通協會)	November 2021
	Excellent Member of Automobile Distribution Industry — Industry Innovation Award for 2022 (2022年汽車流通行業優秀會員—行業創新獎)	China Automobile Dealers Association (中國汽車流通協會)	November 2022
Shanghai Changxin Auction Co., Ltd.* (上海常信拍賣有限公司)	Automobile Circulation Industry Comprehensive Competitiveness Award for 2023 (2023年汽車流通行業綜合競爭力獎)	China Automobile Dealers Association (中國汽車流通協會)	November 2023
	Ranked first among China's top 30 enterprises in terms of both (1) vehicle auction volume and (2) transaction value in 2022	China Auction Industry Association (中國拍賣行業協會)	September 2023

* *The English names of this company represent the best effort made by the management of the Company to directly translate their Chinese names as they do not register any official English names.*

COMPETITION

We operate in a highly competitive used vehicle market in every aspect of our business. We face competition from other used vehicle transaction service providers, regardless of whether they are dedicated to wholesale or retail sellers and buyers, and from used vehicle transaction service providers. For used vehicle value-added services, our main competitors in the market mainly include (i) other used vehicle transaction service providers which provide one or more types of similar services such as inspection and appraisal, used vehicle management systems and title transfer services; and (ii) other small-sized third-party service providers who normally provide a single type of services such as inspection and appraisal service. See "Risk Factors — Risks Related to Our Business and Industry — We face competition, which may lead to loss of market share, reduced revenue, increased expenses, departures of qualified employees, and disputes with competitors." The key barriers to entering into the used vehicle industry include, among others: (i) industry experience and know-how, (ii) ability to source used vehicles supply and provide value-added services, (iii) brand reputation and localization efforts, and (iv) analytical abilities empowered by technological capabilities.

We believe that our primary competitive advantages over existing and potential competitors include our nationwide offline network of auction sites, good business relationships with used vehicle sellers and buyers and other used vehicle transaction service providers, strong research and development capabilities, easy-to-use service offerings designed for Chinese used vehicle sellers and buyers, and our team of senior management and professionals with deep industry knowledge and experience. In particular, our offline network of auction sites had the broadest geographic coverage as of December 31, 2022 among China's used vehicle transaction service providers. As of December 31, 2022, our offline network hosted 79 auction sites that allowed us to provide offline services in a total of 317 cities. Our good business relationships with used vehicle sellers were evident from the fact that we had the highest number of 4S dealership stores that had disposed of used vehicles through our platform as of December 31, 2022 among China's used vehicle transaction service providers. As of December 31, 2023, over 6,900 4S dealership stores had disposed of used vehicles through our platform. Our good business relationships with used vehicle buyers were demonstrated by the fact that, during the Track Record Period, over 16,000 buyers on our transaction platform were Professional Buyers.

As a result of these competitive advantages, we are China's largest used vehicle transaction service provider in terms of transaction volume in 2022. In 2022, approximately 160,000 units of used vehicles were transacted through our transaction platform, with a market share of 12.6% among China's used vehicle transaction service providers. In addition, in 2023, approximately 176,000 units of used vehicles were transacted through our transaction platform.

SEASONALITY

Our quarterly revenues and other operating results have fluctuated in the past and may continue to fluctuate depending upon a number of factors, many of which are beyond our control. Our business experiences seasonal variations in association with the demand for used vehicles in China. Sales volume of used vehicle in China are typically higher in the first quarter (particularly before the Chinese New Year) and fourth quarter of a year, traditionally the major selling seasons for used vehicles. In addition, our exhibition related services business is subject to seasonal fluctuations. In line with industry practice, most of our auto shows and exhibitions take place in the second half of the year. As such, our revenue generated from exhibition related services is typically higher in the second half of the year. Consequently, our results of operations may fluctuate from quarter to quarter. In addition, as each of our business lines may have different seasonality factors and the mix of our revenue sources may shift from year to year, our past performance may not be indicative of future trends. See also "Risk Factors — Risks Related to Our Business and Industry — Our business is subject to seasonality."

EMPLOYEES

As of December 31, 2023, we had 845 employees, among which 36 were part-time workers. The following table sets forth the number of our employees categorized by function as of December 31, 2023:

	Number	% of Total Employee
Auction site operations:		
Sales	182	21.5%
Condition inspectors	191	22.6%
Auctioneers	30	3.6%
Others	155	18.3%
Subtotal	558	66.0%
Exhibition services	80	9.5%
Used vehicle value-added services	64	7.6%
Arrangement for sale of used vehicles	25	2.9%
Headquarter level:		
Administration	80	9.5%
Research and Development	38	4.5%
Subtotal	118	14.0%
Total number of employees	845	100.0%

We believe we offer our employees competitive compensation packages, training and development programs, and a dynamic work environment that encourages initiative and is based on merit. As a result, we have been able to attract and retain talented personnel and maintain a stable core management team.

Through a combination of short-term performance evaluations and long-term incentive arrangements, we intend to build a competent, loyal and highly motivated workforce. We believe that we maintain a good working relationship with our employees, and we have not experienced any work shortages, material labor disputes or strikes that may have a material and adverse effect on our business, financial condition or results of operations.

Certain of our practices with respect to social insurance and housing provident fund contribution may be deemed to be non-compliant with the relevant laws and regulations, and we may be subject to additional contributions, and/or penalties imposed by the relevant PRC authorities. See "— Legal Proceedings and Regulatory Compliance — Non-compliances — Social insurance and housing provident fund contributions" and "Risk Factors — Risks Related to Our Business and Industry — Certain of our practices with respect to social insurance and housing provident fund contribution may subject us to penalties" for more information.

INSURANCE

We believe that our insurance coverage is in line with the industry practice and is adequate to cover our key assets, facilities and liabilities. PRC regulations require the purchase of statutory automobile liability insurance for all the vehicles and, as such, the damages and losses occurred to the vehicles in relation to traffic accident are covered under such insurances. Pursuant to our agreements with upstream sellers, they are contractually required to ensure the statutory automobile liability insurance is properly maintained for the vehicles to be auctioned through our platform. Moreover, the properties we use as our parking lots, offices and auction sites are all leased properties and we are not required by PRC laws to maintain any insurance for our leased properties. As of the Latest Practicable Date, the lessor for our headquarters in Shanghai has purchased property insurance to safeguard against the loss or damage of such properties. We believe that the property insurance is of sufficient coverage for the loss or damage of our leased properties based on our operation needs and we believe our insurance coverage for vehicles and leased properties is in line with industry practice. Pursuant to PRC regulations, we provide social insurance including pension insurance, unemployment insurance, work-related injury insurance and medical insurance for our employees. In line with general market practice, we do not maintain any business interruption insurance, which is not mandatory under the relevant laws of the jurisdictions we operate. We do not maintain key-man insurance or any insurance covering liabilities resulting from misconducts or illegal activities committed by our employees, platform users or business partners, which is consistent with the industry norm. During the Track Record Period and up to the Latest Practicable Date, we had not made or been subject to any material insurance claim. Our PRC Legal Adviser is of the view that we have maintained all legally mandatory insurance policies in compliance with relevant PRC laws and regulations in all material aspects. See "Risk Factors — Risks Related to Our Business and Industry — We do not have any business liability, disruption or litigation insurance."

PROPERTIES

We are headquartered in Shanghai. As of the Latest Practicable Date, we did not own any real properties. As of the Latest Practicable Date, we leased 50 material properties mainly in 42 cities with a gross floor area of 119,822.06 sq.m, which have been used as our auction sites and office premises. We believe that our existing facilities are generally adequate to meet our current needs, but we expect to seek additional space as needed to accommodate future growth.

We face certain issues related to some of our leased properties and are accordingly subject to the relevant risks. As of the Latest Practicable Date, (1) we have 47 leases concerning properties located in China, with a total of approximately 97,973.19 sq.m. of office space and auction sites for our daily operation, that have not been registered with the relevant authorities as required, because the relevant lessors failed to provide necessary documents for us to register the leases with the local government authorities, (2) we have 20 leased properties with a gross floor area of approximately 25,805.12 sq.m. where the respective lessors have not provided us with valid property ownership certificates or any other documentation proving their right to lease those properties to us or they have the rights to lease the properties; (3) five of our leased properties with a total gross floor area of approximately 4,546 sq.m. were mortgaged to certain third parties in China before they were leased to us, and (4) we use 16 of our leased properties with a total gross floor area of approximately 43,381.89 sq.m in a way that may be considered to fall outside the scope of the approved use of the lands on which such properties are located. We have obtained from 37 out of 50 of the respective lessors their confirmation (the "**Lessor**

Confirmation Letters") in relation to the following matters: (1) the lessor has the right to lease the relevant property to us, and (2) there do not exist certain circumstances that may affect our use of the property in accordance with the relevant lease agreement, and if there do exist such circumstances, they would be liable for any losses incurred in accordance with the lease agreement. The lease expenses attributable to these 37 leases accounted for 85.0%, 78.0% and 78.9% of our total lease expenses, respectively, during 2021, 2022, and 2023. Given that (i) our business operation does not involve any production activities that depend on fixed assets or production equipment, (ii) none of the leased properties is a material property for our Group and our business operation does not materially depend on any of the leased properties, (iii) we are able to relocate to a different site at a relatively low cost if we are required to do so, and (iv) we have obtained the foregoing confirmation from a substantial majority of the lessors of our leased properties, our Directors are of the view that the relevant issues of the lease agreement will not materially and adversely affect our business operations. See " — Legal Proceedings and Regulatory Compliance — Non-compliances — Non-compliance related to our leased properties" and "Risk Factors — Risks Related to Our Business and Industry — Our use of certain leased properties could be challenged by third parties or governmental authorities, which may expose us to potential fines and negatively affect our ability to use the properties we lease" in this document for more information related to our leased properties.

As of December 31, 2023, none of the properties leased by us had a carrying amount of 15% or more of our total assets. Therefore, according to Chapter 5 of the Listing Rules and section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Cap. 32L of the Laws of Hong Kong), this document is exempted from compliance with the requirements of Section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which requires a valuation report with respect to all our Group's interests in land or buildings.

HEALTH, SAFETY, SOCIAL AND ENVIRONMENTAL MATTERS

We aspire to become a leader in environmental, social and governance ("**ESG**") responsibilities by exploring ways to protect the environment and supporting social causes. We are committed to social responsibilities, and consider ESG essential to our continuous business development and success. We have adopted a variety of measures to minimize any environmental impact from our business.

We believe our business model itself is underpinned by a strong ESG cause: through our operations, we help decrease environmental impacts by facilitating the re-use of used vehicle to effectively extend vehicles' use life, thereby minimizing the carbon emissions associated from new vehicle manufacturing. As a result, the more successfully we are operating our business, the more used vehicles transactions we can successfully facilitate, and the more ESG impact and benefits we can contribute to our society. Each vehicle that we handle and process through our business operations is an existing element of our world's economy and ecosystem, with the carbon emissions and other environmental impacts associated with its manufacturing as sunk costs. We reduce future environmental harm by extending the useful life of the vehicle, thereby displacing carbon emissions that would otherwise have been resulted from new vehicle manufacturing. Our used vehicle transaction platform also streamlines the used vehicle transaction process and makes used vehicle transactions more efficient, which is also cost-saving and environment-friendly. Furthermore, for dealership groups who are our upstream sellers, we provide them with used vehicle acquisition and inspection services, streamlining the process of used vehicle disposal for consumers. We believe our platform serves as a highly efficient used vehicle disposal channel that helps save energy and reduces emission for the industry as a whole.

In line with our corporate strategy, we strive to cultivate a sustainable mindset among our employees, work environment, as well as our business partners. Through offering an extensive selection of used vehicles and attracting various used vehicle sellers and buyers to our transaction platform, we believe we have developed an ESG-friendly, circular and sustainable business model that is consistent with the ESG principles. As we continuously work towards creating a growing used vehicle ecosystem, we believe we are making substantive contributions to the waste reduction efforts and the development of circular economy, thereby promoting resource preservation and environmental protection.

Our business operations are subject to various PRC labor laws and regulations related to employee health and work safety and environmental protection. We have adopted work safety policies to ensure that our operations are in compliance with applicable laws and regulations. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material accidents in the course of our operations concerning occupational health or safety, nor were we subject to any material fines or other penalties due to non-compliance with health, safety or environmental regulations.

ESG Governance Matters

ESG Oversight

We have incorporated ESG management into our development strategy, our business and daily operations. Our platform significantly improves used vehicles transaction efficiency, extends vehicle life cycle, and provides more convenient and reliable services to buyers. To strengthen our ESG concepts and ESG practice, we have established a comprehensive ESG governance framework, policies and procedures to manage and monitor ESG matters.

ESG Working Group

Our Board has adopted an ESG policy (the "**ESG Policy**"), which sets out our key ESG-related objectives and responsibilities. Pursuant to our ESG policy, our Board is required to review our core principles in terms of ESG matters on an annual basis, including maintaining ESG as a key priority for our employees; fostering a culture of acting in accordance with the ESG policy; and monitoring and reporting key environmental and social risks, mitigation and opportunities for improvement. Under the ESG policy, we will establish an ESG Oversight Committee reporting to our Board, and this ESG Oversight Committee will have responsibility for the identification, evaluation, prioritization and management of material ESG-related matters. As set forth in our ESG policy, our ESG Oversight Committee will initially comprise our core management representatives as may be appropriate from time to time. See "Directors and Senior Management — Senior Management" for more information relevant to the qualifications and experience of our senior management. The ESG Oversight Committee will meet at least once per year to identify, evaluate and manage progress of annual key ESG objectives agreed by our Board. Where the ESG Oversight Committee considers it necessary, it may engage a third party consultant to support us in fulfilling our ESG objectives. If we engage such a third party, the ESG Oversight Committee will have responsibility for managing that third party consultant. We will incorporate ESG-related matters into various training programs for our employees. The ESG Oversight Committee will also have primary responsibility for preparing our ESG report. The ESG Oversight

Committee will report to our Board on an annual basis. Our Board will review the ESG policy, goals and targets annually and be responsible for approving the publication of our ESG report. The Board will also review the ESG policy to ensure its effectiveness and discuss and approve any revision that may be required from time to time. Besides, we will establish a ESG working group under the ESG Oversight Committee, which is responsible for conducting specific ESG matters.

Our Directors confirmed that we were not subject to significant health, work safety, social or environmental risks with respect to our business operations during the Track Record Period and up to the Latest Practicable Date. As further confirmed by our Directors, during the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material fines or administrative penalties due to non-compliance with or any violation of health, work safety, social or environmental laws and regulations in the PRC that would have materially and adversely affected our financial and business operation.

Materiality Assessment and Opportunity Identification

We pay high attention to materiality assessment and opportunity identification of various ESG matters, which will help us improve ESG management, strengthen ESG initiatives and mitigate ESG risks. The table below sets forth the material ESG topics and their potential positive impact on our business.

Material ESG Topics	Impact on our business	Potential opportunities
Energy and emissions	• Enhance operational efficiency, optimize operation modes, reduce consumption of energy and resources, and reduce emissions and discharge of pollutants and wastes. • Form strategic collaboration with additional NEV OEMs and expand our business in the used NEV industry.	• Reduce the environmental impact of our operations and business. • Mitigate potential compliance risks arising from breach of relevant environmental protection laws, including litigation and administrative penalties. • The strategic collaboration with NEV OEMs enables us to eliminate carbon emissions. According to the 2022 China Automotive Low Carbon Action Plan research report released by the China Automotive Technology Research Center, NEVs can reduce carbon emissions by 43.4% compared to ICE vehicles throughout their entire life cycle. In addition, the Chinese government plans to continue to increase the percentage of renewable energy in the power grid, which may cause the carbon emissions of NEVs to become even lower in the future as electricity is the power source for NEVs.

Material ESG Topics	Impact on our business	Potential opportunities
Labor management	• Promote employee diversity and equality. • Protect legal rights and interests of our employees. • Improve employees' welfare, benefits and well-being. • Establish more communication channels to facilitate communication between management and employees.	• Increase employment stability and reduce staff turnover. • Eliminate inequity and discrimination in the workplace. • Comply with local employment laws and regulations, protect employees' legal rights and interests, and mitigate risks of labor disputes.
Information security and customer privacy	• Improve information security protection technologies and management measures to secure data privacy.	• Leakage of customer data, breach of data privacy or occurrence of cybersecurity incidents will negatively affect our reputation and relationships with customers, which may have an adverse effect on our business and results of operations.
Client services	• Improve standardization of the service process to improve our service efficiency. • Advance complaint resolving and management procedures and assessment methods to improve our service quality. • Continue to regularly conduct customer surveys to evaluate and improve our service quality.	• Prevent and reduce customers' complaints and disputes. • Increase brand value and customer satisfaction.

We have developed multi-dimensional risk management methods and measures to prevent the potential ESG risks on our operations and business. For example, we have formulated Regulations on the Use of Office Consumables and Electrical Appliances, Recruitment and Employment Management System, and obtained information system security level protection (level 3) records to manage and control various risks.

Environmental Matters

Climate-related Risks and Risk Assessment & Management

We comply with all applicable environmental policies and guidelines, and take social responsibility of mitigating climate-related risks and reducing greenhouse gas emissions. In particular, we have assessed and identified the following climate-related risks and developed appropriate risk management actions.

Risk Type	Climate related risks	Risk management actions
Physical risks	Risks from climate change (e.g. extreme weather events such as hurricanes and floods) may have an adverse impact on our business operations and property security, including vehicle storage and maintenance, suspension or cancellation of auction sessions, disruption of operation of auction sites, timely delivery of used vehicles, and delays in used vehicle transactions.	• Optimize auction process and safeguard mechanism to protect property safety. • Constantly monitor the risk events and impacts from climate change in the regions in which we operate, and take timely measures to avoid damages to our auction sites.
Transition risks	We are required to comply with the climate-related information disclosure requirements and carbon emission limits, which will lead to the increase in our cost and operating expenses, as well as potential litigation risks.	• Continuously monitor and manage carbon emissions from our operations, such as conducting carbon emission assessment of vehicles. • Comply with the relevant policies and industry guidelines, including disclosure requirements relating to carbon emission.

Environment and Climate Related Targets and Metrics

The following table sets forth our environment and climate related metrics for the periods indicated:

Indicators/Unit	2021	2022	2023
Air contaminators[(1)](kg)			
NOx emissions	101.14	90.13	137.20
Sox emissions	1.49	1.33	2.02
Particles emissions	7.45	6.64	10.10
Greenhouse Gas[(2)]			
Total greenhouse gas emissions (ton of carbon dioxide equivalent)	1,739.14	1,580.80	1,885.88
— Scope 1 greenhouse gas emission	231.21	206.05	313.65
— Scope 2 greenhouse gas emission	665.80	619.98	727.30
— Scope 3 greenhouse gas emission	842.13	754.77	844.92
Greenhouse gas emissions per unit of revenue (ton of carbon dioxide equivalent/RMB million)	2.6	3.4	3.8
Energy consumption[(3)]			
Energy consumption (indirect)[(4)] (kwh)	1,140,265	1,087,118	1,275,298
Energy consumption (indirect) per unit of revenue (kwh/RMB million)	1,682.58	2,324.73	2,592.24
Energy consumption (direct)[(5)] (ton of standard coal)	111.91	99.73	151.81
Energy consumption (direct) per unit of revenue (ton of standard coal/RMB million)	0.17	0.21	0.31
Water consumption[(6)]			
Municipal water consumption (ton)	11,036	12,621	13,526
Municipal water consumption per unit of building area (ton/1,000 sm)	110.24	113.78	105.20

Notes:

(1) The emission of air contaminators is mainly generated by our own vehicles driving. Our calculation has referenced *Hong Kong EPD EMFAC-HK Vehicle Emission Calculation Model* and *US EPA MOBILE 6.1 Particulate Emission Factor*.

(2) Greenhouse Gas emission calculation has referenced *GHG Protocol* published by WRI and WBCSD, *China Greenhouse Gas Emission Coefficient Library for Product Life Cycle (2022)*, *EPA Supply Chain GHG Emission Factors Dataset 2021* and *2021 UK Government GHG Conversion Factors for Company Reporting*.

(3) Energy consumption calculation has referenced *China General rules for calculation of the comprehensive energy consumption (GB2589–2020)*, *Guidelines on enterprises greenhouse gas emissions accounting and reporting- Power generation facilities*, etc.

(4) Energy consumption (indirect) is from purchased electricity.

(5) Energy consumption (direct) is from self-owned vehicles gasoline consumption.

(6) Water consumption is from our offices and auction sites and warehouses.

We will continue to strive to reduce the use of ICE vehicles, effectively manage the energy and resources consumption and reduce environment pollution in our business operations.

How Our Platform Reduces Carbon Emission

We believe the use of our transaction platform can bring positive environmental impact through (1) allowing consumers to reuse existing used vehicles instead of purchasing new ones, (2) enhancing the transaction efficiency of used vehicle transactions, and (3) extending use life of vehicles to postpone and potentially reduce the environmental impact related to obsolescence of vehicles. Specifically:

(1) According to an ESG report issued by a top Chinese automobile manufacturer, the average carbon emission generated from the manufacturing of a new vehicle is approximately 7.7 tCO_2e in 2023. There were approximately 176,000 used vehicles transacted through our platform in 2023. This means approximately 1.4 million tCO_2e carbon emission has been reduced in 2023 comparing to when consumers purchase new vehicles instead;

(2) In addition, under conventional used vehicle transaction process, used vehicles are usually traded and transported many times among Professional Buyers before they are purchased by consumers, mainly due to the inefficiency in information dispersion. Compared to such inefficient transaction process, our platform can optimize the whole used vehicle transaction process by increasing transparency, such that the number of transactions between professional buyers (for the same vehicle) can be reduced. This highly efficient process can further reduce the amount of carbon emission generated from the used vehicle transaction, such as through the transportation of the same vehicle among different Professional Buyers before the vehicle ends up with consumers; and

(3) Disposal of obsolete vehicle may cause environmental pollutions, including the leakage of refrigerant, disposal of hazardous waste like vehicle battery and disposal of waste electronic parts. Reuse of used vehicle is more environmentally friendly than direct disposal. Moreover, the PRC government is in the process of publishing and implementing regulations to guide the disposal process of used vehicle to make it more efficient and environmentally friendly in general. Therefore, if the obsolescence of used vehicles can be postponed by their reuse as facilitated by our platform, it is more likely that they can be ultimately obsoleted in a more environmentally friendly manner as the regulation requirements and relevant technology evolve.

During the Track Record Period, the principal energy we consumed was electricity. Our annual electricity consumption was approximately 1.1 million kWh, 1.1 million kWh and 1.3 million kWh in 2021, 2022 and 2023, respectively. Our annual scope 1 emission (direct emission from owned or controlled sources) was approximately 231 tCO_2e, 206 tCO_2e and 314 tCO_2e in 2021, 2022 and 2023, respectively. Our annual scope 2 emission (indirect emission from the generation of purchased energy) was approximately 666 tCO_2e, 620 tCO_2e and 727 tCO_2e in 2021, 2022 and 2023, respectively. Our annual scope 3 emission (other indirect emission not included in scope 2) was approximately 842 tCO_2e, 755 tCO_2e and 845 tCO_2e in 2021, 2022 and 2023, respectively. The scope 3 emission primarily includes such emission generated from purchased goods, employees' business travels, logistics and transportation provided by third-party service providers, and third-party data center usage. We encourage green initiatives to be implemented in our business operation to reduce our scope 3 emission, including green travel (such as choosing low-carbon travel methods and avoiding unnecessary travels) and green procurement (such as procuring low-carbon and energy-efficient product).

Energy Saving and Environmental Protection

We take environment impact into account when conducting our business. As a used vehicle transaction service provider, we are not involved in any manufacturing activities, and therefore we do not emit a significant amount of greenhouse gases, wastes or pollutants from our business operations. Moreover, our business model itself serves to reduce carbon emissions and improve energy efficiency by facilitating the re-use of used vehicles and extending the vehicles' use life. Notwithstanding the emission-friendly nature of our business, we have implemented, and plan to continue to implement various measures to improve energy and water efficiency in our day to day business operations, and we expect to reduce our annual consumption of electricity, gasoline fuel, natural and water on a per-vehicle basis in our operations as we continue to upsize our auction centers and upgrade our auction hubs to achieve greater economies of scales.

We are committed to strictly comply with Environmental Protection Law of the PRC and other environmental laws and regulations in our business operations. We have also formulated internal rules regarding the use of office resources and equipment to further improve our environmental management system.

We endeavor to continue to optimize the operation of our auction sites to proactively conserve energy. For example, we have been using and expect to continue to use environmental-friendly equipment and facilities and will also leverage our video monitoring system to avoid unintended power and water usage during off-hours. Building management officers also conduct tour inspections to make sure all heating, ventilation and air conditioning system and lighting system are turned off during off-hours. We also set up and monitor temperature to use air conditioners environmental-friendly. We conduct regular water pipe leak testing to avoid potential water wastage, and the water pressure in our auction sites and offices is set to the lowest possible level to lower water flow and prevent unnecessary water consumption. We manage to turn off office electrical equipment outside office hours, and divide over-time zones in the office to avoid decentralized electricity consumption. In addition, we encourage double-side printing and office wastes classification to reduce wastes.

We believe our business operation achieved more environmentally friendly performances compared to other companies in our industry. Three major peers in China, Japan and the United States, namely Uxin Ltd, USS Auto Auction, and Copart, respectively, disclosed their operational carbon emission data (scope 1 and scope 2) and electricity consumption in their ESG reports. These companies are leading online used vehicle transaction service providers, which we consider to be comparable to ours. As such, we believe their carbon emission and electricity consumption results can be used as a benchmark to assess our performance. According to their last available ESG reports, the operational carbon emission intensity was 21.1, 28.3 and 21.7 tCO_2e/million USD revenue for Uxin Ltd, USS Auto Auction, and Copart, respectively. In comparison, our operational carbon emission intensity (scope 1 and scope 2) amounted to 1.2, 1.3, and 1.8 tCO_2e/million RMB revenue in 2020, 2021, and 2022, respectively. Our operational carbon emission intensity is significantly lower than other companies in our industry. As for our major peers' electricity consumption, the intensity was 36.4, 46.2 and 11.2 MWh/million USD revenue for Uxin Ltd, USS Auto Auction and Copart, respectively. In comparison, the intensity of our indirect energy consumption (from the generation of purchased electricity) was 1.4, 1.7 and 2.3 MWh/million RMB revenue in 2020, 2021 and 2022, respectively, significantly lower than that of our major peers. Among these three major peers, USS Auto Auction, which has the highest carbon emission baseline, disclosed its target of reducing its scope 1 and scope 2 carbon emissions by 42% in 2031 compared to its 2022 level. To our best knowledge, the other two major peers, Uxin Ltd and Copart, have not disclosed their targets for carbon emission reduction, and none of the three major peers have disclosed their targets for energy consumption reduction.

We aim to continue to reduce our operational carbon emission intensity (scope 1 and scope 2) by 20% by 2030, compared to our 2023 level. Our planned carbon reduction initiatives include: renting more energy-efficient office spaces and facilities for our expansion, direct purchase and use of renewable energy, purchase of energy-efficient office appliances, and continuously enhancing our employees' energy saving awareness. In addition, we intend to continue to reduce the level of our fuel and utility usage on a per-employee basis in the future, primarily through raising conservation awareness among our employees, such as putting up water saving posters and reminders at workplace to remind employees to turn off light and faucet completely after use, and fostering a conservation culture within our Group through a variety of training programs and related events. We expect that this can also indirectly reduce our average fuel and utility usage per employee.

We also seek to minimize our environmental impact by adopting environmentally sustainable technologies. For example, we are considering to engage third-party solar companies to install rooftop photovoltaic panels in our auction sites and offices to generate power for our business operation, thus reducing our emission of carbon dioxide.

The sources of gasoline fuel consumption in our business operation mainly include (i) our employees' business travel by car, such as to visit upstream dealership groups to establish business collaboration with them, and (ii) driving of used vehicles for in-lane and simulcast auctions in our auction sites between the auction area and parking lot. We have always been committed to reducing fuel consumption in our business operation. For example, we have purchased eco-friendly vehicles, such as NEVs, for our employees to use for their business trips. We have also instruction manual for used vehicle drivers that provide fuel-saving tips to further reduce the consumption of fuels. We plan to thoroughly implement these measure in the future.

Social Matters

Occupational Health and Safety

We comply with PRC laws and regulations related to occupational health and safety, and have formulated Auction Site Safety Management Manual to ensure employee safety.

We are committed to providing a safe and healthy workplace for our employees, which is backed by strict policies, trainings and safety recognition efforts. We have implemented safety guidelines and operating procedures for our business, especially for our operation of auction sites.

We provide our employees with occupational safety education and training, covering relevant laws and regulations regarding labor safety, risks in relation to our used vehicle businesses and auction site operation, as well as measures to reduce such risks so as to enhance their awareness of safety issues. We carry out periodic inspections to ensure their compliance. We also conduct regular worksite and auction site inspections to eliminate any potentially hazardous working environment. In addition, we conduct onboarding health checkup for our new employees.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material workplace accident and were not subject to any material fines or penalties by PRC government authorities resulting from any non-compliance with applicable occupational health and work safety laws or regulations. The following table sets forth details of the assessment of our occupational health and safety for the periods indicated:

Indicators/Unit	**2021**	**2022**	**2023**
Number of work-related accidents	0	0	0
Number of fatalities in work-related accidents	0	0	0
Ratio of fatalities in work-related accidents (%)	0	0	0
Lost days due to work-related injury	0	0	0
Number of work-related accidents per million working hours	0	0	0
Number of occupational disease patients per million working hours	0	0	0

Employment

To protect the legal rights of employees and ensure our compliance with relevant PRC labor laws and regulations, we have developed Recruitment and Employment Management Policy to improve the fairness in recruitment and promotion.

Diversity Enrichment and Talent Cultivation

We value gender equality and diversity, and we strive to provide our employees with a diverse work environment and a wide range of career development opportunities. We are committed to broadening the impact of female employees and empowering them to shine in various departments in our Group as well as in the automobile sector in general. We believe our female employees benefit from our women-empowerment activities and programs. We also actively support women's economic empowerment and women's leadership promotion. As of December 31, 2023, female employees accounted for approximately 50% of our senior management.

Talent Development

We believe that employees' knowledge, experience, and professional development contribute to our growth. We have developed an Employee Training Policy and established a comprehensive employee training system.

We are committed to generating career development opportunities and fostering a growth-oriented workplace environment. We provide career development opportunities for our employees. We have designed various employee training sessions, covering topics such as leadership, professional competencies, employee rights and responsibilities, and others. In 2023, we organized 60 training sessions, with an aggregate of more than 2,700 employees participating in those sessions. In addition, we conduct annual training on management skills for our management team.

Promotion and Benefits

We strive to create a favorable career development path for our employees by offering them with competitive salaries and benefits, and fair promotion channels. In particular, we have formulated Employee Promotion and Position Transfer Policy and Salary Management Policy. In addition, we have established an advanced salary and welfare allowance system.

Anti-Corruption

We prohibit any corruption, bribery, extortion, fraud and money-laundering activities. We have built a strong anti-corruption system and issued Anti-bribery and Anti-corruption Policies and Anti-Fraud Management Policy. To effectively monitor corruption and bribery activities, we encourage our employees to report violations and provide necessary protection for whistleblowers. During the Track Record Period and up to the Latest Practicable Date, we did not have any material corruption, bribery, extortion, fraud or money-laundering activities.

Social Responsibility and Charitable Endeavors

As one of the important tenets of our business, we aspire to be a socially responsible company that gives back and brings benefit to the community and society. While engaging in charity may incur additional expenses in the short-term, we believe these activities instill a sense of pride and responsibility in our employees and help foster positive reputation of our Company in the long term. Guided by this commitment, we have planned and participated in a number of charity activities, both online and offline, covering important social issues in China including natural disasters relief and COVID-19 pandemic donation. For example, during COVID-19, we proactively supported China's nationwide efforts to contain the spread of COVID-19 and launched a variety of initiatives to combat the pandemic and to support communities. In 2020, we permitted work-from-home arrangements for our employees who could not return to the office from their hometowns due to the COVID-19 outbreak. Meanwhile, we disinfected our office area regularly and conducted temperature monitor of our employees who came to the offices, and we purchased epidemic prevention supplies with the aim to provide our employees with a safe and healthy working environment. For employees located in cities where restrictive measures were imposed by local governments, we actively cooperated with our regional offices to send necessities and supplies to our employees who were quarantined at home and provided them with counseling and care to ensure the well-being of their mental health. Moreover, before we resumed our business operation from the government-imposed restrictive measures, we conducted thorough cleaning and disinfection of our offices and auction sites to ensure the safety of our employees as well as those who came to our auction sites, including our sellers, buyers and third-party service providers. We have also made the health and safety of our employees our top priority during the pandemic. During the COVID-19 outbreak, we provided our employees with protective gear including face masks, which were in urgent demand and short supply. We believe our supportive efforts in this time strengthened our ties with the communities we serve and reinforced our long-standing value in being socially responsible. We intend to continue to carry out charitable initiatives, both online and offline, as part of our commitment to corporate social responsibility and community services.

LEGAL PROCEEDINGS AND REGULATORY COMPLIANCE

From time to time, we may be subject to various legal or administrative claims and proceedings that arise in the ordinary course of our business. During the Track Record Period and up to the Latest Practicable Date, we were compliant with relevant laws and regulations in all material aspects, and we had not been and were not involved in any non-compliance incidents that have led to fines, enforcement actions, or other penalties that could, individually or in the aggregate, have a material adverse effect on our business, financial condition, and results of operations.

Non-compliances

Social insurance and housing provident fund contributions

As required by the PRC regulations, we participate in various government statutory employee benefit plans, including pension insurance, medical insurance, unemployment insurance, work-related injury insurance and maternity insurance, and housing funds. We are required under PRC law to make contributions to employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the local government regulations from time to time. During the Track Record Period, we used third-party human resources agencies to make social insurance and housing provident fund contributions on behalf of us for some of our employees that are based at auction sites of limited sizes. We engaged third-party agencies to pay social insurance and housing provident funds primarily because, in connection with our expansive auction site network, some of our employees are working in auction sites that are located in different cities across China; they preferred their social insurance and housing provident funds to be paid at their respective places of residence, rather than to be paid at the cities of our relevant entities with which they established employment relationships, so as to facilitate the local use of such benefits. Therefore, we made such arrangements for those employees in cities they resided during the Track Record Period. Such arrangements, although not uncommon in China, are not in strict compliance with applicable PRC laws and regulations. In 2021, 2022 and 2023, we made social insurance and housing provident fund contributions through the third-party human resources agencies of RMB7.4 million, RMB11.0 million and RMB6.7 million, respectively, representing approximately 29%, 33% and 20% of our total social insurance and housing provident fund contributions, respectively, during the same periods. As of December 31, 2023, we directly made social insurance and housing provident fund contributions for all of our employees. We plan to continue making social insurance and housing provident fund contributions directly for our employees in the future.

According to the PRC laws and regulations, (i) we shall voluntarily declare and promptly pay social security premiums in full amount. If we fail to complete social security registration with the social security agency for our employee within 30 days from the date of recruitment, the relevant PRC authorities may demand us to make correction within a stipulated period and we may be subject to an overdue charge of 0.05% or 0.2% of the delayed payment per day from the due date, as the case may be. If we fail to make such correction within the stipulated period, we may also be liable to a fine ranging from one to three times the amount of the social security premiums payable; and (ii) when employing a new employee, we shall make registration of contribution with the housing provident fund management center within 30 days from the date of the employment, and shall go through the formalities of opening or transferring housing provident fund accounts on behalf of the employee. If we fail to undertake contribution registration of housing provident fund or fail to go through the formalities of opening housing provident fund accounts for the employees, we may be ordered by the housing provident fund management center to go through the formalities within a prescribed time limit. If we fail to do so within the prescribed time limit, we may also be liable to a fine of not less than RMB10,000 nor more than RMB50,000. As such, the relevant government authorities may determine that making social insurance and housing provident fund contributions for some of our employees through third-party human resources agencies does not fully satisfy the relevant requirements under the PRC laws and regulations. Accordingly, we may be subject to additional contributions and/or penalties imposed by the relevant PRC authorities for failing to discharge our obligations in relation to payment of social insurance and housing provident fund contributions as an employer or be ordered to rectify.

As of the Latest Practicable Date, we had not been subject to any administrative penalties for the aforementioned matters, nor were we aware of any material employee complaint or dispute with respect to social insurance or housing provident fund contribution. We have also obtained confirmation from (1) the third-party human resources agencies that they had made full social insurance and housing provident fund contributions for our relevant employees on behalf of us according to the relevant legal requirements during the Track Record Period and up to the Latest Practicable Date, and (2) the relevant employees that they consented with having the third-party human resources agencies to make such social insurance and housing provident fund contributions on their behalf, and that they would not make claims or otherwise initiate proceedings against us in connection with such arrangement. In addition, we have also made full contribution during the Track Record Period and up to the Latest Practicable Date for our remaining social insurance and housing provident fund contribution. As such, during the Track Record Period and up to the Latest Practicable Date, there had not been any shortfall in the social insurance and housing provident fund contributions made directly by us or by third-party human resources agencies. However, if the relevant government authorities determine in the future that our historical use of third-party human resources agencies to pay social insurance and housing provident funds is non-compliant and order us to pay the contributions within a stipulated time period, Mr. Yang Aihua has agreed to provide full indemnification for such contributions and the late fees and/or penalties that may arise as a result of the non-compliance. As advised by our PRC Legal Adviser, based on the foregoing, the current policies and regulations, and the current regulatory situation of the relevant government authorities, provided that none of the relevant employees will file a complaint with the relevant government authorities, the likelihood of us being subject to material fines by the relevant government authorities due to paying social insurance and housing provident fund contributions through third-party human resources agencies is remote. As a result, our Directors are of the view that our arrangement of social insurance or housing provident fund contribution during the Track Record Period will not have a material adverse impact on our business operations and financial performance, and accordingly, we had not made any provision in connection with our social insurance and housing provident fund contributions during the Track Record Period and up to the Latest Practicable Date.

We have adopted the following internal control measures to monitor our ongoing compliance with the relevant employment laws and regulations in the PRC and prevent future occurrences of non-compliances in relation to our practices for social insurance and housing provident fund contribution, which includes (i) regularly communicating with relevant government authorities and agencies to ensure that our contribution arrangements comply with the relevant laws and regulations; (ii) keeping abreast of the latest developments in PRC laws and regulations in relation to social insurance and housing provident funds; (iii) regularly consulting our PRC Legal Adviser to adequately understand and interpret the relevant PRC laws and regulations and timely identify any non-compliance issues; (iv) preparing periodic reports regarding our contribution progress, including contribution amounts and payment methods, for review by our management; and (v) designating our human resources department to review and monitor the reporting and contributions of social insurance and housing provident funds, such as conducting routine and spot checks of randomly selected auction sites and offices, to ensure the social insurance and housing provident fund contributions of employees based therein have been made in such an amount and manner in compliance with the relevant laws and regulations.

For more details, see "Risk Factors — Risks Related to Our Business and Industry — Certain of our practices with respect to social insurance and housing provident fund contribution may subject us to penalties."

Non-compliance related to our leased properties

As of the Latest Practicable Date, we have 47 leases concerning properties located in China, with a total gross floor area of 97,973.19 sq.m. of office space and auction sites for our daily operation, that have not been registered with the relevant authorities as required, because the relevant lessors failed to provide necessary documents for us to register the leases with the local government authorities. These properties are being used as our offices and for our used vehicle auction business, including the provision of services, vehicle parking and vehicle displays. As advised by our PRC Legal Adviser, failure to complete the registration and filing of lease agreements will not affect the validity of the lease agreements or result in us being required to vacate the leased properties. However, the relevant PRC authorities may require parties to the lease agreements to complete lease registration within a prescribed period of time, and failure to do so may subject the parties to fines ranging from RMB1,000 to RMB10,000 for each unregistered lease. As such, the aggregate maximum penalty for our non-compliance relating to the registration and filing of lease agreements is RMB470,000 based on agreements currently in force. If we were ordered to complete the lease registration, we will work with the relevant lessors to do so promptly and within the prescribed time period.

Having considered the foregoing, our Directors believe that the non-registrations of leases described above will not, individually or in the aggregate, materially affect our business and results of operations, on the grounds that: (i) no penalty had been imposed on us for our failure to register and file the relevant lease agreements during the Track Record Period and up to the Latest Practicable Date, (ii) if the lease registration can be completed in accordance with relevant laws and regulations within a reasonable time from the date of application or the prescribed time limit ordered by the competent governmental authorities, the risk of governmental authorities imposing a material penalty on us with respect to these leased properties is remote, and (iii) we have designated a dedicated team (comprising of staff under our network development department and legal department) to work on the lease registration by proactively communicating with the lessors in order to obtain their cooperation and collect the application documents for the relevant lease registration, and we plan to promptly submit the application documents for lease registration when those documents are complete.

In addition, as of the Latest Practicable Date, 16 of our leased properties with a total gross floor area of 43,381.89 sq.m. are being used by us as our offices and for our used vehicle auction business, including provision of services, vehicle parking and vehicle displays, which may be considered to fall outside the scope of the approved use of the property. As advised by our PRC Legal Adviser, in the case of failure to utilize the property in accordance with the approved use, the relevant administration authorities may order the tenant to cease utilizing the premises or even invalidate the lease agreement between the lessor and the tenant. Therefore, in the event that the relevant administration authorities determine that our use of the leased properties does not comply with the approved use, we may be unable to continue to use the properties and may have to relocate to alternative premises, in which case we estimate that we may incur up to RMB4.0 million for relocation.

Our Directors believe that the non-compliances concerning these 16 properties will not, individually or in aggregate, materially affect our business and results of operations, on the grounds that: (i) our business operation does not involve any production activities that depend on fixed assets or production equipment, (ii) none of the leased properties is a material property for our Group and our business operation does not materially depend on any of the leased properties, (iii) we have obtained Lessor Confirmation Letters from the relevant lessors for all of these properties, and (iv) we are able to relocate to a different site at a relatively low cost if we are required to do so.

See "Risk Factors — Risks Related to Our Business and Industry — Our use of certain leased properties could be challenged by third parties or governmental authorities, which may expose us to potential fines and negatively affect our ability to use the properties we lease" in this document for more information for risks related to our leased properties.

To prevent re-occurrence of the non-compliance incidents described above, we have enhanced our internal control measures and procedures, which includes: (i) conducting enhanced due diligence, such as site visits and examination and verification of title certificates and other necessary documents to ensure there are no title issues or other non-compliances before entering into any new lease; (ii) seeking our PRC Legal Adviser's opinion on the issues relating to title of properties and compliance of the PRC property laws and regulations; (iii) establishing a set of policies and procedures for leasing arrangements to enhance our internal approval process; and (iv) designating our network development deparment and legal department to monitor the implementation of the above measures and check on a regular basis whether there is any non-compliance going forward.

RISK MANAGEMENT AND INTERNAL CONTROL

We are exposed to various risks for our operations so risk management is important for our business. For details of the various operational risks we face, please see "Risk Factors — Risks Related to Our Business and Industry." In addition, we are exposed to various financial risks, such as credit, liquidity and interest rate risks that arise in the normal course of our business. For details, please see "Financial Information — Financial Risk Management Objectives and Policies." In order to identify, assess and control the risk that may cause impediments to our business, we have designed and implemented various policies and procedures to help ensure effective risk management in our operations.

We have adopted a consolidated set of risk management policies which set out a risk management framework to identify, assess, evaluate and monitor key risks associated with our strategic objectives on an on-going basis. Our audit committee and ultimately our Directors supervise the implementation of our risk management policies. Risks identified by our management will be analyzed on the basis of likelihood and impact, and will be properly followed up and mitigated and rectified by our Group and reported to our Directors. We have adopted or will continue to adopt, among other things, the following principles:

- establish an audit committee to review and supervise our financial reporting process and internal control system. In particular, the audit committee pays close attention to the financial reporting and management of our auction centers and will conduct special investigation for fraud, corruption and non-compliance matters. Our audit committee consists of three members, namely Ms. Li Mochou (李莫愁), Mr. Wang Jianping (王建平) and Mr. Yan Jonathan Jun. The chairperson of the committee is Ms. Li Mochou (李莫愁). For the qualifications and experiences of these members, see "Directors and Senior Management";

- adopt various policies to ensure the compliance with the Listing Rules, including but not limited to policies in respect of risk management, connected transactions and information disclosure;

- establish standardized auction procedure based on the relevant requirements under the Auction Law of the PRC (《中華人民共和國拍賣法》), compile the manual of operation that outlines such procedure and conduct the corresponding training for relevant personnel in our auction centers, thereby ensuring that our auction are in compliance with the relevant laws and regulations;

- establish an internal reporting mechanism that allows our employees to report inappropriate behavior to our human resources department and senior management. In particular, we installed internal reporting hotlines in obvious and easily accessible places in our auction centers for our employees to report any inappropriate behavior related to the auction process. We have further set up the rewarding measures to encourage such internal reporting;

- engage external legal advisors to advise us on compliance with the Listing Rules and to ensure our compliance with relevant regulatory requirements and applicable laws, where necessary;

- adopt various measures, procedures and policies in connection with our cybersecurity and data protection. See "— Data Security and Protection" for more details;

- adopt various measures, procedures and policies in eliminating the third-party settlement practice and continuously monitoring our buyers' compliance with our stipulated policies to minimize the risks related to anti-money laundering. See "— Third-party Settlement Practice — Enhanced Internal Control Measures and Remedial Measures" for more details;

- adopt code of conduct for our employees and provide onboarding training and instructions on the requirements under the code of conduct for our employees. We further provide regular anti-corruption and anti-bribery compliance training for senior management and employees in order to enhance their knowledge of and compliance of applicable laws and regulations; and

- arrange our Directors and senior management to attend training seminars on Listing Rules requirements and the responsibilities as directors of a [REDACTED] company.

On May 25, 2023, we have appointed an internal control consultant to review the effectiveness of our internal control measures related to our major business processes, to identify the deficiencies for improvement, advise on the rectification measures and review the implementation of such measures. The work scope of our internal control consultant covers reviewing and assessing various aspects of our operations, including company-level operations, sales management and accounts receivables, procurement and accounts payables, auction sites management, research and development, tangible asset management, human resources and compensation, cash and funds management, financial reporting and disclosure controls, and general control on information technology system.

During the review process of our internal control consultant, certain internal control matters were identified and our internal control consultant has made recommendations for the purpose of assisting us in (i) building a risk management and internal control system that can reasonably manage key risks we encountered to a reasonable level, and (ii) establishing relevant policies and procedures that can reasonably prevent or timely detect future occurrence of such risks on these matters. Specifically, our internal control consultant has identified certain risks related to our Third-party Settlement Practice and has recommended certain internal control measures to us to prevent the recurrence of Third-party

Settlement Practice in the future. For more details, see "— Third-Party Settlement Practice — Implications Relating to Third-party Settlement Arrangement" and "— Third-Party Settlement Practice — Enhanced Internal Control Measures and Remedial Measures." We have adopted the recommendations made by the internal control consultant, and our internal control consultant has completed the follow-up procedures on our internal control system with regard to those actions taken by us on June 16, 2023 and has not identified any material deficiencies in our internal control system.

Having considered the internal control measures adopted by us, our Directors are of the view that our enhanced internal control measures are adequate and effective having regard to the obligations of our Company and our Directors under the Listing Rules and other relevant legal and regulatory requirements.

We have entered into certain transactions in the ordinary and usual course of business with entities that will become our connected persons upon the [REDACTED], and such transactions will constitute fully-exempted continuing connected transactions and partially-exempted continuing connected transactions of our Company under Chapter 14A of the Listing Rules.

OUR CONNECTED PERSONS

The table below set forth the parties who will become our connected persons and conduct continuing connected transactions with our Group upon the [REDACTED] and the nature of their relationship with our Group.

Name	**Connected Relationship with our Group**
Bairui International Exhibition Group Co., Ltd.* (百瑞國際會展集團有限公司) ("**Bairui International**")	Bairui International is owned as to 90.5% by Mr. Han Baoshuang, who was a director of a subsidiary of the Company in the last 12 months, and therefore a connected person of our Company under Rule 14A.07(4) and 14A.12(1) of the Listing Rules. Bairui International principally engages in provision of exhibition related services.
Fengzelin (Beijing) Information Technology Co., Ltd. * (灃澤霖(北京)信息科技有限公司) ("**Fengzelin Beijing**")	Fengzelin Beijing is owned as to 98.575% by Mr. Han Baoshuang, who was a director of a subsidiary of the Company in the last 12 months, and therefore a connected person of our Company under Rule 14A.07(4) and 14A.12(1) of the Listing Rules. Fengzelin Beijing principally engages in the provision of advertising services.
Guizhou Tongyuan Investment Group Co., Ltd.* (貴州通源投資集團有限公司) ("**Guizhou Tongyuan Investment**", together with its subsidiaries, the "**Guizhou Tongyuan Investment Group**")	Guizhou Tongyuan Investment owns 33% equity interests in Guizhou Xintong Used Vehicle Auction Co., Ltd.* (貴州信通二手車拍賣有限公司), a non-wholly owned subsidiary of our Company, and therefore Guizhou Tongyuan Investment and its subsidiaries are connected persons of our Company under Rules 14A.07(1) and 14A.13(1) of the Listing Rules. Guizhou Tongyuan Investment is principally engaged in automobile dealership business.
Guizhou Tongyuan Automobile Group Co. Ltd.* (貴州通源汽車集團有限公司) ("**Guizhou Tongyuan Automobile**", together with its subsidiaries, "**Guizhou Tongyuan Automobile Group**")	Mr. Zang Fengjiang, a director of Guizhou Xintong Used Vehicle Auction Co., Ltd.* (貴州信通二手車拍賣有限公司), a subsidiary of our Company, controls more than 30% voting rights in Guizhou Tongyuan Automobile. Therefore, Guizhou Tongyuan Automobile and its subsidiaries are connected persons of our Company under Rule 14A.07(4) and 14A.12(1) of the Listing Rules. Guizhou Tongyuan Automobile is principally engaged in automobile dealership business.

Name	Connected Relationship with our Group
Shanghai Longyun Property Management Co., Ltd.* 上海隆雲物業管理有限公司 ("**Shanghai Longyun**")	Shanghai Longyun is indirectly owned as to approximately 98.3% by Mr. Yang Aihua, an executive Director and substantial shareholder of our Company, and therefore a connected person of our Company under Rule 14A.07(4) and 14A.12(1) of the Listing Rules. Shanghai Longyun is principally engaged in the provision of property management services.

* *For identification purpose only*

We have entered into the following transactions with the respective entities mentioned above. Such transactions will continue after the [REDACTED] and will constitute continuing connected transactions of our Group under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

Fully Exempt Continuing Connected Transactions

Nature of Transactions	Applicable Listing Rules	Applicable Waiver Sought	Proposed annual caps for the year ending December 31, 2024	2025	2026
			(in thousand RMB)		
1. Property management agreements with Shanghai Longyun					
Property management fees payable by our Group to Shanghai Longyun	14A.34, 14A.52 and 14A.76	N/A	527	527	527
2. Exhibition construction service agreement with Bairui International					
Exhibition construction service fees payable by our Group to Bairui International	14A.34, 14A.52 and 14A.76	N/A	4,500	4,500	4,500
3. Advertising service agreement with Fengzelin Beijing					
Advertising service fees payable by our Group to Fengzelin Beijing	14A.34, 14A.52 and 14A.76	N/A	3,440	3,440	3,440

Fully Exempt Continuing Connected Transactions at the issuer level

1. Property management agreements with Shanghai Longyun

On [●], 2024, Shanghai Xinbao Botong and Xinbao Botong (Tianjin) Used Vehicle Business Co., Ltd.* (信寶博通(天津)二手車經營有限公司) (formerly known as Xinbao Botong Financial Leasing (Tianjin) Co., Ltd.* (信寶博通融資租賃(天津)有限公司)) entered into two property management agreements (the "**Property Management Agreements**") with Shanghai Longyun, effective upon the [REDACTED] until December 31, 2026, pursuant to which our Group agreed to purchase and Shanghai Longyun agreed to provide property management services in respect of properties leased by Shanghai Xinbao Botong and Xinbao Botong (Tianjin) Used Vehicle Business Co., Ltd.* (信寶博通(天津)二手車經營有限公司) (formerly known as Xinbao Botong Financial Leasing (Tianjin) Co., Ltd.* (信寶博通融資租賃(天津)有限公司)). Our Group shall pay fees to Shanghai Longyun based on the total area of the relevant properties in accordance with the Property Management Agreements.

The transaction contemplated under the Property Management Agreements are made in the ordinary and usual course of business and on normal commercial terms or better where, as our Directors currently expect, the highest applicable percentage ratio for the purpose of Chapter 14A of the Listing Rules is expected to be less than 5% on an annual basis and the total consideration is less than HK$3,000,000. Under Rule 14A.76(1)(c) of the Listing Rules, the transactions contemplated under the Property Management Agreements will be fully exempted from announcement, annual review, reporting, circular (including independent financial advice) and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Fully Exempt Continuing Connected Transactions at the subsidiary level

The following transactions with our connected persons at the subsidiary level are made in the ordinary and usual course of business and on normal commercial terms or better where, as our Directors currently expect, the highest applicable percentage ratio for the purpose of Chapter 14A of the Listing Rules is expected to be less than 1% on an annual basis. Under Rule 14A.76(1)(b) of the Listing Rules, the following transactions contemplated will be fully exempted from announcement, annual review, reporting, circular (including independent financial advice) and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

1. Exhibition construction service agreement with Bairui International

On [●], 2024, Changchun Baorui International Exhibition Co., Ltd.* (長春寶瑞國際會展有限公司) ("**Changchun Baorui**") entered into an exhibition construction service framework agreement (the "**Exhibition Construction Service Agreement**") with Bairui International, effective upon the [REDACTED] until December 31, 2026, pursuant to which our Group agreed to purchase and Bairui International agreed to provide certain exhibition venue construction services from time to time. Our Group shall pay fees to Bairui International in accordance with the Exhibition Construction Service Agreement. The precise scope of cooperation, the calculation of fees and other details of the cooperation shall be agreed between the relevant parties separately.

2. *Advertising service agreement with Fengzelin Beijing*

On [●], 2024, Changchun Baorui entered into an advertising service agreement (the "**Advertising Service Agreement**") with Fengzelin Beijing, effective upon the [REDACTED] until December 31, 2026, pursuant to which our Group agreed to purchase and Fengzelin Beijing agreed to provide certain advertising services from time to time. Our Group shall pay fees to Fengzelin Beijing in accordance with the Advertising Service Agreement.

Partially Exempt Continuing Connected Transactions

Nature of Transactions	Applicable Listing Rules	Applicable Waiver Sought	Historical amounts for the year ended December 31, 2021	2022	2023	Proposed annual caps for the year ending December 31, 2024	2025	2026
			(in thousand RMB)					
1. Used vehicle value-added and arrangement for sale services framework agreement with Guizhou Tongyuan Investment Group								
Used vehicle value-added and arrangement for sale services fees payable by Guizhou Tongyuan Investment Group to our Group	14A.34, 14A.35, 14A.49, 14A.51 to 59, 14A.71 and 14A.101	Announcement requirement under Rule 14A.35 of the Listing Rules for the term ending December 31, 2025	71,018	65,136	78,884	86,800	86,800	86,800
2. Supporting services agreement with Guizhou Tongyuan Automobile Group								
Supporting services fees payable by our Group to Guizhou Tongyuan Automobile Group	14A.34, 14A.35, 14A.49, 14A.51 to 59, 14A.71 and 14A.101	Announcement requirement under Rule 14A.35 of the Listing Rules for the term ending December 31, 2025	12,010	9,570	11,717	12,900	12,900	12,900

The Directors (including the Independent Non-executive Directors) [have approved] and are of the view that the following transactions with our connected persons at the subsidiary level are made in the ordinary and usual course of business, on normal commercial terms or better and the terms thereof are fair and reasonable and in the interests of the Company and our Shareholders as a whole. Under Rule 14A.101 of the Listing Rules, the following transactions contemplated are subject to annual review, reporting and announcement requirements but are exempt from the circular, independent financial advice and independent shareholders' approval requirements.

1. *Used vehicle value-added and arrangement for sale services framework agreement with Guizhou Tongyuan Investment Group*

Background for the transactions

During the Track Record Period, our Group has been providing certain used vehicle related value-added and arrangement for sale of used vehicles services (the "**Used Vehicle Services**") to Guizhou Tongyuan Investment Group. In anticipation of the [REDACTED], Guizhou Xintong Used Vehicle Auction Co., Ltd* (貴州信通二手車拍賣有限公司) ("**Guizhou Xintong**") and Guizhou Tongyuan Investment entered into a used vehicle valued-added and arrangement for sale services agreement on [●], 2024 (the "**Used Vehicle Services Agreement**"), effective upon [REDACTED] until December 31, 2026.

Principal terms

Pursuant to the Used Vehicle Services Agreement, we shall provide the Used Vehicle Services to Guizhou Tongyuan Investment Group. Guizhou Tongyuan Investment Group shall pay fees to us in accordance with the agreed fees arrangement in the Used Vehicle Services Agreement based on the specific services provided from time to time.

Reasons for and benefits of the transactions

Guizhou Tongyuan Investment Group is one of the leading automobile dealer groups in the PRC, ranked 13th by China Automobile Dealers Association in 2023 among top 100 automobile dealer groups. Through the cooperation with Guizhou Tongyuan Investment Group, a leading automobile dealer group in the PRC, we expect to be able to achieve better economies of scale and both parties could leverage on each other's competitive advantages in products and platforms to improve popularity among customers within the automobile market and the quality and spectrum of services provided to the respective customers.

Pricing policy

The services fees under the Used Vehicle Services Agreement is determined between the parties following arm's length negotiations with reference to:

(a) the market prices of services of similar nature in the vicinity;

(b) the prices the Group charges other independent third parties for services of similar nature; and

(c) the prevailing cost of the Group in providing such services.

Historical figures

The total Used Vehicle Services fees incurred by Guizhou Tongyuan Investment Group payable to our Group for each of the three years ended December 31, 2021, 2022 and 2023, were approximately RMB71,017,598, RMB65,135,564 and RMB78,883,844, respectively.

Proposed annual caps and their basis

The Directors estimated the annual caps of the aggregate Used Vehicle Services fees to be payable by Guizhou Tongyuan Investment Group to our Group under the Used Vehicle Services Agreement for the years ending December 31, 2024, 2025 and 2026 are as follows:

	Proposed annual caps for the year ending December 31,		
	2024	**2025**	**2026**
	(in thousand RMB)		
Used vehicle value-added and arrangement for sale services fees payable by Guizhou Tongyuan Investment Group to our Group	86,800	86,800	86,800

In arriving at the above proposed annual caps in respect of the Used Vehicle Services fees under the Used Vehicle Services Agreement, the Directors have considered (i) the historical transaction amounts for the three years ended December 31, 2023; (ii) the expected growth rate of the Group and Guizhou Tongyuan Investment Group; (iii) the prevailing market rates of similar Used Vehicle Services in the vicinity; (iv) the expected increase in similar Used Vehicle Services charges based on prediction on the future development of the automobile market in the PRC; and (v) a buffer for the potential increasing demand of Guizhou Tongyuan Investment Group.

2. *Supporting services agreement with Guizhou Tongyuan Automobile Group*

Background for the transactions

During the Track Record Period, Guizhou Tongyuan Automobile Group has been providing used vehicles related services ancillary to the daily operation of the Group's in its normal course of business and cooperation with the Group ("**Supporting Services**"). In anticipation of the [REDACTED], Guizhou Xintong and Guizhou Tongyuan Automobile entered into a supporting services agreement on [●], 2024 (the "**Supporting Services Framework Agreement**"), effective upon [REDACTED] until December 31, 2026.

Principal terms

Pursuant to the Supporting Services Framework Agreement, we shall purchase the Supporting Services from Guizhou Tongyuan Automobile Group. The services to be provided by Guizhou Tongyuan Automobile Group include (i) granting to our Group exclusive access to the 4S dealership stores of Guizhou Tongyuan Automobile Group and providing venue support to enable our Group to provide trade-in and evaluation services; (ii) providing to our Group timely and exclusive information in respect of the potential needs of evaluation or trade-in services when Guizhou Tongyuan Automobile Group obtained such exclusive information in the sales of new vehicles; and (iii) providing all necessary security and cleaning support when our Group is providing services in the 4S dealership stores of Guizhou Tongyuan Automobile Group. We shall pay Guizhou Tongyuan Automobile Group fees in accordance with the agreed fees arrangement in the Supporting Services Agreement based on the specific services purchased from time to time.

Reasons for and benefits of the transactions

As a strategic partner of the Group, Guizhou Tongyuan Automobile Group has been providing us with supporting services on used vehicle transactions to the Company throughout the Track Record Period. We believe it is beneficial to our Group to continue engaging Guizhou Tongyuan Automobile Group for their Supporting Services in light of the competitive rates and satisfactory services provided during the Track Record Period.

Pricing policy

The services fees under the Supporting Services Agreement is determined between the parties following arm's length negotiations with reference to:

(a) the market prices of services of similar nature in the vicinity;

(b) the prices Guizhou Tongyuan Automobile Group charges other independent third parties for services of similar nature; and

(c) the prices for the Group to purchase similar services from other independent service providers and ensure the services fees under the Supporting Services Agreement are on equal or better commercial terms.

Historical figures

The total Supporting Services fees incurred by our Group payable to Guizhou Tongyuan Automobile Group for each of the three years ended December 31, 2021, 2022 and 2023, were approximately RMB12,010,094, RMB9,569,528 and RMB11,717,453, respectively.

Proposed annual caps and their basis

The Directors estimated the annual caps of the aggregate Supporting Services fees to be payable by our Group to Guizhou Tongyuan Automobile Group under the Supporting Services Agreement for the years ending December 31, 2024, 2025 and 2026 are as follows:

	Proposed annual caps for the year ending December 31,		
	2024	**2025**	**2026**
	(in thousand RMB)		
Supporting Services fees payable by our Group to Guizhou Tongyuan Automobile Group	12,900	12,900	12,900

In arriving at the above proposed annual caps in respect of the Supporting Services fees under the Supporting Services Agreement, the Directors have considered (i) the historical transaction amounts for the three years ended December 31, 2023; (ii) the expected growth rate of the Group and Guizhou Tongyuan Automobile Group; (iii) the prevailing market rates of similar Supporting Services in the vicinity; and (iv) a buffer for the potential increasing demand of us for Guizhou Tongyuan Automobile Group's services.

INTERNAL CONTROL MEASURES FOR PARTIALLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

For partially exempt continuing connected transactions, we will establish the following internal review procedures upon the [REDACTED] to ensure that the pricing under partially exempt continuing connected transactions is fair and reasonable:

- we will adopt and implement a management system on connected transactions and our Board and the various internal departments of our Company (including the finance, legal and internal control departments) will be responsible for the control and daily management in respect of the continuing connected transactions;

- our Board and various internal departments of our Company (including the finance, legal and internal control departments) will be jointly responsible for evaluating the terms under for the continuing connected transactions, in particular, the fairness of the pricing policies and annual caps under each transaction where applicable;

- we will, to the extent commercially practicable, seek to obtain quotations from independent third parties for similar premises/services and will compare the commercial terms offered by the independent third parties with those offered by the respective connected persons of each partially exempt continuing connected transactions;

- our Board and various internal departments of our Company will regularly monitor the fulfillment status and the transaction updates under the relevant agreements. In addition, the management of our Company will also regularly review the pricing policies of the relevant agreements; and

- our independent non-executive Directors and auditors will conduct an annual review of the continuing connected transactions under the relevant agreements and provide annual confirmation to ensure that, in accordance with the Listing Rules, the transactions are conducted in accordance with the terms of the agreements on normal commercial terms and in accordance with the pricing policy.

WAIVERS FROM THE STOCK EXCHANGE

Partially Exempt Continuing Connected Transactions

As the material terms of each of the partially exempted connected transactions are disclosed in this document and [REDACTED] will participate in the [REDACTED] on the basis of the disclosures, the Directors consider that strict compliance with the announcement requirement under Chapter 14A of the Listing Rules, would be impracticable and unduly burdensome and, in particular, would induce unnecessary administrative costs to our Company. In addition, the Directors, including the independent non-executive Directors, believe that it is in the interest of our Company to continue with these transactions after [REDACTED].

As a result, our Company has applied to the Stock Exchange for, and [has been granted], subject to the condition that the value of the annual transactions shall not exceed their respective estimated annual caps as stated above, a waiver under Rule 14A.105 of the Listing Rules to exempt transactions set out in the sub-section headed "Partially Exempt Continuing Connected Transactions" in this section from strict compliance with the announcement requirement under Rule 14A.35 of the Listing Rules for the term ending December 31, 2026.

In addition, we confirm that we will comply with the applicable requirements under the Listing Rules and will immediately inform the Stock Exchange if any of the proposed annual caps set out above is exceeded, or when there is a material change in the terms of these transactions.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions referred to in this section, we will take immediate steps to ensure compliance with such new requirements within a reasonable time.

CONFIRMATION FROM THE DIRECTORS

The Directors, including the independent non-executive Directors, are of the view that:

(a) the partially exempt continuing connected transactions described above for which waivers are sought have been entered into and will be carried out in the ordinary and usual course of business of our Group and all such transactions will be conducted on normal commercial terms which are fair and reasonable and in the interests of our Company and the Shareholders as a whole; and

(b) the proposed annual caps of such partially exempt continuing connected transactions set out above are fair and reasonable and in the interests of our Company and the Shareholders as a whole.

CONFIRMATION FROM THE JOINT SPONSORS

The Joint Sponsors have (i) reviewed the relevant documents and information provided by the Company; (ii) obtained necessary representations and confirmations from the Company and the Directors; and (iii) participated in the due diligence and discussions with the management of the Group and the PRC Legal Adviser. Based on the above, the Joint Sponsors are of the view that, the partially exempt continuing connected transactions described above for which waivers are sought have been entered into and will be carried out in the ordinary and usual course of business of the Group, and all such transactions will be conducted on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and the proposed annual caps of such partially exempt continuing connected transactions set out above are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

You should read the following discussion and analysis with our audited consolidated financial information, including the notes thereto as of and for the years ended December 31, 2021, 2022 and 2023 included in the Accountants' Report set out in Appendix I to this document. The Accountants' Report has been prepared in accordance with IFRS.

The following discussion and analysis and other parts of this document contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether the actual outcome and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. For details, see "Forward-looking Statements" and "Risk Factors."

OVERVIEW

We are the largest used vehicle transaction service provider in China in terms of transaction volume in 2022, according to CIC. In 2022, a total of approximately 160,000 units of used vehicles were transacted through our transaction platform, with a market share of 12.6% among China's used vehicle transaction service providers. In 2023, approximately 176,000 units of used vehicles were transacted through our transaction platform. With our core offerings of used vehicle auction services, as complemented by a wide range of value-added services and other services, we offer end-to-end solutions reinventing the used vehicle transaction cycle of our sellers, primarily 4S dealership stores with recurring needs to dispose of consumer trade-in vehicles in bulk, and buyers, primarily individuals, including Professional Buyers and consumers. From vehicle sourcing and acquisition, inspection and appraisal, auction and title transfer to logistics, we connect sellers with buyers in a highly efficient manner and improve profitability and efficiency of their used vehicle operations.

Our service offerings span across the following areas:

- ***Used vehicle auction***. Our online-offline integrated transaction platform connects upstream sellers with downstream buyers of used vehicles and facilitates efficient and transparent used vehicle auction in large volumes. We generate revenue primarily from our used vehicle auction business, consisting of (i) commission charged to buyers for successful used vehicle transactions on our transaction platform, and (ii) service fees charged to buyers for our post-auction services, including title transfer and logistics services provided by third-party service suppliers engaged by us. We expect our used vehicle auction business to remain our core business and continue to contribute a significant portion of our revenue.

- ***Used vehicle value-added services***. We provide various used vehicle value-added services, either for a fee or for free, to our upstream sellers and downstream buyers to streamline, optimize and improve the efficiency and profitability of their used vehicle operations. These value-added services primarily include: (i) for sellers: pre-acquisition inspection and appraisal, provision of our ADMS system, used vehicle acquisition assistance, and title transfer services for used vehicles not transacted on our transaction platform, and (ii) for buyers: used vehicle information lookup and re-inspection.

- ***Arrangement for sale of used vehicles***. We collaborate with certain dealership groups to arrange for the sale of used vehicles traded in by consumers at these dealership groups' 4S dealership stores. These used vehicles are entrusted to us by the trade-in consumer or 4S dealership stores and subsequently disposed of mainly through auctions on our transaction platform.

- ***Exhibition related services***. We host various automotive exhibitions and charge participating OEMs and dealership groups fees for renting exhibition booths and placing of advertisement.

- ***Others***. We provide other vehicle-related services, primarily including facilitation of title transfer services for new vehicles of the 4S dealership stores that we collaborate with.

Our operating and financial performance has further reinforced our industry leadership position. Our transaction volume decreased from approximately 261,000 units in 2021 to approximately 160,000 units in 2022, primarily as a result of COVID-19 resurgences in various regions across China in 2022, which led to decreased willingness of our buyers to purchase used vehicles and a decrease in the number of used vehicles entrusted to us by upstream sellers. Following the improvement of the COVID-19 situation in China in 2023, our transaction volume increased by 10.1% to approximately 176,000 units in 2023, showing the resilience of our business model in a fluctuating market. The number of vehicles put up for auctions on our transaction platform increased from approximately 359,000 units in 2021 to approximately 384,000 units in 2023, representing a CAGR of 3.4%. As such, in 2021, 2022 and 2023, our transaction success rate amounted to approximately 73%, 51% and 46%, respectively, reflecting the faster increase in the supply of used vehicle put up for auctions and that our upstream sellers were more inclined to utilize transaction platforms for the disposal of their used vehicles, while our downstream buyers remained relatively conservative in purchasing used vehicles.[†] In 2021, 2022 and 2023, the gross transaction value of used vehicles transacted on our transaction platform amounted to RMB13,719.7 million, RMB6,747.0 million and RMB7,398.2 million, respectively. Our average revenue per vehicle under our used vehicle auction business increased from RMB1,280 in 2021 to RMB1,636 in 2023, representing a CAGR of 13.0%. Our gross margin was 62.8%, 60.9% and 63.5% in 2021, 2022 and 2023, respectively. Our profit for the year was RMB165.1 million, RMB69.0 million and RMB9.3 million in 2021, 2022 and 2023, respectively. Our profit for the year decreased from 2021 to 2022 primarily due to our decrease in gross profit in 2022, which in turn was due to (i) a significant decrease in the used vehicle transaction volume in 2022 due to the COVID-19 resurgences, and (ii) an increase in our labor cost in connection with the additional auctioneers and condition inspectors we hired. Our profit for the year decreased from 2022 to 2023, primarily because we recorded losses of RMB75.0 million in fair value change of financial assets and liabilities at fair value through profit or loss, in line with the increased valuation of our Company in anticipation of this [REDACTED]. See "— Results of Operations" for more details. Our business operation and financial performances during the Track Record Period were adversely affected by the COVID-19 pandemic, especially in 2022. See "— Effects of the Covid-19 Pandemic on Our Results of Operations" for more details.

[†] According to CIC, in China, for used vehicle transaction service providers with relatively large used vehicle transaction volume, their transaction success rate typically ranges between 30% to 50%.

FACTORS AFFECTING OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our business, financial condition and results of operations are affected by a number of general factors affecting China's used vehicle industry, including China's macroeconomic conditions, industry trends and consumer preferences for used vehicles, and the changes in the policies and regulations adopted by the Chinese government and local governments in cities where we operate.

Besides the general factors affecting China's used vehicle industry, our business, financial condition and results of operations are also affected by the following specific factors:

- Our ability to expand our seller and buyer base and increase our transaction volume;
- Our ability to continue to expand our auction site network coverage;
- Our ability to continue to develop technology and enhance operational efficiency and user experience;
- Our ability to offer various services and diversify our revenue streams; and
- Our ability to offset the impact of seasonality.

Our Ability to Expand Our Seller and Buyer Base and Increase Our Transaction Volume

Revenue generated from our used vehicle auction business, which is our core business, constitutes a significant portion of our total revenue. In 2021, 2022 and 2023, revenue generated from our used vehicle auction business was RMB334.4 million, RMB240.0 million and RMB287.2 million, respectively, accounting for 49.4%, 51.3% and 58.4% of our total revenue, respectively. We expect the proportion of revenue generated from our used vehicle auction business to continue to increase and account for a significant portion of our total revenue in the future. We generate revenue from our used vehicle auction business by charging our buyers commission for successful transactions and service fees for post-auction services. As such, growth in our revenue has been, and is expected to continue to be, driven by our ability to maintain and increase the used vehicle transaction volume on our transaction platform, which in turn depends on our ability to retain and attract sellers and buyers to trade used vehicles on our transaction platform. During the Track Record Period, our transaction platform had cumulatively facilitated sales of used vehicles to over 25,000 buyers across China, and the number of used vehicle transacted on our transaction platform was approximately 261,000, 160,000 and 176,000 units in 2021, 2022 and 2023, respectively.

We make consistent efforts to promote the market awareness of our transaction platform, brand and business model. In order to grow our transaction volume, we plan to continue to maintain and strengthen our relationships with existing sellers and buyers while exploring opportunities to attract new sellers and buyers to our transaction platform. In particular, we anticipate that our future growth will continue to primarily depend on our ability to attract new dealership groups and OEMs and deepen our collaboration with existing dealership groups and OEMs we collaborate with, thereby increasing the number of their 4S dealership stores transacting through our platform. We also plan to increase the number of buyers in markets where we already have an offline presence and attract additional buyers in new markets as we broaden our offline auction site network. We further plan to explore opportunities to convert our upstream sellers into downstream buyers, and vice versa, which in turn will further grow our seller and buyer base. We believe our ability to continuously expand our seller and buyer base and increase our transaction volume is primarily attributable to our ability to address the evolving needs of key market participants in China's used vehicle industry, and the variety of used vehicle services and the superior user experience that we are able to offer. This is essential for the competitiveness of our transaction platform and will continue to support our sustainable and profitable future growth.

Please also refer to "[REDACTED]" for our plan to enhance our relationship with existing sellers and buyers and attract new sellers and buyers to our platform and the financial impact arisen therefrom.

Our Ability to Continue to Expand Our Auction Site Network Coverage

Our nationwide auction site network is an integral part of our online-offline integrated used vehicle auction business. We believe the broad geographic coverage, expansive capacity and convenient locations of our auction sites enable us to increase our market share, improve our market penetration and grow our business through allowing us to access an even larger reservoir of used vehicle and serve a wider group of used vehicle buyers and sellers. As of December 31, 2023, we had 79 auction sites strategically located in 74 cities across China, allowing us to offer offline services in 317 cities. We plan to continuously expand our offline auction site network by establishing auction sites in cities with significant and stable needs for used vehicle auctions, and equip the new auction sites with relevant facilities and professional personnel. We also plan to selectively further optimize our existing auction sites, including expanding their size and capacity, upgrading their facilities, and expanding our team of professionals staffed at these auction sites, to cater to the growing transaction volume and evolving customer needs. The continuous expansion of our auction site network is expected to further grow our business scale and enhance our financial performance. In the next five years, we plan to (1) open up a total of 180 to 220 new auction sites, and (2) upgrade our existing auction sites. See "[REDACTED]" for further details.

The construction and upgrading of auction sites are capital-intensive in nature. We may require a significant amount of funding through equity offerings, debt financing or other sources to support our capital expenditure in relation to the expansion of our auction site network, and may incur additional expenses and costs in relation to their operation and maintenance in the future. In particular, our expansion plan for the next five years requires substantial financial resources and we will need to increase the number of employees and post-auction service providers staffed at these auction sites. As a result, we may incur additional costs of sales and, if the revenue generated from these new auction sites could not sufficiently cover the increase in our costs, our profit margin and cash flow may be adversely affected. We intend to carefully and effectively manage our cash flow to ensure that we can meet the financing needs, construction schedule and operational requirement of our auction sites.

Our Ability to Continue to Develop Technology and Enhance Operational Efficiency and User Experience

Our results of operations are directly affected by our operational efficiency, which in part depends on our ability to develop systems and technologies that facilitate our business operations.

As we expand our business, while we may achieve greater operational leverage, improve utilization of our personnel, and obtain more favorable terms from our used vehicle sellers, buyers and other business partners, we may also incur additional costs and expenses in relation to our expanding team of professional personnel, continuous sales and marketing efforts, and the management and maintenance of our nationwide auction site network. Our ability to achieve higher operational efficiency is key to controlling our costs of operations and increasing our profitability. We believe our standardized and streamlined transaction process, as well as our scalable business model across our auction sites, are crucial for improving the utilization of our facilities and personnel and facilitating the operation and management of our offline network, thereby enhancing our operational efficiency and improving user satisfaction.

In addition, our operational efficiency is also partially affected by our ability to develop and utilize digital systems and technologies for our business operations. Currently, we use various systems and technologies, including our mobile application, ADMS system, EQS system, and our proprietary big data analytics models and algorithms, for critical functions of our business operations, which we believe have significantly streamlined the used vehicle transaction process and improved our operational efficiency. We plan to continue to develop digital systems and technologies that support and optimize our business operations, thereby promoting a more standardized transaction process. For example, we plan to roll out our newly launched, big data analytics powered pricing model for used vehicle valuations, and this pricing model is able to automatically generate a recommended range of purchase price for a particular used vehicle. While such research and development initiatives may increase relevant expenses in the absolute amount, we expect the resultant systems and technologies to improve our operational efficiency in the long term and enhance our user experience and satisfaction.

Please also refer to "[REDACTED]" for our plan for investment in research and development initiatives and projects and the financial impact arisen therefrom.

Our Ability to Offer Various Services and Diversify Our Revenue Streams

Our results of operations are affected by our service offering and business mix. Our core business offering is our used vehicle auction business through our transaction platform, for which we also provide various post-auction services including title transfer and logistics. Our core business offering is further complemented by used vehicle value-added services, sales of used vehicles, exhibition related services and other businesses. These different business segments and service categories have different margins and growth outlooks, and may affect our overall profitability in different ways. However, we believe a diverse mix of businesses and service offerings enable us to be more financially resilient and achieve more sustainable business growth through diversifying our revenue streams and generating more revenue at the same time.

We endeavor to offer more diversified services to address our sellers and buyers' evolving needs and the market trends of China's used vehicle industry. We also plan to further diversify our revenue streams and flexibly adjust our strategic focus from time to time to capture market opportunities. As we introduce and promote new businesses and service offerings, our overall profitability may vary from period to period as a result of changes in business mix and their respective margin profiles. At the same time, with our diversified business addressing different markets, we also believe we can better manage our profit margin in the long term and have greater capabilities of catering to evolving market demands, thereby increasing the loyalty of our sellers and buyers, improving our brand awareness and generating more revenue.

Please also refer to "[REDACTED]" for our plan for developing and diversifying our service offering and exploring new growth areas and the financial impact arisen therefrom.

Our Ability to Offset the Impact of Seasonality

We are subject to the general seasonality of China's used vehicle industry and our results of operations may fluctuate from quarter to quarter as a result. Sales volume of used vehicle in China is generally higher in the first quarter (particularly before the Chinese New Year) and fourth quarter, traditionally a major selling season for China's used vehicle industry. In addition, our exhibition related services business is subject to seasonal fluctuations. In line with industry practice, most of our auto shows and exhibitions take place in the second half of the year. As such, our revenue generated from exhibition related services is typically higher in the second half of the year. See "Business — Seasonality" for further details. During the Track Record Period, due to the impact of COVID-19 and restrictive measures in response to COVID-19, fluctuations in our results of operations may not reflect the typical seasonality of China's used vehicle industry prior to the outbreak of COVID-19, but we expect seasonality to again play an important role in affecting our business operations in the future. Accordingly, our ability to offset the impact of seasonality is important for maintaining our profitability, thereby affecting our results of operations and financial condition. To mitigate the fluctuation during the low seasons, our auction sites have introduced, and plan to continue to introduce, a variety of promotional and marketing activities based on the transaction volume and level of buyers' participation at the respective auction sites.

EFFECTS OF THE COVID-19 PANDEMIC ON OUR RESULTS OF OPERATIONS

Since the end of December 2019, the outbreak of COVID-19 has materially and adversely affected the global economy. In response, since January 2020, countries and regions around the world, including China, have imposed various measures to contain the spread of the virus. Due to the COVID-19 outbreak and the restrictive measures imposed by the government, such as quarantines and travel restrictions, our business operations have been adversely affected. Specifically, our used vehicle auction business and other used vehicle-related businesses were adversely affected by the temporary closure of some of our auction sites and our corporate offices, the suppressed demand and supply for used vehicles, and the disruption to the logistics network that facilitates the physical gathering of used vehicles to our auction sites and post-auction delivery of used vehicles. We had to cancel auction sessions or temporary suspend the operation of our auction sites and experienced delays in used vehicle transactions in connection with the reduced supply of cross-regional transportation capacities.

In addition, the continuous emergence of COVID-19 variants has led to the resurgences of cases and re-imposition of restrictive measures, causing further uncertainty and unpredictability to the overall economic recovery in China, which in turn suppressed the used vehicle transactions and adversely affected our business operation. While the COVID-19 outbreak became gradually contained and business activities gradually recovered in China in 2021, sporadic COVID-19 outbreaks in 2022 due to the Delta and Omicron variants, together with the associated measures in various regions of China, again constrained the demand and supply for used vehicles and disturbed our logistics network and auction site operation, which in turn adversely affected our growth and results of operations. In particular, in the first half of 2022, the COVID-19 outbreak in Shanghai, the city where our headquarter and one of our largest auction centers are located, severely disrupted our business operations.

As a result, while our business operation was not adversely affected by the COVID-19 in 2021, our used vehicle transaction volume and transaction efficiency were adversely affected in 2022. To the extent the business operations of our business partners were adversely affected by the outbreak and resurgences of COVID-19, our relevant business segments may also be impacted. In particular, our used vehicle auction business was adversely affected in the following aspects:

- ***Auction sites operation***. Depending on the severity of COVID-19 in the region, local governments across China adopted various kinds of restrictive measures and adjusted the measures based on their assessment of the situations. As a result, in compliance with the relevant requirements by the local governments, we needed to modify the auction schedules and operating hours of our auction sites across China from time to time, which resulted in office closure, auction sessions cancellation and the suspension or limited operation of our auction sites. In particular, due to the restrictive measures widely adopted in China in 2022, various aspects of our corporate administration and business operation in 2022 were adversely affected as a result. Specifically, in 2022, our headquarters in Shanghai experienced 65 days of closure. Moreover, in 2022, we cancelled a total of 1,193 scheduled auction sessions as a result of COVID-19 accounting for 12.4% of total auction sessions that were originally scheduled. Despite the exacerbation of the COVID-19 situation in 2022, we scheduled more auction sessions in 2022, not only because we had more auction sites in 2022 compared to 2021, but also because we had to schedule auction sessions in smaller auction sites as our backup plan when our larger auction sites with larger transaction volume located in higher-tier cities (such as Shanghai and Chengdu) had to cancel their scheduled auction sessions as a result of COVID-19. Overall, in 2022, 73 of our auction sites across China experienced complete shutdown or had at least one scheduled auction session cancelled due to the local COVID-19 policies. As such, in 2022, there were 315 days during which at least one of our auction sites experienced either operation suspension or cancelled auction sessions.

- ***Upstream sellers***. During the Track Record Period, the business operations of our upstream sellers were also adversely affected by the COVID-19 situation and the local governments' restrictive policies in areas where they conducted their used vehicle business. In general, our upstream sellers' abilities to carry out their used vehicle businesses were adversely affected by the unpredictability and uncertainties in the economic environment and fluctuation in the used vehicle market. For example, many 4S dealership stores reduced their operating hours during the COVID-19 pandemic, which adversely affected their used vehicle business operation and reduced the average number of used vehicles these 4S dealership stores put up for auction on our transaction platform. However, due to our continuous outreach and promotional efforts and as a testimony to our industry leadership and resilient transaction platform, our upstream sellers continued to entrust us with used vehicle transactions despite the economic downturns. In 2021 and 2022, a total of approximately 4,200 and 5,200 sellers entrusted us to auction off used vehicles, among which approximately 2,900 and 4,000 sellers were 4S dealership stores. During the same periods, these sellers entrusted a total of approximately 359,000 and 315,000 units of used vehicles with us for auction.

- ***Downstream buyers***. Compared with upstream sellers, the business operations of our downstream buyers, who typically have more limited business scale and financial resources, and our business relationship with them, were more vulnerable to the economic environment and market volatility as induced by the COVID-19 situation. COVID-19 has adversely affected the used vehicle business operation of downstream buyers and led to a decrease in the price of used vehicles generally. As many business participants in China's used vehicle industry engage in used vehicle trading business in the capacity of individuals, they are more sensitive to fluctuation of used vehicle prices and more vulnerable to the deteriorated market condition. As a result, buyers were less willing to increase their used vehicle inventory and therefore became less active in participating in used vehicle transactions, including used vehicle auctions, when the COVID-19 situation worsened. The average number of buyers who placed bids with us during each auction session decreased from 44.9 buyers in 2021 to 39.7 buyers in 2022, indicating a lower willingness of our downstream buyers to participate in used vehicle auctions. In 2021 and 2022, a total of approximately 20,900 and 17,500 buyers placed bids in our auctions, respectively. Moreover, buyers were more cautious in making purchase decisions, especially when they believe the demand from consumers was weaker or they could not physically attend the auction session due to restrictive measures imposed by local governments. As such, our used vehicle auction success rate decreased from 73% in 2021 to 51% in 2022 as a result of the COVID-19 resurgences. As a result of the foregoing factors, although our upstream sellers continued to show a strong interest in disposing of used vehicles and the used vehicle supply remained strong despite the COVID-19 situation in 2022, our used vehicle transaction volume decreased from approximately 261,000 units in 2021 to approximately 160,000 in 2022.

- ***Logistics network***. The large transaction volume and high transaction efficiency of our nationwide platform is supported by the well-functioning of each step throughout the used vehicle transaction lifecycle, including the gathering and collection of used vehicles before the auction and the delivery of used vehicles after the auction, both of which oftentimes involve cross-regional and inner-city transportation. Due to the COVID-19 situation during the Track Record Period, different local governments adopted different kinds of restrictive measures that lasted for different periods of time, including prohibiting or limiting the traffic entering into, leaving from and within the local cities. As a result, both the cross-regional logistics network connecting cities where we had used vehicle auction business and the inner-city traffic system of cities where our auction sites are located were adversely affected from time to time, with reduced capacities, delays, or even unavailability of certain transportation routes. Accordingly, our vehicle collection and delivery process was delayed or sometimes suspended, adversely affecting our transaction efficiency and transaction volume. For example, in 2022, as the business operation of our auction center in Shanghai was severely restricted, we experienced 30 disputes in relation to the delay in used vehicle delivery and 230 disputes in relation to the delay in used vehicle title transfer services, resulting in our total payment of RMB235,900 and RMB106,000 of compensation, respectively.

The transaction volume of used vehicles in China decreased to 12.5 million units in 2022 from 13.6 million units in 2021. We experienced more significant decline in used vehicle transaction volume on our platform compared to that of the industry in 2022 mainly due to the following reasons:

- *Strategic importance of offline infrastructure*. We are the only used vehicle transaction service provider in China that has a nationwide offline infrastructure of auction sites. Multiple steps in our transaction process involve our offline infrastructure, including the physical gathering of vehicles, pre-auction vehicle inspection and appraisal, online-offline integrated auctions, and post-auction vehicle delivery, and these steps cannot be adequately substituted by online measures. In particular, online-offline integrated auction, where buyers present in-person to pre-inspect the used vehicles and to bid against each other in front of the used vehicles to be auctioned at our offline auction sites, is our primary auction format. As such, when local governments imposed restrictive measures in response to COVID-19, which usually required limited operating hours or outright closure of physical sites, our used vehicle auction business was significantly impacted, causing not only delays in or cancelation of our transaction process but sometimes our inability to carry out our used vehicle auction business at all. As a result of the essential role our offline auction sites plays in our business operations, our transaction volume became significantly more adversely affected by COVID-19 compared to other transaction service providers and the whole industry in China. In addition, there is another used vehicle transaction service provider that has substantial regional offline infrastructure and, and in 2022, this transaction service provider similarly experienced decrease in the transaction volume that was more significant than the decline in the transaction volume of China's used vehicle industry in 2022.

- *Focus on higher-tier cities*. Our major auction sites with significant transaction volumes are generally located in cities that were more severely affected by COVID-19 in 2022. These auction sites are located in Class A cities[1] (including Shanghai, Beijing, Chongqing and Chengdu), and Class B cities (including Suzhou, Nanjing, Guiyang, Wuhan, Xi'an, Hefei, Ningbo, Jinan, Wuxi, Tianjin, Shenzhen, Hangzhou and Guangzhou). In 2021, 2022 and 2023, our transaction volume in Class A and Class B cities amounted to approximately, 162,000, 100,000 and 105,000 units, respectively, representing 61.9%, 62.6% and 59.8% of our total transaction volume, respectively, during the same periods.

  Compared to other cities in China, Class A and Class B cities experienced severer impact by COVID-19, and local governments in these cities imposed various measures in response to the spread of COVID-19. In 2022, the average GDP growth in Class A cities and Class B cities was 4.6% and 4.4%, respectively, both lower than national GDP growth rate of 5.8%.

1 Based on our internal classification system.

- *Focus on Professional Buyers*. During the Track Record Period, a majority of our downstream buyers were Professional Buyers, who contributed approximately 97.1%, 96.0% and 96.8% of our total transaction volume in 2021, 2022 and 2023, respectively. Professional buyers typically have more limited business scale and financial resources, and are more prone to the adverse effect of COVID-19. In 2022, approximately 50% of the Professional Buyers in China suspended their used vehicle business operation for at least one month, and over 23% of them suspended their used vehicle business operation for more than 50 days. Their inventory turnover was also adversely affected, where on average 42.3% of the used vehicles had inventory turnover of more than 30 days in 2022, compared to 27.5% in 2021. As the Professional Buyers were disproportionally impacted by COVID-19, our transaction volume was accordingly more adversely affected by COVID-19 as compared to the whole industry. In addition, according to CIC, several other used vehicle transaction service providers that focus on Professional Buyers were also more adversely affected by COVID-19 as compared to the whole industry in terms of the decrease in transaction volume in 2022. For example, the used vehicle transaction volumes on two other major used vehicle transaction service providers decreased by 16.8% and 16.2% in 2022.

- *Disruption to cross-regional transactions*. Cross-regional transactions constituted an large portion of our used vehicle transaction volume. In 2021, 2022 and 2023, 31.7%, 36.7% and 43.5% of used vehicles transacted on our platform involved cross-regional transactions. We were one of the few transaction service providers in China that are capable of conducting cross-regional used vehicle transactions. In 2022, cross-regional used vehicle transactions in China was materially and adversely affected by the resurgences of COVID-19. The volume of cross-regional used vehicle transactions decreased by 17.0% in 2022. As a result, the proportion of cross-regional used vehicle transactions as a percentage of all used vehicle transactions decreased from 27.2% in 2021 to 24.9% in 2022. In particular, in the second quarter of 2022 where the COVID-19 restrictive measures were more severe, the proportion of cross-regional used vehicle transactions as a percentage of all used vehicle transactions decreased to 23.1%, compared to 28.1% in the same period of 2021. As the COVID-19 significantly disrupted cross-regional logistics network connecting cities where we had used vehicle auction business, our transaction process was particularly vulnerable to COVID-19, and our used vehicle auction business was accordingly more adversely affected by COVID-19 compared to the whole industry.

We believe that a pandemic of such intensity like the COVID-19 that can lead to the rapid and wide-spread infection and the imposition of extensive restrictive measures, is overall a rare occurrence. While our online-offline integrated model can significantly enhance the transparency and efficiency of used vehicle transactions and has historically contributed to our rapid growth in transaction volume, it also made us particularly vulnerable to the nationwide pandemic such as the COVID-19. The more restrictive measures imposed in response to the COVID-19 in high-tier cities — which are also the cities where our major auction sites are located — have further exacerbated the disruption to our business operation. For example, due to Shanghai's stricter restrictive measures in the second quarter of 2022, we had to cancel 278 scheduled auction sessions in 2022, resulting in a 52.5% decrease in the transaction volume in Shanghai from approximately 27,600 units in 2021 to approximately 13,100 units in 2022. In 2022, our auction center located in Chengdu also experienced 17 days of either complete shutdown or having at least one scheduled auction session cancelled due to the local COVID-19 policies. In addition, Chengdu imposed various district-level restrictive measures throughout 2022 that limited the local buyers and sellers from attending our scheduled auction sessions. As a result, there was a 49.0% decrease in the transaction volume in Chengdu from approximately 21,400 units in 2021 to approximately 10,900 units in 2022. Overall, transaction volume in Class A and Class B cities decreased by 38.2% from approximately 162,000 units in 2021 to 100,000 units in 2022. As a result of the combined effects from the above two characteristics of our business model, our transaction volume in 2022 had a more significant decline as compared to that of the industry.

In 2023, most of the pandemic control measures were subsequently lifted or adjusted. However, there was an initial spike of confirmed cases in the first quarter of 2023 and economic activities were similarly disrupted as people reduced their travel and outdoor activities due to fear of infection. In addition, the sales price of new vehicles experienced a continuous decline in the first half of 2023, creating price pressure and adversely affecting the recovery of the used vehicle market. As a result, while our business operation gradually resumed, our transaction volume in the first quarter of 2023 only increased by 3.5% to approximately 35,000 units from approximately 34,000 units in the second quarter of 2022. As the COVID-19 situation finally stabilized starting from the second quarter of 2023, our pace of recovery significantly accelerated, with our transaction volume reaching approximately 43,000 units during the same period, representing a 26.2% increase from the second quarter of 2022. Moreover, our sellers also became more actively engaged in used vehicle transactions. For example, approximately 4,200 sellers entrusted us to auction off used vehicles in the second quarter of 2023, compared to approximately 3,700 and 3,400 in the first quarter of 2023 and the second quarter of 2022, respectively. Our operational performance continued to improve in the second half of 2023. Our used vehicle transaction volume in the six months ended December 31, 2023 amounted to approximately 98,000 units, representing a 20.6% increase from the corresponding period in 2022. Overall, our used vehicle transaction volume in 2023 amounted to approximately 176,000 units, representing a 10.1% increase from 2022, and approximately 6,000 sellers entrusted us to auction off used vehicles in 2023, representing a 17.0% increase from approximately 5,100 of such sellers in 2022. In 2023, a total of approximately 18,400 buyers placed bids in our auctions and the average number of buyers who placed bids with us during each auction session increased to 52.0 buyers. As a result, our used vehicle auction commission and service fees increased by 19.6% from RMB240.0 million in 2022 to RMB287.2 million in 2023. As such, we believe that the same characteristics that made us particularly vulnerable to a COVID-19-scale pandemic can similarly contribute to our rapid rebound when the overall economic environment and our business operation return to normal.

Beside the used vehicle auction business, our other business segments, particularly our exhibition related services business, were also adversely affected in various degrees by COVID-19. As the COVID-19 situation alleviated in 2021 and local governments gradually lifted the restrictive measures, we resumed to host major auto exhibitions. However, the trend of recovery was disrupted in 2022 due to the resurgences of COVID-19, and we had to abruptly cancel or terminate early certain auto exhibitions pursuant to requirements from local governments, sometimes after having incurred a decent amount of upfront costs. As a result, we cancelled a total of 3 and 22 days of scheduled auto exhibitions in 2021 and 2022, respectively, and the total number of days when we hosted major auto exhibitions decreased from 32 days in 2021 to 21 days in 2022. Therefore, our revenue from exhibition related services decreased from RMB89.6 million in 2021 to RMB62.9 million in 2022.

China continuously optimized and adjusted COVID-19 prevention and control measures with the aim of protecting health, and lifted most of the travel restrictions and quarantine requirements in December 2022. There were significant increases in COVID-19 cases in many cities in China around this time, which adversely affected our operations and financial performance in the fourth quarter of 2022. On January 8, 2023, China downgraded the management of COVID-19 from Class A to Class B, and most of the pandemic control measures were therefore lifted or adjusted. As a result, in 2023, our business, especially our used vehicle auction business, has been gradually recovering from the adverse impact of COVID-19.

For details about the risks we face in relation to COVID-19, see "Risk Factors — Risks Related to Our Business and Industry — Our business, financial condition and results of operations may be materially and adversely affected by epidemics (particularly COVID-19) and/or any other natural or human disaster such as earthquake, fire, or act of terrorism."

BASIS OF PREPARATION

Our historical financial information has been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"), which comprise all standards and interpretations approved by the International Accounting Standards Board (the "**IASB**"). Our historical financial information has been prepared under the historical cost convention, except for financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss and convertible redeemable preferred shares and warrants. These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Revenue Recognition

Revenue from Contracts with Customers

We primarily engage in the operation of a used vehicles e-commerce platform through the mobile application, Autostreets, and the website, **www.autostreets.com**, providing consumers with a nationwide selection of used vehicles and various used vehicles-related value-added products and services.

Used Vehicle Auction Commission and Service Fees

We provide online platform and offline auction which enable customers to buy used vehicles. We charge customers the commission fees based on agreed percentage of final sales price. We recognize revenue at a point in time upon the closing of used vehicles sale. We also provide related logistics services. We recognize related logistics services revenue over time as customers receive the benefit of the services.

Revenue from Used Vehicle Value-added Services

We also provide used vehicle value-added service to customers, such as used vehicles inspection services, title transfer services, and vehicles assessment services. We recognize revenue at the point in time upon the completion of the service and customer acceptance. We also provide used vehicle management system services to customers. We recognize revenue from used vehicle management system services over time as customers receive the benefit of the services.

Revenue from Arrangement for Sale of Used Vehicles

We arrange the sale of used vehicles to individual buyers and wholesalers through online platform and offline auction. We recognize revenue at the point in time upon the closing of used vehicles sale between owner and buyer.

Revenue from exhibition related services

We also provide exhibition and other related services to customers. We recognize revenue from advertisement and exhibition related services over time as customers receive the benefit of the services.

Revenue from other services

We also provide other services, such as new vehicle title transfer services. We recognize revenue at the point in time upon the completion of the service and customer acceptance.

Lease

We assess at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Our Group as a Lessee

We apply a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. We recognize lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

Right-of-use assets are recognized at the commencement date of the lease, which is the date the underlying asset is available for use. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Buildings	1 to 15 years

Lease Liabilities

Lease liabilities are recognized at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments, including in-substance fixed payments, less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by our Group and payments of penalties for termination of a lease, if the lease term reflects we exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, we use our incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (such as a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

Short-term Leases and Leases of Low-value Assets

We apply the short-term lease recognition exemption to our short-term leases (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). We also apply the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term.

Our Group as a Lessor

When we act as a lessor, we classify at lease inception, or when there is a lease modification, each of our leases as either an operating lease or a finance lease.

Leases in which we do not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

When we are an intermediate lessor, a sublease is classified as a finance lease or operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which we apply the on-balance sheet recognition exemption, we classify the sublease as an operating lease.

Financial Liabilities

Initial Recognition and Measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or payables, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Our financial liabilities include trade payables, other payables and accruals, lease liabilities, interest-bearing borrowings, and convertible redeemable preferred shares and warrants.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial Liabilities at Fair Value Through Profit or Loss

Financial liabilities at fair value through profit or loss include financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognized in the statement of profit or loss, except for the gains or losses arising from our own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities. The Group has designated its convertible redeemable preferred shares and warrants as financial liabilities at fair value through profit or loss, details of which are included in Note 28 to the Accountants' Report set out in Appendix I.

Financial Liabilities at Amortized Cost (Trade and Other Payables, and Borrowings)

After initial recognition, trade and other payables, and interest-bearing bank borrowings are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the Track Record Period, taking into consideration interpretations and practices prevailing in the countries in which we operate.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the Track Record Period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax assets relating to the deductible temporary differences arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each of the Track Record Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at the end of each the Track Record Periods and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the Track Record Period.

Deferred tax assets and deferred tax liabilities are offset if and only if we have a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Track Record Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for Expected Credit Losses on Trade Receivables

We use a provision matrix to calculate expected credit losses ("**ECLs**") for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns, including by geography, service type and customer type.

The provision matrix is initially based on our historical observed default rates. We will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. As at the end of each of the Track Record Periods, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. Our historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. More information about the ECLs on our trade receivables can be found in Note 20 to the Accountants' Report set out in Appendix I.

Deferred Tax Assets

Deferred tax assets are recognized for deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the unused tax losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details can be found in Note 27 to the Accountants' Report set out in Appendix I.

Leases — Estimating the Incremental Borrowing Rate

We cannot readily determine the interest rate implicit in a lease, and therefore, we use an incremental borrowing rate ("**IBR**") to measure lease liabilities. The IBR is the rate of interest that we would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what we "would have to pay", which requires estimation when no observable rates are available, such as for subsidiaries that do not enter into financing transactions, or when it needs to be adjusted to reflect the terms and conditions of the lease, such as when leases are not in our subsidiary's functional currency. We estimate the IBR using observable inputs, such as market interest rates, when available and are required to make certain entity-specific estimates, such as our subsidiary's stand-alone credit rating.

Fair Value of Financial Instruments

The convertible redeemable preferred shares we issued are not traded in an active market and the respective fair values are determined by using valuation techniques, including the discounted cash flow method and the equity allocation model. Valuation techniques are certified by an independent and recognized international business valuer before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions. Key assumptions include the risk-free interest rate, discounts for lack of marketability ("**DLOM**") and volatility.

The fair values of convertible redeemable preferred shares and warrants as of December 31, 2021, 2022 and 2023 were RMB180.1 million, RMB291.7 million and RMB372.4 million, respectively. Further details can be found in Note 28 to the Accountants' Report set out in Appendix I.

PRINCIPAL COMPONENTS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

The following table sets forth a summary, as extracted from Appendix I to this document, of our consolidated results of operations in absolute amounts. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Revenue	677,687	467,631	491,968
Cost of sales	(252,120)	(182,810)	(179,486)
Gross profit	425,567	284,821	312,482
Other income and gains, net	40,797	54,695	18,846
Selling and distribution expenses	(79,769)	(88,886)	(89,978)
Administrative expenses	(121,020)	(125,831)	(138,769)
Other expenses	(6,632)	(5,659)	(4,237)
Finance costs	(4,922)	(5,716)	(5,765)
Share of profits and losses of associates	548	796	446
Fair value change of financial assets and liabilities at fair value through profit or loss	(26,688)	(13,989)	(75,003)
PROFIT BEFORE TAX	227,881	100,231	18,022
Income tax expenses	(62,795)	(31,251)	(8,753)
PROFIT FOR THE YEAR	165,086	68,980	9,269
Profit/(loss) attributable to:			
Owners of the parent	47,968	45,237	(15,509)
Non-controlling interests	117,118	23,743	24,778
	165,086	68,980	9,269

NON-IFRS FINANCIAL MEASURE

To supplement our consolidated financial statements that are presented in accordance with IFRS, we also use non-IFRS measure which is not required by or presented in accordance with IFRS. We believe that the non-IFRS measure facilitates comparisons of operating performance from period to period and company to company by eliminating potential impacts of certain items. We believe the non-IFRS measure provides useful information to [REDACTED] and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of adjusted net profit (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of the non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under IFRS.

We exclude [REDACTED], fair value changes of convertible redeemable preferred shares, fair value changes of warrants, and gain on forfeiture of valuation adjustment mechanism in calculating adjusted net profit (non-IFRS measure). Our [REDACTED] are incurred in connection with the [REDACTED]. Fair value changes of convertible redeemable preferred shares and fair value changes of warrants represent changes in fair market value of convertible redeemable preferred shares and warrants issued to our [REDACTED]. The redeemable preferred shares will be converted into ordinary shares upon the [REDACTED] and redesignated from liabilities to equity. The warrants had expired prior to our submission of the [REDACTED] of the document pursuant to the relevant terms. Our gain on forfeiture of valuation adjustment mechanism was in relation to the waiver of refund obligation under certain investment adjustment clause for our Series A Preferred Shares. We entered into a waiver letter with our Series A [REDACTED], pursuant to which we issued additional Series A Preferred Shares to the Series A Investors and our refund obligation under 2019 SHA was accordingly waived. The waiver of the refund obligation further led to an adjustment in value of the outstanding Series A Preferred Shares, resulting in a change in the financial liabilities in connection with the Series A Preferred Shares. The Series A Preferred Shares will be converted into ordinary shares upon the [REDACTED] and redesignated from liabilities to equity.

The following table reconciles our adjusted net profit (Non-IFRS measure) for the periods presented to the most directly comparable financial measure calculated and presented in accordance with IFRS, which is profit for the year:

	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Profit for the year	165,086	68,980	9,269
Adjusted for:			
[REDACTED](1)	[REDACTED]	[REDACTED]	[REDACTED]
Fair value changes of convertible redeemable preferred shares(2)	26,688	12,617	85,929
Fair value changes of warrants(2)	—	1,582	(10,926)
Gain on forfeiture of valuation adjustment mechanism(3)	—	(15,884)	—
Adjusted net profit (non-IFRS measure)	**191,774**	**70,407**	**106,869**

Notes:

1. [REDACTED] relate to this [REDACTED] of our Company.

2. The changes in fair value of convertible redeemable preferred shares and warrants were primarily due to changes in fair market value of convertible redeemable preferred shares and warrants issued to our [REDACTED].

3. We recognized gain on forfeiture of valuation adjustment mechanism in 2022 in relation to the waiver of refund obligation under certain investment adjustment clause for our Series A Preferred Shares. We entered into a waiver letter with our Series A Investors, pursuant to which we issued additional Series A Preferred Shares to the Series A Investors and our refund obligation under 2019 SHA was accordingly waived. The waiver of the refund obligation further led to an adjustment in value of the outstanding Series A Preferred Shares, resulting in a change in the financial liabilities in connection with the Series A Preferred Shares. See "History Reorganization and Corporate Structure — [REDACTED] — (ii) Series A Financing — Issuance of Preferred Shares to the Series A Investors in 2019 — Issuance of Series A Preferred Shares on August 12, 2022" for further details on the issuance of the Series A Preferred Shares.

DESCRIPTION OF PRINCIPAL COMPONENTS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Revenue

In 2021, 2022 and 2023, our revenue was RMB677.7 million, RMB467.6 million and RMB492.0 million, respectively.

During the Track Record Period, we generated revenue from used vehicle auction commission and service fees, as well as from other used vehicle-related businesses, including used vehicle value-added services, arrangement for sale of used vehicles, exhibition related services, and other services. The following table sets forth a breakdown of our revenue by business segment, both in absolute amount and as a percentage of our total revenue, for the periods indicated.

	2021		2022		2023	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*
Revenue:						
Used vehicle auction commission and service fees						
Used vehicle auction commission	275,234	40.6	172,661	36.9	224,242	45.6
Used vehicle auction service fees	59,210	8.8	67,383	14.4	62,960	12.8
	334,444	49.4	240,044	51.3	287,202	58.4
Revenue from used vehicle value-added services	73,148	10.8	74,959	16.0	73,814	15.0
Revenue from arrangement for sale of used vehicles	154,088	22.7	79,254	17.0	63,567	12.9
Revenue from exhibition related services	89,556	13.2	62,864	13.4	54,770	11.1
Revenue from other services	26,451	3.9	10,510	2.3	12,615	2.6
	677,687	100.0	467,631	100.0	491,968	100.0

Used Vehicle Auction Commission and Service Fees

Used vehicle auction commission and service fees consist of (i) commission that we charge to used vehicle buyers for successful used vehicle transactions on our transaction platform, and (ii) services fees we charge to used vehicle buyers for certain post-auction services provided by us or third-party service suppliers, which include title transfer and logistics services.

The following table sets forth a breakdown of our revenue generated from used vehicle auction commission and service fees:

	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Used vehicle auction commission	275,234	172,661	224,242
Used vehicle auction service fees:			
Title transfer services	58,460	58,859	60,536
Logistics services	750	8,524	2,424
	59,210	67,383	62,960
Used vehicle auction commission and service fees	**334,444**	**240,044**	**287,202**

During the Track Record Period, the rate of commission we charged typically ranged between 2.5% and 3.5% of the used vehicle auction price, typically subject to both a floor of RMB100 and a cap of RMB3,000 for the total commission we can charge for a transaction. Effective from February 1, 2023, we adjusted the commission rate upward for all used vehicle transactions on our transaction platform, such that we typically charged the commission at approximately 3.5% of the used vehicle auction price, subject to both a floor of RMB500 and a cap of RMB3,000 for the commission we can charge for each transaction. For service fees, we typically charge an amount between RMB400 to RMB1,600 per used vehicle for title transfer services, and for logistics services, we charge on a per-vehicle basis that in turn depends on the distance and other relevant factors.

For more information on this business segment, see "Business — Used Vehicle Auction Business."

Revenue from Used Vehicle Value-added Services

Revenue from used vehicle value-added services represent the revenue from our used car value-added services provided to upstream dealership groups and OEMs and their 4S dealership stores, which primarily include used vehicle acquisition assistance, used vehicle inspection and appraisal, title transfer services for used vehicles that are not transacted on our transaction platform and usage of our used vehicle management systems customized for OEMs and their 4S dealership stores. For more information on this business segment, see "Business — Used Vehicle Value-Added Services."

Revenue from Arrangement for Sale of Used Vehicles

Revenue from arrangement for sale of used vehicles primarily represents the difference between (i) the payment we made for consumer trade-in vehicles to either consumers or 4S dealership stores that entrust the trade-in used vehicles to us, and (ii) the sale price of the same vehicles (excluding any commission or service fee charged in association with such sale, which is recorded under used vehicle auction commission and service fees) when they are subsequently disposed of. We mainly conduct arrangement for sale of used vehicles to provide assistance to dealership groups who are in the process of developing the required expertise or experience to conduct their used vehicle business, thereby further strengthening our business collaboration with them and converting them into sellers of our used vehicle auction business. As these dealership groups become more experienced in used vehicle businesses themselves, they tend to acquire used vehicles directly on their own and use our transaction platform to dispose of used vehicles that they have acquired. As such, their need for our assistance in the sale of used vehicles may decrease and we will adjust the size and scale of our arrangement for the sale of used vehicles business accordingly to remain our operational efficiency and profitability. For more information on this business segment, see "Business — Arrangement for Sale of Used Vehicles".

Revenue from Exhibition Related Services

Revenue from exhibition related services represent service fees we charge to dealership groups and OEMs that participate in automotive exhibitions we host for the rental of exhibition booths and placement of advertisements. The service fee is based on the size and location of the exhibition booth, the scale of the exhibition and the length of the exhibiting time. For more information on this business segment, see "Business — Exhibition Related Services".

Revenue from Other Services

During the Track Record Period, other services mainly included title transfer services for new vehicles of the 4S dealership stores that we collaborated with. For more information on this business segment, see "Business — Other Businesses."

Cost of Sales

In 2021, 2022 and 2023, our cost of sales was RMB252.1 million, RMB182.8 million and RMB179.5 million, respectively.

The following table sets forth a breakdown of our cost of sales, both in absolute amount and as a percentage of our total cost of sales, for the periods indicated.

	2021		**2022**		**2023**	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*
Labor cost	25,307	10.0	31,412	17.2	32,911	18.3
Professional service cost	109,065	43.3	99,611	54.5	94,944	52.9
Intermediary cost	98,421	39.0	36,841	20.2	36,778	20.5
Other costs	19,327	7.7	14,946	8.1	14,853	8.3
Total cost of sales	252,120	100.0	182,810	100.0	179,486	100.0

Cost of sales consists of (i) labor cost of our professional staff, primarily including salaries and benefits for our staff based at our auction sites such as our certified professional auctioneers and our in-house condition inspectors, (ii) professional service cost, which primarily represents costs incurred for our provision of services, such as costs incurred for the physical collection of used vehicles, fees paid to third-party service providers for their provision of post-auction services, and costs for setting up the exhibition sites under our exhibition related services, (iii) intermediary cost, which represents (a) fees we paid on a per-vehicle basis to 4S dealership stores in relation to our arrangement for sale of used vehicles business, (b) fees we paid to certain upstream sellers that dispose of large number of used vehicles through our transaction platform under our used vehicle auction business, and (c) fees we paid on a per-vehicle basis for supporting services provided by certain dealership groups in relation to our used vehicle value-added services, and (iv) other costs, primarily including cost of renting the exhibition sites.

With respect to the fees we paid to certain upstream sellers that dispose of a large number of used vehicles through our transaction platform under our used vehicle auction business, we determine the terms of such fees based on the upstream sellers' monthly or annual disposal volume. Depending on their disposal volume and based on our case-by-case negotiation with them, we may choose to pay these upstream sellers (i) a fixed amount of fees, (ii) a fixed percentage of the commission we will generate from the transaction of used vehicles sourced from the seller, (iii) based on a progressive fee system (i.e. we will pay them a fixed amount of fee on a per-vehicle basis when the number of used vehicles they disposed of through our transaction platform exceeds certain threshold numbers), or (iv) based on a progressive system of the fixed percentage of the commission we will generate from the transaction of used vehicles sourced from the seller (i.e. we will pay them a fixed percentage of such commission when the number of used vehicles they disposed of through our transaction platform exceeds certain threshold numbers). We enter into agreements with such upstream sellers which specify the terms of the fees, and we typically settle payment with these upstream sellers on a monthly basis. During the Track Record Period, the upstream sellers to whom we pay such fees primarily included selected dealership groups as well as used vehicle dealers and 4S dealership stores of relatively large scale. In 2021, 2022 and 2023, the total fees we paid to such upstream sellers amounted to RMB51.9 million, RMB18.3 million and RMB13.2 million, respectively.

Gross Profit and Gross Profit Margin

In 2021, 2022 and 2023, our gross profit was RMB425.6 million, RMB284.8 million and RMB312.5 million, respectively, and our gross profit margin was 62.8%, 60.9% and 63.5%, respectively.

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

	2021		2022		2023	
	Gross profit	**Gross profit margin**	**Gross profit**	**Gross profit margin**	**Gross profit**	**Gross profit margin**
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*
Used vehicle auction commission and service fees	193,123	57.7	117,541	49.0	168,739	58.8
Used vehicle value-added service	60,441	82.6	60,966	81.3	61,108	82.8
Arrangement for sale of used vehicles	115,341	74.9	67,768	85.5	50,880	80.0
Exhibition related service	37,845	42.3	31,185	49.6	23,340	42.6
Other services	18,817	71.1	7,361	70.0	8,415	66.7
Total	425,567	62.8	284,821	60.9	312,482	63.5

Other Income and Gains, Net

In 2021, 2022 and 2023, other income and gains, net were RMB40.8 million, RMB54.7 million and RMB18.8 million, respectively.

The following table sets forth a breakdown of our other income and gains, net for the periods indicated:

	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Interest income from assistant funds to business partners	20,795	14,328	9,028
Gain on forfeiture of valuation adjustment mechanism	—	15,884	—
Government grants	7,099	13,141	8,000
Rental services	5,776	4,186	1,696
Penalty from customers	3,383	2,544	3,915
Bank interest income	2,514	2,275	1,608
Gain on termination of items of right-of-use assets	212	670	84
Loss on disposal of investment in an associate	(112)	—	—
Loss on disposal of items of property, plant and equipment, net	(50)	—	(300)
Loss on disposal of subsidiaries	—	—	(6,482)
Others	1,180	1,667	1,297
Total	40,797	54,695	18,846

Other income and gains, net consist of (i) interest income from assistant funds to business partners, including dealership groups that we collaborate with to support the development of their used vehicle business and strengthen our business cooperation with them, (ii) gain on forfeiture of valuation adjustment mechanism, in relation to the waiver of refund obligation under certain investment adjustment clause for our Series A Preferred Shares. We entered into a waiver letter with our Series A Investors, pursuant to which we issued additional Series A Preferred Shares to the Series A Investors and our refund obligation under 2019 SHA was accordingly waived. The waiver of the refund obligation further led to an adjustment in value of the outstanding Series A Preferred Shares, resulting in a change in the financial liabilities in connection with the Series A Preferred Shares. As a result, we recognized a gain on forfeiture of valuation adjustment mechanism. See "History Reorganization and Corporate Structure — [REDACTED] — (ii) Series A Financing — Issuance of Preferred Shares to the Series A Investors in 2019 — Issuance of Series A Preferred Shares on August 12, 2022" for further details on the issuance of the Series A Preferred Shares, (iii) government grants received in connection with our payment of taxes and local government's support of our business operation, which include tax rebate, exhibition subsidies, weighted deduction of value-added tax and employment stabilization subsidies. There are no unfulfilled eligibility requirements and conditions relating to these government grants, (iv) rental services in relation to subleasing certain areas of our auction sites to third parties, (v) penalty from customers for their breaching of contracts for failing to purchase used vehicles that have been auctioned, (vi) bank interest income, (vii) gain on termination of items of right-of-use assets, (viii) loss on disposal of investment in an associate, (ix) loss on disposal of items of property, plant and equipment, net, (x) loss on disposal of subsidiaries, and (xi) others, primarily including our gain and loss resulted from foreign exchange and our gain from the disposal of certain fixed assets.

Selling and Distribution Expenses

In 2021, 2022 and 2023, our selling and distribution expenses were RMB79.8 million, RMB88.9 million and RMB90.0 million, accounting for 11.8%, 19.0% and 18.3% of our total revenue for the same periods, respectively.

The following table sets forth a breakdown of our selling and distribution expenses, both in absolute amounts and as a percentage of our total selling and distribution expenses, for the periods indicated:

	2021		2022		2023	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*
Salaries and benefits	56,130	70.3	64,747	72.9	66,155	73.5
Depreciation and amortization	10,689	13.4	12,803	14.4	12,466	13.9
Office and business travel expenses	6,446	8.1	5,450	6.1	5,371	6.0
Hospitality expenses	4,379	5.5	3,587	4.0	4,109	4.6
Promotional activity expenses	1,587	2.0	1,930	2.2	1,530	1.7
Others	538	0.7	369	0.4	347	0.3
Total	79,769	100.0	88,886	100.0	89,978	100.0

Our selling and distribution expenses primarily consist of (i) salaries and benefits for our sales and marketing personnel and certain personnel based at our auction sites, (ii) depreciation and amortization of our right-of-use assets for our used vehicle auction business, (iii) office and business travel expenses, (iv) hospitality expenses incurred in maintenance and development of relationship with our business partners, and (v) promotional activity expenses.

Administrative Expenses

In 2021, 2022 and 2023, our administrative expenses were RMB121.0 million, RMB125.8 million and RMB138.8 million, accounting for 17.9%, 26.9% and 28.2% of our total revenue for the same periods, respectively.

The following table sets forth a breakdown of our administrative expenses, both in absolute amount and as a percentage of our total administrative expenses, for the periods indicated:

	2021		2022		2023	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*
Salaries and benefits	64,487	53.2	69,766	55.5	64,657	46.6
Depreciation and amortization	16,971	14.0	16,496	13.1	14,655	10.6
Technical support expenses	12,291	10.2	10,998	8.7	13,964	10.1
Rental and relevant expenses	7,299	6.0	7,824	6.2	7,325	5.3
Office and business travel expenses	7,205	6.0	6,967	5.5	6,093	4.4
Professional service expenses	6,247	5.2	5,612	4.5	3,687	2.7
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Tax and surcharges	4,206	3.5	2,394	1.9	2,046	1.5
Others	2,314	1.9	2,662	2.1	3,745	2.5
Total	121,020	100.0	125,831	100.0	138,769	100.0

Our administrative expenses consist of (i) salaries and benefits for our administrative personnel, (ii) depreciation and amortization of the leasehold improvements and furniture, (iii) technical support expenses, which mainly represent expenses incurred for our technology and system development activities, (iv) rental and relevant expenses in relation to the leases for our offices that will expire within one year, (v) office and business travel expenses, (vi) [REDACTED] related to this [REDACTED], (vii) professional service expenses related to services provided by attorneys and other professionals other than those related to this [REDACTED], (viii) tax and surcharges, which mainly represent stamp duties, urban construction tax and education surtax, and (ix) others, primarily including bank charges and other miscellaneous expenses.

Other Expenses

Other expenses primarily included the expenses in relation to subleasing certain areas of our auction sites to third parties and compensation paid to buyers for deviation in the condition of used vehicles from our inspection reports. In 2021, 2022 and 2023, other expenses were RMB6.6 million, RMB5.7 million and RMB4.2 million, respectively.

Finance Costs

Finance costs consist of (i) interest on lease liabilities, and (ii) interest expense from bank borrowings. In 2021, 2022 and 2023, our finance costs were RMB4.9 million, RMB5.7 million and RMB5.8 million, respectively.

The following table sets forth a breakdown of our finance costs for the periods indicated:

	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Interest on lease liabilities	4,162	3,905	3,549
Interest expense	760	1,811	2,216
Total	4,922	5,716	5,765

Fair Value Change of Financial Assets and Liabilities at Fair Value Through Profit or Loss

Fair value change of financial assets and liabilities at fair value through profit or loss consist of (i) fair value changes of convertible redeemable preferred shares, (ii) fair value changes of warrants (for more information on (i) and (ii), see "— Analysis of Selected Consolidated Statements of Financial Position — Convertible Redeemable Preferred Shares and Warrants"), and (iii) fair value changes of financial assets at fair value through profit or loss, which represents fair value changes in our investments in financial products purchased from licensed financial institutions in the PRC. In 2021, 2022 and 2023, our fair value change of financial assets and liabilities at fair value through profit or loss was RMB26.7 million, RMB14.0 million and RMB75.0 million, respectively.

The following table sets forth a breakdown of our fair value change of financial assets and liabilities at fair value through profit or loss for the periods indicated:

	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Fair value changes of convertible redeemable preferred shares	26,688	12,617	85,929
Fair value changes of warrants	—	1,582	(10,926)
Fair value changes of financial assets at fair value through profit or loss	—	(210)	—
Total	26,688	13,989	75,003

Income Tax Expenses

In 2021, 2022 and 2023, we incurred income tax expenses of RMB62.8 million, RMB31.3 million and RMB8.8 million, respectively. During the Track Record period and up to the Latest Practicable Date, we have not been involved in any material disputes or unresolved tax issues with the relevant tax authorities. Our effective tax rate was 27.6%, 31.2% and 48.6% in 2021, 2022 and 2023, respectively.

We are subject to various rates of income tax under different jurisdictions. The following summarizes major factors affecting our applicable tax rates in the PRC, Hong Kong, the Cayman Islands and the British Virgin Islands ("**BVI**").

PRC

Under the New EIT Law effective from January 1, 2008, as amended on December 29, 2018, all of our PRC subsidiaries are subject to the statutory rate of 25%, except for certain subsidiaries which enjoy preferential tax treatments.

As of the Latest Practicable Date, some of our subsidiaries were entitled to the following preferential income tax treatments: (i) our Xinjiang Huihan Automobile Auction Service Co., Ltd and Xinjiang Baoqian Motor Vehicle Auction Service Co., Ltd. were subject to a preferential income tax rate of 0% pursuant to Notice of the Preferential Policies of Enterprise Income Tax in the Two Special Economic Development Zones of Kashgar and Horgos in Xinjiang (《財政部、國家稅務總局關於新疆喀什霍爾果斯兩個特殊經濟開發區企業所得稅優惠政策的通知》); such preferential tax treatment will terminate on December 31, 2025; (ii) our Guizhou Xintong Used Vehicle Auction Co., Ltd. was subject to a reduced enterprise income tax of 15% pursuant to Announcement about Continuing to Implement Preferential Enterprise Income Tax Policies for Western Development (《關於延續西部大開發企業所得稅政策的公告》) as it makes investments in encouraged industries in China's Western Regions, and such preferential tax treatment will expire on December 31, 2030; and (iii) our Changchun Baorui International Exhibition Co., Ltd was subject to a reduced enterprise income tax of 15% as it was accredited as high and new technology enterprise that will expire in September 2023. In addition, during the Track Record Period, certain of our subsidiaries were qualified as small and micro enterprises and were entitled to a preferential corporate income tax rate of 20%.

Hong Kong

Our subsidiaries incorporated in Hong Kong are subject to income tax at the rate of 16.5% during the year. No provision for Hong Kong profits tax was made as we had no assessable profit arising in Hong Kong during the Track Record Period.

Cayman Islands

We are incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Companies Act. Pursuant to the laws of the Cayman Islands, we are not subject to any income or corporate tax in the Cayman Islands. In addition, dividend payments are not subject to withholding tax in the Cayman Islands.

BVI

Our subsidiaries incorporated in the BVI are not subject to income tax as these subsidiaries do not have a place of business (other than a registered office only) or carry on any business in the BVI. The British Virgin Islands does not impose a withholding tax on dividends.

RESULTS OF OPERATIONS

Year Ended December 31, 2023 Compared to Year Ended December 31, 2022

Revenue

Revenue increased by 5.2% from RMB467.6 million in 2022 to RMB492.0 million in 2023. The increase was primarily attributable to an increase in used vehicle auction commission and service fees, and an increase in revenue generated from other services.

Used Vehicle Auction Commission and Service Fees

Our used vehicle auction commission and service fees increased by 19.6% from RMB240.0 million in 2022 to RMB287.2 million in 2023, primarily because (i) our transaction volume increased from approximately 160,000 units in 2022 to approximately 176,000 units in 2023, and (ii) we have adjusted our commission rate upward for all used vehicle auction transactions on our platform since February 2023. As a result, our average revenue per vehicle increased from RMB1,505 in 2022 to RMB1,636 in 2023.

Revenue from Used Vehicle Value-added Services

Revenue generated from used vehicle value-added services remained relatively stable at RMB75.0 million and RMB73.8 million in 2022 and 2023, respectively.

Revenue from Arrangement for Sale of Used Vehicles

Revenue generated from arrangement for sale of used vehicles decreased by 19.8% from RMB79.3 million in 2022 to RMB63.6 million in 2023, primarily due to a decrease in the number of consumer trade-in vehicles transacted under this business segment, which in turn was primarily due to our collaborating dealership groups' evolving demand for our arrangement for sale of used vehicle services in response to changing circumstances.

Revenue from Exhibition Related Services

Revenue generated from exhibition related services decreased by 12.9% from RMB62.9 million in 2022 to RMB54.8 million in 2023, primarily because the participating OEMs and dealership groups were more conservative in incurring expenses related to auto show exhibition booths and advertisements.

Revenue from Other Services

Revenue generated from other services increased by 20.0% from RMB10.5 million in 2022 to RMB12.6 million in 2023, primarily due to an increase in revenue generated from title transfer services for dealership groups' new vehicles, as a result of the increased demand for such services from the 4S dealership stores that we collaborated with.

Cost of Sales

Cost of sales decreased by 1.8% from RMB182.8 million in 2022 to RMB179.5 million in 2023, primarily attributable to a decrease in our professional service cost.

Labor Cost

Our labor cost increased by 4.8% from RMB31.4 million in 2022 to RMB32.9 million in 2023, primarily due to increased compensation we paid to auctioneers and condition inspectors based at our auction sites, which was in line with the recovery of our used vehicle auction business.

Professional Service Cost

Our professional service cost decreased by 4.7% from RMB99.6 million in 2022 to RMB94.9 million in 2023, primarily due to a decrease in the professional service fees incurred, because, after we conducted the open bidding process, our title transfer service providers offered us more competitive pricing for the title transfer services we facilitated.

Intermediary Cost

Our intermediary cost remained relatively stable at RMB36.8 million and RMB36.8 million in 2022 and 2023, respectively.

Other Costs

Our other costs remained relatively stable at RMB14.9 million and RMB14.9 million in 2022 and 2023, respectively.

Gross Profit and Gross Profit Margin

As a result of the foregoing, gross profit increased by 9.7% from RMB284.8 million in 2022 to RMB312.5 million in 2023. Gross profit margin increased from 60.9% in 2022 to 63.5% in 2023, primarily due to the higher gross margin for our used vehicle auction business.

Used Vehicle Auction Commission and Service Fees

Our gross profit for used vehicle auction commission and service fees increased by 43.6% from RMB117.5 million in 2022 to RMB168.7 million in 2023. Our gross profit margin for used vehicle auction commission and service fees increased from 49.0% in 2022 to 58.8% in 2023, primarily because we have adjusted our commission rate upward for all used vehicle auction transactions on our platform since February 2023.

Used Vehicle Value-added Services

Our gross profit for used vehicle value-added services remained relatively stable at RMB61.0 million in 2022 and RMB61.1 million in 2023. Our gross profit margin for used vehicle value-added services remained relatively stable at 81.3% and 82.8% in 2022 and 2023, respetively.

Arrangement for Sale of Used Vehicles

Our gross profit for arrangement for sale of used vehicles decreased by 24.9% from RMB67.8 million in 2022 to RMB50.9 million in 2023. Our gross profit margin for arrangement for sale of used vehicles decreased from 85.5% in 2022 to 80.0% in 2023, primarily due to a decrease in the final transaction price (i.e. when eventually sold to downstream buyers) of the consumer trade-in vehicles we arranged for sale.

Exhibition Related Services

Our gross profit for exhibition related services decreased by 25.2% from RMB31.2 million in 2022 to RMB23.3 million in 2023. Our gross profit margin for exhibition related services decreased from 49.6% in 2022 to 42.6% in 2023, primarily because the participating OEMs and dealership groups were more conservative in incurring expenses related to auto show exhibition booths and advertisements in 2023, while our costs of auto exhibitions (which primarily consist of rental expenses and costs of facilities) remained relatively stable for hosting such auto exhibitions regardless of the eventual turnout of the participating OEMs and dealership groups.

Other Services

Our gross profit for other services increased by 14.3% from RMB7.4 million in 2022 to RMB8.4 million in 2023. Our gross profit margin for other services decreased from 70.0% in 2022 to 66.7% in 2023, primarily because we offered dealership groups certain discounts on our service price in order to expand our other services business.

Other Income and Gains, Net

Other income and gains, net decreased by 65.5% from RMB54.7 million in 2022 to RMB18.8 million in 2023, primarily attributable to (i) losses on disposal of two subsidiaries, (ii) a decrease in interest income from assistant funds to business partners as a result of our decreasing outstanding balance of assistant funds we extended to our business partners, including the dealership groups we collaborate with, and (iii) a decrease in government grants in connection with our payment of taxes and auto exhibition related subsidies.

Selling and Distribution Expenses

Selling and distribution expenses remained relatively stable at RMB88.9 million in 2022 and RMB90.0 million in 2023.

Administrative Expenses

Administrative expenses increased by 10.3% from RMB125.8 million in 2022 to RMB138.8 million in 2023, primarily attributable to an increase in [REDACTED] in 2023 in relation to this [REDACTED].

Other Expenses

Our other expenses decreased by 25.1% from RMB5.7 million in 2022 to RMB4.2 million in 2023, primarily because we no longer subleased certain areas of our auction sites to third parties in 2023, and as a result did not incur any related expenses.

Finance Costs

Finance costs remained relatively stable at RMB5.7 million and RMB5.8 million in 2022 and 2023, respectively.

Share of Profits and Losses of Associates

Our share of profits of associates decreased by 44.0% from RMB0.8 million in 2022 to RMB0.4 million in 2023, primarily attributable to a decrease in the profits of one of our assosiates.

Fair Value Change of Financial Assets and Liabilities at Fair Value Through Profit or Loss

We recorded losses of RMB75.0 million in fair value change of financial assets and liabilities at fair value through profit or loss in 2023, compared to losses of RMB14.0 million in 2022, primarily due to the changes in fair market value of convertible redeemable preferred shares we issued to our investors, in line with the increased valuation of our Company in anticipation of this [REDACTED], partially offset by the fair value changes of warrants we issued in 2022 as these warrants expired prior to our submission of the [REDACTED] of the document pursuant to the relevant terms.

Profit before Tax

As a result of the foregoing, our profit before tax decreased by 82.0% from RMB100.2 million in 2022 to RMB18.0 million in 2023.

Income Tax Expenses

Income tax expenses decreased by 72.0% from RMB31.3 million in 2022 to RMB8.8 million in 2023, primarily due to the decrease in our profit before tax. Our effective tax rate increased from 31.2% in 2022 to 48.6% in 2023, primarily due to an increase of RMB61.0 million in our losses in fair value change of financial assets and liabilities at fair value through profit or loss, which were not subject to tax deduction.

Profit for the Year

Our profit for the year decreased by 86.6% from RMB69.0 million in 2022 to RMB9.3 million in 2023, primarily because we recorded losses of RMB75.0 million in fair value change of financial assets and liabilities at fair value through profit or loss in 2023, which was primarily due to the changes in fair market value of our convertible redeemable preferred shares, in line with the increased valuation of our Company in anticipation of this [REDACTED].

Year Ended December 31, 2022 Compared to Year Ended December 31, 2021

Revenue

Revenue decreased by 31.0% from RMB677.7 million in 2021 to RMB467.6 million in 2022. The decrease in revenue was primarily attributable to a decrease in used vehicle auction commission and service fees and a decrease in revenue from arrangement for sale of used vehicles.

Used Vehicle Auction Commission and Service Fees

Our used vehicle auction commission and service fees decreased by 28.2% from RMB334.4 million in 2021 to RMB240.0 million in 2022, primarily due to a decrease in used vehicle auction commission RMB275.2 million in 2021 to RMB172.7 million in 2022, which was in turn mainly as a result of a decrease in the volume of used vehicles transacted on our transaction platform from approximately 261,000 units in 2021 to approximately 160,000 units in 2022.

The significant decrease in our transaction volume in 2022 was primarily due to the resurgences of COVID-19 and corresponding restrictive measures to restrain the pandemic, which led to cancellation of auction sessions, reduced willingness of buyers to place bids with us and logistics disruptions. As the only used vehicle transaction service provider in China that has a nationwide offline infrastructure of auction sites, the online-offline integrated nature of our business model made us more vulnerable to the governments' restrictive measures in response to the resurgences of COVID-19 in 2022. See "— Effects of the COVID-19 Pandemic on Our Results of Operations" for more details. Nevertheless, many other used vehicle transaction service providers similarly experienced decreases in their transaction volume that are more pronounced than the decrease in the overall transaction volume of China's used vehicle market. The decrease was partially offset by an increase in used vehicle auction service fees from RMB59.2 million in 2021 to RMB67.4 million in 2022, primarily because of our buyers' increasing adoption of our title transfer and logistics services. In particular, the adoption of our post-auction title transfer services increased from 35.6% in 2021 to 59.5% in 2022, representing approximately 93,000 units and 95,000 units of transacted vehicles, respectively, in 2021 and 2022.

Revenue from Used Vehicle Value-added Services

Revenue generated from used vehicle value-added services increased by 2.5% from RMB73.1 million in 2021 to RMB75.0 million in 2022, primarily due to an increase in vehicle inspection and appraisal services and title transfer service we provided for dealership groups.

Revenue from Arrangement for Sale of Used Vehicles

Revenue generated from arrangement for sale of used vehicles decreased by 48.6% from RMB154.1 million in 2021 to RMB79.3 million in 2022, primarily because we intentionally reduced the number of consumer trade-in vehicles (as we continued to strategically focus on our used vehicle auction business) while ensuring the transactions could remain profitable. Such reduction was in turn mainly because (i) the average price of used vehicle in China decreased from approximately RMB71.8 thousand in 2021 to approximately RMB59.3 thousand in 2022, and the decreasing trend in 2022 led our revenue per vehicle to decrease from RMB2,777 in 2021 to RMB2,319 in 2022; we also incurred losses for 4.3% of the vehicles transacted under this business segment in 2022, as compared to 3.2% in 2021; and (ii) we gradually reduced our arrangement for sale of used vehicle services to certain dealership groups in 2022, as they started to dispose of consumer trade-in vehicles on our transaction platform through auctions and became upstream sellers of our used vehicle auction business. In 2021 and 2022, we arranged for the sale of approximately 55,000 and approximately 34,000 units, respectively, of consumer trade-in used vehicles under this business segment.

Revenue from Exhibition Related Services

Revenue generated from exhibition related services decreased by 29.8% from RMB89.6 million in 2021 to RMB62.9 million in 2022, primarily because certain auto exhibitions that we hosted were either cancelled or terminated early as a result of COVID-19 resurgences in 2022.

Revenue from Other Services

Revenue generated from other services decreased by 60.3% from RMB26.5 million in 2021 to RMB10.5 million in 2022, primarily due to a decrease in revenue generated from title transfer services as a result of the decreased demand for such service in relation to new vehicles of the 4S dealership stores that we collaborated with.

Cost of Sales

Cost of sales decreased by 27.5% from RMB252.1 million in 2021 to RMB182.8 million in 2022, which was in line with the decrease in our revenue.

Labor Cost

Our labor cost increased by 24.1% from RMB25.3 million in 2021 to RMB31.4 million in 2022, primarily because we hired more auctioneers and condition inspectors based at our auction sites to continuously expand and upgrade our auction site network. We expanded our teams of auctioneers and condition inspectors in 2021 in line with our pre-existing plan for strategic expansion. We hired 12 auctioneers and 124 condition inspectors in 2021, and as a result incurred higher labor cost in 2022. We decided to continue to expand our team in light of the rapid growth in our transaction volume and our strong business performance in 2021, as well as based on our then belief and assessment that the COVID-19 situation was generally under control.

Professional Service Cost

Our professional service cost decreased by 8.7% from RMB109.1 million in 2021 to RMB99.6 million in 2022, primarily due to a decrease in professional fees incurred in connection with our title transfer services for new vehicles of the 4S dealership stores that we collaborated with under our other services segment, which was in line with the decline in our provision of such services, partially offset by an increase in the professional service fees we paid to third-party service providers for our post-auction logistics and title transfer services as a result of our buyers' increasing adoption of such services.

Intermediary Cost

Our intermediary cost decreased by 62.6% from RMB98.4 million in 2021 to RMB36.8 million in 2022, primarily due to (i) the decrease in fees we paid to upstream sellers who disposed of large number of used vehicles through our platform, which was in line with the decreased volume of our used vehicle auction business, and (ii) the decrease in fees we paid to dealership groups for the arrangement for sale of consumer trade-in vehicles as we strategically reduced our arrangement for sale of used vehicles business and the number of used vehicles transacted under this business.

Other Costs

Our other costs decreased by 22.7% from RMB19.3 million in 2021 to RMB14.9 million in 2022, primarily due to a decrease in rental cost because certain auto exhibitions that we hosted were either cancelled or terminated early as a result of COVID-19 resurgences in 2022.

Gross Profit and Gross Profit Margin

As a result of the foregoing, gross profit decreased by 33.1% from RMB425.6 million in 2021 to RMB284.8 million in 2022. Gross profit margin decreased from 62.8% in 2021 to 60.9% in 2022, primarily due to a decrease in gross profit margin of our used vehicle auction commission and service fees.

Used Vehicle Auction Commission and Service Fees

Our gross profit for used vehicle auction commission and service fees decreased by 39.1% from RMB193.1 million in 2021 to RMB117.5 million in 2022. Our gross profit margin for used vehicle auction commission and service fees decreased from 57.7% in 2021 to 49.0% in 2022, primarily due to increased cost of transaction on a per-vehicle basis, mainly as a result of (i) increased labor cost in line with the increase in our headcount for our used vehicle auction business, including auctioneers and condition inspectors. In light of the rapid growth in our transaction volume and our strong business performance in 2021, and based on our then belief and assessment that the COVID-19 situation was generally under control, we continued to expand our teams of auctioneers and condition inspectors in 2021 in line with our pre-existing plan for strategic expansion. We hired 12 auctioneers and 124 condition inspectors in 2021, and as a result increased the headcount of our auctioneers and condition inspectors and incurred higher labor cost in 2022. However, due to the resurgences of COVID-19 in 2022, our transaction volume was significantly lower than 2021, and accordingly the increase in our revenue could not adequately cover the increase in our labor cost in 2022, and (ii) the increased adoption of post-auction services, especially in used vehicles transacted in Tier 2 and below cities, which had relatively lower gross profit margin.

Used Vehicle Value-added Services

Our gross profit for used vehicle value-added services increased by 0.9% from RMB60.4 million in 2021 to RMB61.0 million in 2022. Our gross profit margin for used vehicle value-added services remained relatively stable at 82.6% in 2021 and 81.3% in 2022.

Arrangement for Sale of Used Vehicles

Our gross profit for arrangement for sale of used vehicles decreased by 41.2% from RMB115.3 million in 2021 to RMB67.8 million in 2022. Our gross profit margin for arrangement for sale of used vehicles increased from 74.9% in 2021 to 85.5% in 2022, primarily due to our intentional reduction in the number of used vehicles transacted under our sale of used vehicle business, and these transactions generally had lower gross profit margin. We were able to identify transactions with lower gross profit margin because the cost of sales incurred for arrangement for sale of used vehicles primarily included the fees we paid to dealership groups for consumer trade-in vehicles that are transacted under this business segment. The amount of fees on a per-vehicle basis varied across different dealership groups. As such, we reduced the volume of transaction with higher fee per vehicle and the gross profit margin for this business segment was improved as a result.

Exhibition Related Services

Our gross profit for exhibition related services decreased by 17.6% from RMB37.8 million in 2021 to RMB31.2 million in 2022. Our gross profit margin for exhibition related services increased from 42.3% in 2021 to 49.6% in 2022, primarily because we terminated our cooperation with a radio station in 2021 and ceased to provide radio advertisement placement services in 2022, which had relatively lower gross profit margin. Under this cooperation arrangement and as the advertisement agent of the radio station, we made upfront payment to the radio station and sold advertising timeslots to third parties for their advertisement placement for a fee. The cooperation was discontinued because we lost in the annual public tender process of the radio station in 2021.

Other Services

Our gross profit for other services decreased by 60.9% from RMB18.8 million in 2021 to RMB7.4 million in 2022. Our gross profit margin for other services remained relatively stable at 71.1% in 2021 and 70.0% in 2022.

Other Income and Gains, Net

Other income and gains, net increased by 34.1% from RMB40.8 million in 2021 to RMB54.7 million in 2022, primarily attributable to (i) an increase in gain on forfeiture of valuation adjustment mechanism, which represents the waiver of refund obligation under certain investment adjustment mechanism in connection with Series A Preferred Shares, and (ii) an increase in government grants in relation to our payment of taxes, partially offset by a decrease in interest income from assistant funds to business partners, including dealership groups we collaborated with, due to decreased interest rate we charged for these assistant funds.

Selling and Distribution Expenses

Selling and distribution expenses increased by 11.4% from RMB79.8 million in 2021 to RMB88.9 million in 2022, primarily attributable to (i) an increase in the salaries and benefits of our sales and marketing personnel due to an increase in headcount, and (ii) an increase in depreciation and amortization of our right-of-use assets, in line with the expansion of our offline auction site network for used vehicle auction businesses. The number of our auction sites increased from 73 as of December 31, 2021 to 78 as of December 31, 2022.

Administrative Expenses

Administrative expenses increased by 4.0% from RMB121.0 million in 2021 to RMB125.8 million in 2022, primarily attributable to (i) an increase in the salaries and benefits of our administrative personnel due to an increase in headcount, and (ii) the occurrence of [REDACTED] in 2022 in relation to this [REDACTED].

Other Expenses

Our other expenses decreased by 14.7% from RMB6.6 million in 2021 to RMB5.7 million in 2022, primarily attributable to a decrease in the expenses in relation to subleasing certain areas of our auction sites to third parties as we ceased to sublease certain areas in September 2022.

Finance Costs

Finance costs increased by 16.1% from RMB4.9 million in 2021 to RMB5.7 million in 2022, primarily due to an increase in interest expense, which was in line with our increased bank borrowings.

Share of Profits and Losses of Associates

Our share of profits of associates increased by 45.3% from RMB0.5 million in 2021 to RMB0.8 million in 2022. The increase was primarily attributable to an increase in profits from two of our associates.

Fair Value Change of Financial Assets and Liabilities at Fair Value Through Profit or Loss

We recorded losses of RMB26.7 million and RMB14.0 million for fair value change of financial assets and liabilities at fair value through profit or loss in 2021 and 2022, respectively, primarily due to the changes in fair market value of convertible redeemable preferred shares we issued to our investors, in line with the increased valuation of our Company.

Profit before Tax

As a result of the foregoing, our profit before tax decreased by 56.0% from RMB227.9 million in 2021 to RMB100.2 million in 2022.

Income Tax Expenses

Income tax expenses decreased by 50.2% from RMB62.8 million in 2021 to RMB31.3 million in 2022, primarily due to the decreased profit before tax. Our effective tax rate increased from 27.6% in 2021 to 31.2% in 2022, primarily because certain tax losses not recognized in 2022, which in turn was because it is not considered probable that enough taxable profits will be available against which the tax losses can be utilized.

Profit for the Year

As a result of the foregoing, our profit for the year decreased by 58.2% from RMB165.1 million in 2021 to RMB69.0 million in 2022. Our decrease in profit for the year in 2022 was primarily due to our decrease in gross profit in 2022, which in turn was due to (i) a significant decrease in the used vehicle transaction volume in 2022 due to the COVID-19 resurgences, and (ii) an increase in our labor cost in connection with the additional auctioneers and condition inspectors we hired. Our net profit margin decreased from 24.4% in 2021 to 14.8% in 2022. The decline in our net profit margin was primarily due to the decrease in our gross profit margin, which in turn was mainly due to the decrease in the gross profit margin for our used vehicle auction commission and service fees, as discussed above.

WORKING CAPITAL

We recorded net current assets of RMB414.9 million, RMB422.3 million and RMB719.5 million as of December 31, 2021, 2022 and 2023, respectively. The following table sets forth a breakdown of our current assets and liabilities as of the dates indicated:

	As of December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	9,399	13,259	16,288
Prepayments, deposits and other receivables	336,104	454,221	90,170
Income tax recoverable	8,441	—	—
Financial assets at fair value through profit or loss	21,391	77,210	3,500
Cash and cash equivalents	352,402	389,298	935,441
Total current assets	727,737	933,988	1,045,399
Trade payables	11,647	32,751	30,431
Other payables and accruals	255,375	404,972	204,179
Interesting-bearing bank borrowings	19,800	49,700	69,500
Lease liabilities	13,277	14,132	14,782
Tax payable	12,767	10,085	7,039
Total current liabilities	312,866	511,640	325,931
Net current assets	414,871	422,348	719,468

As of December 31, 2023, we had net current assets of RMB719.5 million, representing an increase of 70.3% from our net current assets of RMB422.3 million as of December 31, 2022. The increase in our net current assets was primarily due to (i) an increase of RMB546.1 million in cash and cash equivalents and (ii) a decrease of RMB200.8 million in other payables and accruals, offset in part by a decrease of RMB364.1 million in prepayments, deposits and other receivables.

As of December 31, 2022, we had net current assets of RMB422.3 million, representing an increase of 1.8% from our net current assets of RMB414.9 million as of December 31, 2021. The increase in our net current assets was primarily due to (i) an increase of RMB118.1 million in prepayments, deposits and other receivables and (ii) an increase of RMB55.8 million in financial assets at fair value through profit or loss, offset in part by an increase of RMB149.6 million in other payables and accruals.

WORKING CAPITAL SUFFICIENCY

Based on our net current asset position throughout the Track Record Period and taking into account cash and cash equivalents, our operating cash flow generated from our business operations and the [REDACTED] we expect to receive from the [REDACTED], our Directors believe that we have sufficient working capital for our present requirements and for at least the next 12 months from the date of this document.

Our future cash requirements will depend on many factors, including our operating income, capital expenditures on property, plant and equipment and intangible assets, market acceptance of our platform and services or other changing business conditions and future developments, including any investments or acquisitions we may decide to pursue. We may require additional cash due to changing business conditions or other future developments. If our existing cash is insufficient to meet our requirements, we may seek to issue equity and/or debt securities or borrow from lending institutions. See "Risk Factors — Risks Related to Our Business and Industry — We may need additional capital to achieve our business targets and respond to market opportunities. If we could not obtain sufficient capital through either debt or equity, our business, operating results and financial condition could be materially harmed."

ANALYSIS OF SELECTED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Property, Plant and Equipment

Our property, plant and equipment consists of leasehold improvements, plant and machinery, furniture and fixtures, motor vehicles and construction in progress. The following table sets forth a breakdown of our property, plant and equipment, as of the dates indicated:

	As of December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Leasehold improvements	12,774	8,017	10,168
Plant and machinery	870	565	198
Furniture and fixtures	2,800	2,607	2,288
Motor vehicles	381	729	556
Construction in progress	—	—	465
Total	16,825	11,918	13,675

Our property, plant and equipment increased by 14.7% from RMB11.9 million as of December 31, 2022 to RMB13.7 million as of December 31, 2023, primarily attributable to the increase in our lease improvements.

Our property, plant and equipment decreased by 29.2% from RMB16.8 million as of December 31, 2021 to RMB11.9 million as of December 31, 2022, representing normal depreciation of our property, plant and equipment.

Right-of-Use Assets

Our right-of-use assets represent the buildings we lease for our auction sites and offices. We recorded right-of-use assets of RMB84.3 million, RMB65.1 million and RMB64.4 million as of December 31, 2021, 2022 and 2023, respectively.

Trade Receivables

Our trade receivables represent outstanding trade receivables from customers for our used vehicle value-added services business and exhibition related service business. Trade receivables are unsecured and non-interest-bearing.

Our trade receivables increased by 22.8% from RMB13.3 million as of December 31, 2022 to RMB16.3 million as of December 31, 2023, primarily due to an increase in outstanding trade receivables from exhibition participants as a result of the increased volume of exhibition related services in connection with the auto exhibitions we hosted in December 2023, which we did not host in the same period in 2022 due to the impact of COVID-19.

Our trade receivables increased by 41.1% from RMB9.4 million as of December 31, 2021 to RMB13.3 million as of December 31, 2022, primarily due to the increased volume of used vehicle value-added services with longer settlement cycles.

The following table sets forth our trade receivables turnover days for the periods indicated:

	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables turnover days[(1)]	11.5	8.8	11.0

Note:

1. Trade receivables turnover days for each one-year period are equal to the average balance of trade receivables at the beginning and the end of the period divided by revenue for such period and multiplied by 365 days.

Our turnover days of trade receivables decreased from 11.5 days in 2021 to 8.8 days in 2022, which was primarily due to faster settlement with customers. Our turnover days of trade receivables increased to 11.0 days in 2023 because the increase in the balance of trade receivables was faster than that of revenue.

The following table sets forth the aging analysis of our trade receivables as of the dates indicated, based on the invoice date.

	As of December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Within 6 months	9,399	12,803	16,006
6 months to 1 year	—	456	282
Total	9,399	13,259	16,288

Our trade receivables are typically settled in 30 to 180 days. The expected credit loss of our trade receivables for less than 1 year was insignificant in 2021, 2022 and 2023. We applied simplified approach for the measurement of expected credit loss of our trade receivables. For the details of expected credit loss of our trade receivables and relevant accounting treatment, please refer to " — Critical Accounting Polices and Estimates — Estimation Uncertainty — Provision for Expected Credit Losses on Trade Receivables" and Notes 2 and 20 to the Accountants' Report included in Appendix I to this document for more details.

We seek to maintain strict control over our outstanding trade receivables and overdue balances are reviewed regularly and actively monitored by senior management to minimize credit risk.

We believe that there is no material recoverability issue for our trade receivables and have made sufficient impairment on our trade receivables during the Track Record Period.

Prepayments, Deposits and Other Receivables

Our prepayments, deposits and other receivables include (i) assistant funds to business partners, which represent funds to certain dealership groups, (ii) capital injection due from shareholders, (iii) advances to suppliers, which mainly represent our payment to consumers and dealership groups for consumer trade-in vehicles entrusted to us under our arrangement for sale of used vehicles business, (iv) other receivables, which primarily represent certain payments we paid on behalf of our employees, (v) deposits, which represent rental deposits we paid for our auction sites and exhibition sites, which will be returned to us upon the termination of lease, (vi) prepaid [REDACTED], which represent professional services provided by third parties in connection with this [REDACTED], (vii) interests receivables from the business partners that we provided assistant funds, (viii) deductible value-added tax, (ix) prepaid lease payments for our offices and auction sites, and (x) amounts due from related parties.

The following table sets forth our prepayments, deposits and other receivables as of the dates indicated:

	As of December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Assistant funds to business partners	298,952	294,812	61,948
Capital injection due from shareholders	—	121,880	—
Advances to suppliers	21,533	19,120	9,399
Other receivables	2,039	4,329	1,945
Deposits	7,706	8,462	7,782
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Interest receivable	2,967	4,778	1,378
Deductible value-added tax	4,833	2,629	2,284
Prepaid lease payments	1,055	1,137	775
Amounts due from related parties	1,627	1,516	1,002
Less: Other non-current assets	(6,118)	(7,257)	(7,292)
Total	336,104	454,221	90,170

Our prepayments, deposits and other receivables decreased by 80.1% from RMB454.2 million as of December 31, 2022 to RMB90.2 million as of December 31, 2023, primarily due to (i) the completion of capital injection due from shareholders to two of our subsidiaries in 2022, and (ii) payment of assistant funds by certain business partners.

Our prepayments, deposits and other receivables increased by 35.1% from RMB336.1 million as of December 31, 2021 to RMB454.2 million as of December 31, 2022, primarily due to an increase in capital injection due from shareholders to two of our subsidiaries.

Advances to suppliers primarily represent our payment to consumers and 4S dealership stores for consumer trade-in vehicles entrusted to us under our arrangement for sale of used vehicle business, which have not been transacted (either through our transaction platform or other channels, such as selling directly to Professional Buyers). As of December 31, 2021, 2022 and 2023, there were 285, 327 and 206 used vehicles of this type, respectively, underlying our advances to suppliers. Our advances to suppliers are typically settled within 90 days. As of December 31, 2022 and 2023, 100% and 100% of our advances to suppliers outstanding as of December 31, 2021 and 2022, had been settled. As of the Latest Practicable Date, 66.9% of our advances to suppliers outstanding as of December 31, 2023, has been settled.

We believe that there is no material recoverability issue for our prepayments, deposits and other receivables and did not make any impairment on our prepayments, deposits and other receivables during the Track Record Period.

Assistant Funds to Business Partners

Dealership groups in China traditionally focus on, and typically devote their existing financial resources to, the sale of new vehicles. As such, they generally require external financial assistance when conducting used vehicle related business. During the Track Record Period, we extended assistant funds to certain dealership groups we collaborated with in the ordinary course of our business, in order to support their used vehicle business operation and deepen our collaboration with them. We take into consideration a number of factors when determining whether to extend assistant funds to a dealership group, including its scale of business, financial performance and overall business reputation and credibility, as well as the length of its business cooperation with us. As of December 31, 2021, 2022 and 2023, our outstanding balance of assistant funds to these dealership groups amounted to RMB299.0 million, RMB294.8 million and RMB61.9 million, respectively. The expected credit loss rate of assistant fund to business partners amounted to 0%, 0%, and 0% as of December 31, 2021, 2022 and 2023, respectively. We use a provision matrix to calculate expected credit losses for assistant funds to business partners. The provision rates are calculated based on the days past due by grouping various business partner segments that have similar loss patterns, including by geography, service type and business partner type. In particular, (i) the provision matrix was initially based on our historically-observed default rates. The dealership groups to whom we extended assistant funds are established and reputable enterprises, who did not have any default on repayment of assistant funds historically. All assistant funds were repaid by the business partners within the credit term. Our historical credit loss experience was complete subsequent the settlement of such assistant funds; (ii) we calibrated the matrix to adjust the historical credit loss experience with forward-looking information, which consists of economic information and estimates including China's GDP growth rate, CPI growth rate, interest rate and real wage index; and (iii) at the end of each of 2021, 2022 and 2023, the historical observed default rates were updated and changes in the forward-looking estimates were analyzed. Based on the foregoing, the expected credit loss rate of assistant funds to business partners was insignificant for the years ended December 31, 2021, 2022 and 2023.

The interest rates of the outstanding balance of assistant funds as of December 31, 2023 were between 1.7% and 4.5%, which were in line with the prevailing interest rates of loans offered by financial institutions. As advised by our PRC Legal Adviser, the assistant funds with interest we extended to our business partners are in compliance with applicable PRC laws and regulations in all material aspects. See "Business — Assistant Funds to Business Partners" for further details. Moreover, as the dealership groups to whom we extended assistant funds are established and reputable enterprises, they are generally able to obtain loans from third-party financial institutions. As such, we believe that these dealership groups do not rely on us for receiving such financial assistance in carrying out their used vehicle business. We plan to maintain our outstanding balance of assistant funds to business partners at a stable level going forward, through selectively extending the assistant funds based on our criteria as their needs rise.

During the Track Record Period, Xinbao Botong (Tianjin) Used Vehicle Business Co., Ltd. ("**Xinbao Botong (Tianjin)**"), a subsidiary of our Company, conducted financial leasing business of a very limited scale with one of our dealership group business partners. In 2021, 2022 and 2023, income generated from our financial leasing business accounted for 0.6%, 1.0% and 0.3% of the sum of (i) our total revenue and (ii) other income and gains, net, respectively. As of December 31, 2021, 2022 and 2023, income generated from our financial leasing business accounted for 1.7%, 3.2% and 0.4% of our net assets, respectively. We recorded the outstanding balance of funds of our financial leasing business under "assistant funds to business partners" under "prepayments, deposits and other receivables" pursuant to IFRS9, and recorded income generated from such business under "interest income from assistant funds to business partners" under "other income and gains, net." As advised by our PRC Legal Adviser, Xinbao Botong (Tianjin) possessed the requisite qualification in carrying out the financial leasing business during the period of engaging in the financial leasing business. Xinbao Botong (Tianjin) had settled all of the outstanding balance in relation to our financial leasing business as of early September 2023, and does not plan to conduct such business in the future.

We believe that the settlement for the assistant funds to business partners would not bring material adverse impact on our business operations and financial conditions, considering that (i) our market position as the largest used vehicle transaction service provider in China in terms of transaction volume in 2022, (ii) the relevant dealership groups consider us as a good and trustworthy business partner primarily due to our market position, and (iii) during interviews with the relevant dealership groups conducted in June 2022, they indicated that the settlement of such assistant funds will not affect their business relationship with us, and as of the Latest Practicable Date, these dealership groups remained cooperating with us. See "Risk Factors — Risks Related to Our Business and Industry — We may be subject to penalties from the PBOC or adverse judicial rulings as a result of extending assistant funds to our business partners during the Track Record Period" and "Business — Assistant Funds to Business Partners" for further details.

Cash and Cash Equivalents

During the Track Record Period, we had cash and cash equivalents of RMB352.4 million, RMB389.3 million and RMB935.4 million as of December 31, 2021, 2022 and 2023, respectively. For an analysis of our cash flow during the Track Record Period, see "— Liquidity and Capital Resources."

Trade Payables

Our trade payables primarily represent outstanding trade payables (i) to third-party service providers for post-auction services and used vehicle value-added services, and (ii) in relation to our intermediary costs under various business segments that are payable to the relevant parties.

Our trade payables decreased by 7.1% from RMB32.8 million as of December 31, 2022 to RMB30.4 million as of December 31, 2023, primarily due to a decrease in the amount of intermediary cost as a result of the decrease in the number of trade-in vehicles transacted under our arrangement for sale of used vehicle business.

Our trade payables increased by 181.2% from RMB11.6 million as of December 31, 2021 to RMB32.8 million as of December 31, 2022, primarily due to an increase in fees payable to third-party service providers for their provision of post-auction services to our buyers, such as title transfer service for used vehicles transacted on our transaction platform.

The following table sets forth our trade payables turnover days for the years indicated:

	Year Ended December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables turnover days[(1)]	36.3	44.3	64.2

Note:

(1) Trade payables turnover days for each one-year period are equal to the average balance of trade payables at the beginning and the end of the period divided by cost of sales for such period and multiplied by 365 days.

Our trade payables turnover days increased from 44.3 days in 2022 to 64.2 days in 2023, which was primarily because the increase in the balance of trade payables was faster than that of cost of sales.

Our trade payables turnover days increased from 36.3 days in 2021 to 44.3 days in 2022, which was primarily because the increase in the balance of trade payables was faster than that of cost of sales.

The following table sets forth the aging analysis of trade payables as of the dates indicated, based on the invoice date:

	As of December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Within 6 months	11,647	32,000	30,190
6 months to 1 year	—	751	241
Total	11,647	32,751	30,431

During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that we did not default in payment of any trade payables.

Our trade payables are non-interest-bearing and are normally settled on terms of 30 to 180 days.

Other Payables and Accruals

Our other payables and accruals consist of (i) advances from third parties, which were good faith deposits from certain shareholders to demonstrate their genuine interests in making capital injection in our Company. As of December 31, 2023, such advances had been returned to the relevant shareholders after they completed their capital injection pursuant to the relevant agreements, (ii) dividends payables to non-controlling shareholders of subsidiaries, which will be settled prior to the [REDACTED], (iii) deposits, which represents deposits received from customers for account registration on our transaction platform and participation in used vehicle auctions, (iv) salary and welfare payables for our staff, (v) contract liabilities, primarily represent advances from certain 4S dealership stores for used vehicle value-added services, (vi) advances from buyers collected on behalf of sellers that we collected for used vehicles transacted on our transaction platform, (vii) consideration payable related to acquisition of non-controlling shareholders, (viii) accrued expenses, which represent unpaid rental expenses, logistics expenses and title transfer expenses, (ix) other tax payables, and (x) others, primarily including payables in relation to employees' social insurance and housing funds and other payables in relation to services we provide.

The following table sets forth our other payables and accruals as of the dates indicated:

	As of December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Advances from third parties	116,038	142,435	—
Dividend payables to non-controlling shareholders of subsidiaries	—	121,981	60,195
Deposits	63,677	68,975	73,837
Salary and welfare payables	21,642	16,327	14,810
Contract liabilities	15,805	15,065	16,392
Advance from buyers collected on behalf of sellers	24,161	13,863	22,521
Consideration payable related to acquisition of non-controlling shareholders	—	13,580	1,180
Accrued expenses	9,027	8,417	11,702
Other tax payables	3,355	1,966	1,488
Others	1,670	2,363	2,054
Total	255,375	404,972	204,179

Our other payables and accruals decreased by 49.6% from RMB405.0 million as of December 31, 2022 to RMB204.2 million as of December 31, 2023, primarily due to (i) the repayment of advances from third parties as the relevant shareholders had completed their capital injection pursuant to the relevant agreements, and (ii) a decrease in dividend payables to non-controlling shareholders of our subsidiaries after we made the relevant dividend payments, partially offset by an increase in advance from buyers collected on behalf of sellers, primarily due to the increased commission and service fee rate for our used vehicle auction business.

Our other payables and accruals increased by 58.6% from RMB255.4 million as of December 31, 2021 to RMB405.0 million as of December 31, 2022, primarily due to (i) an increase in dividend payables to non-controlling shareholders of our subsidiaries, and (ii) an increase in consideration payable related to acquisition of non-controlling shareholders, and partially offset by a decrease in advance from buyers collected on behalf of sellers, in line with the reduction in used vehicle transaction volume.

Convertible Redeemable Preferred Shares and Warrants

Our convertible redeemable preferred shares consist of our Series A and Series B Preferred Shares. These preferred shares are redeemable at the occurrence of specified events and can be converted into ordinary shares at such holders' sole discretion. The convertible redeemable preferred shares as of a given date are classified as non-current liabilities as such liabilities are not expected to be settled in the normal operating cycle and are not due within twelve months after the end of reporting periods. For more information about the terms of these Preferred Shares, including their conversion and redemption features, see Note 28 to the Accountants' Report set out in Appendix I.

Our convertible redeemable preferred shares and warrants classified as non-current liabilities were RMB180.1 million, RMB291.7 million and RMB372.4 million as of December 31, 2021, 2022 and 2023, respectively. Our convertible redeemable preferred shares continued to increase during the Track Record Period which was primarily attributable to the issuance of more convertible redeemable preferred shares and the increased valuation of our Company.

See Note 28 to the Accountants' Report in Appendix I for details of the fair value measurement of our redeemable convertible preferred shares, including the methods and key assumptions used in the measurement.

LIQUIDITY AND CAPITAL RESOURCES

Historically, we funded our operations primarily with cash and cash equivalents on hand, cash generated from operations and bank borrowings. Our cash and cash equivalents primarily consist of cash on hand and bank balances. We had cash and cash equivalents of RMB352.4 million, RMB389.3 million and RMB935.4 million as of December 31, 2021, 2022 and 2023, respectively. We believe that our current cash and anticipated cash flow from operations will be sufficient to meet our anticipated cash needs, including our cash needs for at least the next 12 months.

Consolidated Statements of Cash Flows

The following table sets forth a summary of our consolidated statements of cash flows for the periods indicated:

	Year ended December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Net cash from operating activities	188,705	95,332	123,361
Net cash (used in)/from investing activities	(47,493)	(43,889)	310,908
Net cash (used in)/from financing activities	(49,202)	(15,955)	111,505
Net increase in cash and cash equivalents	92,010	35,488	545,774
Cash and cash equivalents at beginning of year	260,401	352,402	389,298
Effect of foreign exchange rate change, net	(9)	1,408	369
Cash and cash equivalents at the end of year	352,402	389,298	935,441

Net Cash From Operating Activities

In 2023, net cash from operating activities was RMB123.4 million, which primarily consists of profit before tax of RMB18.0 million, adjusted for certain non-cash and non-operating items and income tax paid of RMB21.9 million. Adjustment for certain non-cash and non-operating items primarily include depreciation of right-of-use assets of RMB22.2 million, partially offset by interest income from assistant funds to business partners of RMB9.0 million. The amount was further adjusted by changes in working capital, primarily including increase in other payables and accruals of RMB28.6 million, partially offset by an increase in trade receivables of RMB3.1 million.

In 2022, net cash from operating activities was RMB95.3 million, which primarily consists of profit before tax of RMB100.2 million, adjusted for certain non-cash and non-operating items and income tax paid of RMB23.1 million. Adjustment for certain non-cash and non-operating items primarily include depreciation of right-of-use assets of RMB20.8 million, partially offset by interest income from assistant funds to business partners of RMB14.3 million. The amount was further adjusted by changes in working capital, primarily including decrease in prepayments, deposits and other receivables of RMB8.9 million, partially offset by (i) a decrease in other payables and accruals of RMB6.0 million and (ii) an increase in trade receivables of RMB3.9 million. We had lower net cash generated from operating activities during 2022 primarily because (i) we recorded lower profit before tax, which in turn was affected by the decrease in gross profit in 2022 as described above, and (ii) we incurred gain on termination of forfeiture of valuation adjustment mechanism in relation to the waiver of refund obligation under certain investment adjustment clause in connection with our Series A Preferred Shares.

In 2021, net cash from operating activities was RMB188.7 million, which primarily consists of profit before tax of RMB227.9 million, adjusted for certain non-cash and non-operating items and income tax paid of RMB63.3 million. Adjustment for certain non-cash and non-operating items primarily include (i) depreciation of right-of-use assets of RMB16.7 million and (ii) depreciation of property, plant and equipment of RMB10.7 million, partially offset by interest income from assistant funds to business partners of RMB20.8 million. The amount was further adjusted by changes in working capital, primarily including (i) a decrease in trade payables of RMB26.9 million, and (ii) an increase in prepayments, deposits and other receivables of RMB12.1 million, partially offset by a decrease in trade receivables of RMB24.0 million.

Net Cash (Used in)/from Investing Activities

In 2023, net cash from investing activities was RMB310.9 million, which primarily consists of repayment of assistant funds to business partners of RMB649.9 million, partially offset by assistant funds to business partners of RMB417.0 million.

In 2022, net cash used in investing activities was RMB43.9 million, which primarily consists of (i) assistant funds to business partners of RMB459.1 million, and (ii) purchases of items of financial assets at fair value through profit or loss or RMB77.0 million related to purchase of financial products with floating interest rates, partially offset by repayment of assistant funds to business partners of RMB463.2 million.

In 2021, net cash used in investing activities was RMB47.5 million, which primarily consists of assistant funds to business partners of RMB871.0 million, partially offset by repayment of assistant funds to business partners of RMB752.7 million.

Net Cash (Used in)/from Financing Activities

In 2023, net cash from financing activities was RMB111.5 million, which primarily consists of proceeds from issue of shares of RMB542.9 million, partially offset by (i) repayment of advance from third parties of RMB204.0 million, and (ii) dividends paid to non-controlling shareholders of RMB198.4 million.

In 2022, net cash used in financing activities was RMB16.0 million, which primarily consists of dividends paid to non-controlling shareholders of RMB149.4 million, partially offset by proceeds from issuance of convertible redeemable preferred shares of RMB101.1 million.

In 2021, net cash used in financing activities was RMB49.2 million, which primarily consists of repayment of interest-bearing bank borrowings of RMB49.5 million, repayment of advance from third parties of RMB29.3 million and dividends paid to non-controlling shareholders of RMB14.7 million, partially offset by proceeds from interest-bearing bank borrowings of 49.5 million.

CAPITAL EXPENDITURES

Our capital expenditures amounted to RMB6.3 million, RMB4.6 million and RMB7.2 million in 2021, 2022 and 2023, respectively. Our capital expenditures were used primarily for purchase of property, plants and equipment for our auction sites and corporate offices.

The following table sets forth our capital expenditures for the periods indicated:

	Year ended December 31,					
	2021		**2022**		**2023**	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*
Purchases of items of property, plant and equipment	6,217	99.0	4,560	99.0	7,101	99.0
Purchases of other intangible assets	61	1.0	44	1.0	73	1.0
Total	6,278	100.0	4,604	100.0	7,174	100.0

CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

Capital Commitments

As of December 31, 2021, 2022 and 2023, we did not have any capital commitments. There has been no material change to our capital commitments since December 31, 2023 up to the Latest Practicable Date.

INDEBTEDNESS

As of December 31, 2023, being the latest practicable date for the purpose of the indebtedness statement below, we had RMB510.3 million in indebtedness, which was comprised of interest-bearing bank borrowings, lease liabilities and redeemable convertible preferred shares. As of December 31, 2023, we had unutilized banking facilities of approximately RMB50.5 million.

The table below sets forth our indebtedness as of the dates indicated:

	As of December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Current			
Interest-bearing bank borrowings	19,800	49,700	69,500
Lease liabilities	13,277	14,132	14,782
Total	33,077	63,832	84,282
Non-current			
Convertible redeemable preferred shares	180,076	291,694	372,385
Lease liabilities	72,949	52,641	53,682
Total	253,025	344,335	426,067

Interest-bearing Bank Borrowings

As of December 31, 2021, 2022 and 2023, we recognized interest-bearing bank borrowings of RMB19.8 million, RMB49.7 million and RMB69.5 million, respectively. All borrowings are repayable within one year and the effective annual interest rate remains at 3.5% to 4.3%.

The agreements under our interest-bearing bank borrowings do not contain any material covenants that will have a material adverse effect on our ability to make additional borrowings or issue debt or equity securities in the future. Our Directors confirm that we did not have any default in payment of interest-bearing bank borrowings during the Track Record Period and up to the Latest Practicable Date.

Lease Liabilities

We leased certain buildings for our offices and auction sites during the Track Record Period. Lease liabilities are recognized at the commencement date of the lease at the present value of lease payments to be made over the lease term. As of December 31, 2021, 2022 and 2023, we recognized total lease liabilities of RMB86.2 million, RMB66.8 million and RMB68.5 million, respectively. For further information regarding our lease liabilities, see Note 16 to the Accountants' Report in Appendix I to this document.

Except for our indebtedness as disclosed above, we did not have outstanding indebtedness or other material contingent liabilities as of December 31, 2023, being the latest practicable date for our indebtedness statement.

Except for our indebtedness as disclosed above, since December 31, 2023 and up to the date of this document, there has not been any material and adverse change in our indebtedness and contingent liabilities. Our Directors do not foresee any potential difficulty in obtaining bank facilities should the need arise. Our Directors confirm that the Company does not have any external financing plans as of the Latest Practicable Date apart from the [REDACTED].

Preferred Shares

As of December 31, 2021, 2022 and 2023, we recognized convertible redeemable preferred shares of RMB180.1 million, RMB291.7 million and RMB372.4 million, respectively. We have historically issued several series of redeemable convertible preferred shares, consisting of Series A and Series B Preferred Shares to our investors. All of these preferred shares can be converted into ordinary shares upon such holders' sole discretion. Additionally, the holders of Series A and Series B Preferred Shares have the right to require us to redeem their preferred shares if the qualified [REDACTED] is not consummated on or prior to August 4, 2025, or upon the occurrence of certain other specified events. For more information about foregoing investors, see "History, Reorganization and Corporate Structure."

If we were to be required to redeem all the Series A and Series B Preferred Shares, the aggregate redemption price shall be the sum of the aggregate consideration for the issuance of such preferred shares, plus applicable interest accrued thereon and declared and unpaid dividends payable to the holders of such preferred shares. For more information about the terms of such preferred shares, including their conversion and redemption features, see Note 28 to the Accountants' Report set out in Appendix I.

The redemption of the preferred shares, if triggered, could have a negative impact on our cash and liquidity position and financial condition. See "Risk Factors — Risks Related to Our Business and Industry — Fair value changes in our financial instruments issued to investors and related valuation uncertainty may materially affect our financial position and performance."

CONTINGENT LIABILITIES

As of the Latest Practicable Date, we did not have significant contingent liabilities.

OFF-BALANCE SHEET ARRANGEMENTS

We have not entered into, nor do we expect to enter into, any off-balance sheet arrangements. In addition, we have not entered into any derivative contracts that are indexed to our equity interests and classified as equity. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or that engages in leasing, hedging or research and development services with us.

KEY FINANCIAL RATIOS

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

	As of and for the year ended December 31,		
	2021	**2022**	**2023**
Gross profit margin[(1)]	62.8%	60.9%	63.5%
Net profit margin[(2)]	24.4%	14.8%	1.9%
Return on average assets[(3)]	22.0%	7.4%	0.9%
Return on average equity[(4)]	79.2%	31.0%	3.3%
Current ratio[(5)]	2.3	1.8	3.2

Notes:

1. Gross profit margin equals gross profit divided by total revenue during the year, multiplied by 100%.
2. Net profit margin equals net profit divided by total revenue during the year, multiplied by 100%.
3. Return on average assets ratio equals net profit divided by average assets during the year, multiplied by 100%.
4. Return on average equity ratio equals net profit divided by average equity during the year, multiplied by 100%.
5. Current ratio equals total current assets divided by total current liabilities as of the end of the year.

Return on average assets ratio. The return on average assets ratio decreased from 22.0% in 2021 to 7.4% in 2022, primarily due to a 58.2% decrease in our profit for the year while changes in our assets were comparatively less pronounced. The return on average assets ratio decreased further to 0.9% in 2023, primarily due to a 86.6% decrease in our profit for the year while changes in our assets were comparatively less pronounced.

Return on average equity ratio. The return on average equity ratio decreased from 79.2% in 2021 to 31.0% in 2022, primarily due to a 58.2% decrease in our profit for the year while changes in our net assets were comparatively less pronounced. The return on average equity ratio further decreased to 3.3% in 2023, primarily due to a 86.6% decrease in our profit for the year while changes in our net assets were comparatively less pronounced.

Current ratio. The current ratio decreased from 2.3 as of December 31, 2021 to 1.8 as of December 31, 2022, primarily due to an increase in our current liabilities, primarily other payables and accruals and interest-bearing bank borrowings. The current ratio increased from 1.8 as of December 31, 2022 to 3.2 as of December 31, 2023, primarily due to a significant increase in our cash and cash equivalents.

Financial Risk Management Objectives and Policies

In the ordinary course of our business, we are exposed to various market risks, including credit risk, liquidity risk, interest rate risk and foreign currency risk. We follow our control policies to monitor the risk on an on-going basis and seek to minimize potential adverse effects on our financial performance. Our policies for managing each of these risks are as follows.

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. We are exposed to credit risk from our operating activities (primarily trade receivables) and from our financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. See Note 39 to the Accountants' Report in Appendix I to this document for an analysis of the credit quality and the maximum exposure to credit risk based on our credit policy.

Liquidity Risk

Our objective is to maintain a balance between continuity of funding and flexibility. Our policy is to regularly monitor the current and expected liquidity requirements, to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer terms.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value of future cash flows of an exposure will fluctuate because of changes in foreign currency exchange rates. During the Track Record Period, our major businesses are in the PRC and the majority of our transactions are conducted in RMB. Most of our assets and liabilities are denominated in RMB. We do not believe that we currently have any material foreign current risk.

Investment Risk Management

Financial Products

We only purchase financial products offered by licensed financial institutions that are considered low-risk and offer higher rates of return as compared with time deposits. Our financial department is in charge of overseeing the purchase and management of financial products. The team is led by our chief financial officer and executive director, Ms. Gao Kun, who is responsible for investments in financial products. Ms. Gao served as the senior audit manager of Ernst & Young Hua Ming LLP at its Shanghai branch from 1998 to 2013. She obtained her bachelor's degree in business administration from Shanghai University of Finance and Economics and a master's degree in Finance from Durham University. Ms. Gao has been a certified public accountant of the Chinese Institute of Certified Public Accountants since March 2002. Overall, she has more than 25 years of experience in financial accounting and management. See "Directors and Senior Management — Senior Management" for more information regarding the experience and qualification of Ms. Gao.

To monitor and control the investment risks associated with our financial product portfolio, we have adopted internal policies and guidelines to manage our investment in financial products. Our investment strategy related to the financial products aims to minimize the financial risks by diversifying our investment in financial products and reasonably and conservatively matching the maturities of the portfolio to anticipated operating cash needs, and to generate investment returns for the benefits of our business operation and shareholders. Before proceeding with any investment proposal, our financial department assesses our cash flow levels, operational needs and capital expenditures. We make our investment decisions related to financial products on a case-by-case basis after thoroughly considering a number of factors, including general market conditions, our cash positions, our needs for operating and investing cash flows, our past experience with the financial institutions providing the financial products, the underlying assets of the financial products, the expected profit or potential loss of such investment, and other material terms of the financial products. Our financial department will propose, analyze and evaluate potential investment in financial products based on the above factors and prepare an investment proposal, which will be reviewed and approved by the office of the general manager. In addition, the aggregate amount of any potential investment in financial products shall not exceed the limit as approved by the Board or the shareholders' meeting. Board's prior approval is also required if the aggregate amount of any potential investment in financial products exceeded RMB100 million. In order to optimize returns and mitigate risks of our investment, we have designated persons to closely monitor the performance of our financial products and have subsequent portfolio management and risk-warning mechanism in place. For example, if we detect any anomaly in the performance of the financial products, we require the designated person to make prompt report so that we could adopt the corresponding effective measures to reduce the loss. We also conduct regular review and audit of the performance of our financial products and report the relevant results to our management and auditors' committee. If the financial institution breaches the agreement or if the financial product does not generate an expected level of investment returns, we will timely terminate the agreement to avoid any further loss.

Our investments in financial products will also comply with Chapter 14 of the Listing Rules after the [REDACTED].

During the Track Record Period, our financial assets at fair value through profit or loss primarily represented short-term investments issued by banks with no predetermined or guaranteed return. Our financial assets at fair value through profit or loss were RMB21.4 million, RMB77.2 million and RMB3.5 million in 2021, 2022 and 2023, respectively. During the Track Record Period, the return rates of these financial products (mostly not guaranteed) ranged from 0.02% to 4.52% per annum, depending on the market prices of underlying financial instruments, including bonds, debentures and other financial assets.

The following table sets forth the details of financial products we invested in during the Track Record Period:

Product provider	Product type	Principle amount of subscription *(RMB'000)*	Expected return rate	Expiration date	Risk rating[1]
As of December 31, 2021					
1. Ningbo Cixi Rural Commercial Bank	Non-principal protected cash management-based wealth management product	1,800	Floating rate[2]	On demand	Relatively low
2. Agricultural Bank of China	Non-principal protected fixed income product	291.2	Floating rate[2]	On demand	Relatively low
3. China Guangfa Bank	Non-principal protected fixed income product	12,400	Floating rate[2]	January 4, 2022	Low
4. China Construction Bank	Non-principal protected fixed income product	300	Floating rate[2]	August 3, 2022	Low
5. China Construction Bank	Non-principal protected fixed income product	600	Floating rate[2]	August 3, 2022	Low
6. Ping An Bank	Principal-protected structured investment product	1,000	Floating rate[2]	On demand	Low
7. Bank of China	Non-principal protected fixed income product	4,000	Floating rate[2]	On demand	Low
8. Bank of Ningbo	Non-principal protected fixed income product	1,000	Floating rate[2]	June 17, 2022	Low
As of December 31, 2022					
1. Industrial and Commercial Bank of China	Non-principal protected fixed income product	70,191.7	Floating rate[2]	On demand	Low
2. Ping An Bank	Principal-protected structured investment product	1,000	Floating rate[2]	On demand	Low
3. Bank of Ningbo	Non-principal protected fixed income product	1,000	Floating rate[2]	April 19, 2023	Relatively low

Product provider	Product type	Principle amount of subscription *(RMB'000)*	Expected return rate	Expiration date	Risk rating[1]
4. Bank of Ningbo	Non-principal protected fixed income product	993.8	Floating rate[2]	On demand	Relatively low
5. Bank of Ningbo	Non-principal protected fixed income product	1,025.4	Floating rate[2]	On demand	Relatively low
6 Bank of Ningbo	Non-principal protected fixed income product	994.9	Floating rate[2]	On demand	Relatively low
7. Bank of Ningbo	Non-principal protected fixed income product	2,004.2	Floating rate[2]	On demand	Low
As of December 31, 2023					
1. Ping An Bank	Principal-protected structured investment product	1,000	Floating rate[2]	On demand	Low
2. Bank of Ningbo	Non-principal protected fixed income product	1,000	Floating rate[2]	On demand	Low
3. Bank of Ningbo	Non-principal protected fixed income product	1,500	Floating rate[2]	On demand	Low

Notes:

1. The risk ratings of the financial products are set by the respective banks based on internal risk profile systems.

2. The rate of return of the product is affected by the fluctuation in market rates and the actual investment performance of the product manager.

RELATED PARTY TRANSACTIONS AND BALANCES

The following table sets forth balance amounts of our significant related party transactions as of the dates indicated:

	As of December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Amounts due from related parties:			
Prepayments, deposits and other receivables			
— Shanghai Kailong Jinhu Automobile Technology Services Co., Ltd.	625	—	—
— Shanghai Kailong Automobile Sales Co., Ltd. ("**Shanghai Kailong Automobile**")	870	1,120	870
— Shanghai Longyun Property Management Co., Ltd. ("**Shanghai Longyun**")	132	396	132
Total	1,627	1,516	1,002

Our amounts due from related parties primarily consisted of (i) our advances in relation to used vehicle value-added services provided by Shanghai Kailong Jinhu Automobile Technology Services, Co., Ltd.; this balances are trade in nature, and (ii) our rental deposits due from, and prepaid lease payments and administration fees to, Shanghai Kailong Automobile and Shanghai Longyun for the leasing of our headquarter offices from them; these are non-trade in nature and we do not expect to settle these balances after the [REDACTED] as we expect to continue to rent these properties for our business use. We believe that the continued existence of amounts due from Shanghai Kailong Automobile and Shanghai Longyun after the [REDACTED] will not undermine our financial independence, considering (i) the aggregate amount due from Shanghai Kailong Automobile and Shanghai Longyun was RMB1.0 million as of December 31, 2023, accounting for only 0.1% of our cash and cash equivalents and 0.3% of our net assets as of the same date; and (ii) the transactions with Shanghai Kailong Automobile and Shanghai Longyun were carried out on an arm's length basis during the ordinary course of our business. We rent properties from these companies as our headquarter offices based on our own business needs, and we are able to rent properties from independent third parties without any reliance on Shanghai Kailong Automobile or Shanghai Longyun.

For further details relating to our significant related party transactions, see Note 36 to the Accountants' Report in Appendix I to this document. See "Connected Transactions — Continuing Connected Transactions" for more information on our continuing connected transactions. Our Directors believe that the related party transactions were carried out on an arm's length basis and did not distort our results of operations during the Track Record Period or make such results not reflective of our future performance.

DIVIDENDS

We are a holding company incorporated in the Cayman Islands. In order for us to distribute any dividends to our Shareholders, we may rely on dividends distributed by our PRC subsidiaries for our cash requirements. PRC regulations may restrict the ability of our PRC subsidiaries to pay dividends to us. For example, certain payments from our PRC subsidiaries to us may be subject to PRC withholding income tax. In addition, regulations in the PRC currently permit payment of dividends of a PRC company only out of accumulated distributable after-tax profits as determined in accordance with its articles of association and the accounting standards and regulations in China. Each of our PRC subsidiaries is required to set aside at least 10% of its after-tax profit based on PRC accounting standards every year to a statutory common reserve fund until the aggregate amount of such reserve fund reaches 50% of the registered capital of such subsidiary. Such statutory reserves are not distributable as loans, advances or cash dividends. See "Risk Factors — Risks Related to Doing Business in the PRC — We may rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to make payments to us could have a material and adverse effect on our ability to conduct our business."

As of the Latest Practicable Date, we did not have a formal dividend policy. The Board may consider, among other things, the following factors when proposing dividends and determining the amount of dividends: (i) our actual and projected financial performance; (ii) our estimated working capital requirements, capital expenditure requirements and future business expansion plan; (iii) our present and future cash flow; (iv) other internal and external factors that may have an impact on our business operations or financial performance and position; and (v) other factors that our Board of Directors deem relevant. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents, including (where required) the approval of Shareholders. The declaration and payment of dividends may also be limited by legal restrictions and by loan or other agreements that our Company and our subsidiaries have entered into or may enter into in the future. We cannot assure you that we will be able to distribute dividends of the above amount or any amount, or at all, in any year.

During the Track Record Period, our Company did not declare any dividends. In 2021, 2022 and 2023, certain subsidiaries of our Group declared dividends to their respective non-controlling shareholders in the aggregate amount of RMB14.7 million (which has been fully paid), RMB271.3 million (which has been fully paid), and RMB136.6 million (RMB76.4 million of which has been fully paid while the remaining portion of declared dividends is expected to be paid prior to the [REDACTED]), respectively. Subsequent to December 31, 2023 and as of the Latest Practicable Date, we had not declared any additional dividends.

ACCUMULATED LOSSES

As of December 31, 2021, 2022 and 2023, our accumulated losses amounted to RMB259.8 million, RMB214.5 million and RMB230.0 million, respectively. For more details, see Consolidated Statements of Changes in Equity in the Accountants' Report in Appendix I to this document.

Despite that we recorded profit for 2021, 2022 and 2023, we recorded accumulated losses as of December 31, 2021, 2022 and 2023 primarily because we had incurred losses since our inception in 2014 and first achieved breakeven in 2018, based on our unaudited management accounts. We incurred losses prior to 2018 primarily due to our substantial upfront investments in building up our offline infrastructure, transaction platform and digital systems, as well as initial expenses and costs incurred in relation to human resources and sales and marketing activities to acquire upstream sellers and downstream buyers. We started to record net profit in 2018, primarily due to a significant increase in our revenue, which was mainly because (i) the continued growth of our used vehicle auction business and increase in our transaction volume, (ii) we started to conduct exhibition related business in 2018, which further diversified our revenue streams, and (iii) the service volumes of our other business segments also recorded increases. Our accumulated losses increased from 2022 to 2023 primarily because we incurred [REDACTED] and losses in fair value change of financial assets and liabilities at fair value through profit or loss.

[REDACTED] INCURRED AND TO BE INCURRED

[REDACTED] represent professional fees, [REDACTED] and fees incurred in connection with the [REDACTED] and the [REDACTED]. Based on the mid-point of the indicative [REDACTED] for the [REDACTED] and assuming the [REDACTED] is not exercised, our [REDACTED] are estimated to be approximately [REDACTED] (including [REDACTED]), accounting for approximately [REDACTED] of the [REDACTED] from the [REDACTED]. During the Track Record Period, we incurred (i) [REDACTED] of [REDACTED], which has been charged to our consolidated statements of profit or loss, and (ii) [REDACTED] of [REDACTED], which has been charged to our consolidated statements of financial position. We expect to incur additional expenses of approximately [REDACTED] after December 31, 2023, of which [REDACTED] is expected to be charged to our consolidated statements of profit or loss and [REDACTED] will be recognized as a deduction in equity directly upon the [REDACTED].

The [REDACTED] above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate. Our Directors do not expect such [REDACTED] to have a material adverse impact on our results of operation.

[REDACTED]

[REDACTED]

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that as of the Latest Practicable Date, there were no circumstances which would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since December 31, 2023 (the date of the latest financial statements of the Company), and there is no event since December 31, 2023 which would materially affect the information shown in the Accountants' Report in Appendix I to this document.

BOARD OF DIRECTORS

Our Board consists of 9 Directors, comprising 3 executive Directors, 3 non-executive Directors and 3 proposed independent non-executive Directors. The table below sets forth certain information of each of our Directors:

Name	Age	Position	Time of joining our Group	Date of appointment as Director	Roles and responsibilities
Executive Directors					
Yang Aihua (楊愛華)(1)	62	Executive Director	September 3, 2014	August 12, 2022	Responsible for the overall formation of corporate development plan and strategy of our Group.
Yang Hansong (楊漢松)	61	Executive Director and Chairman	September 3, 2014	March 27, 2018	Responsible for the overall formation and execution of development plan and strategy, and overall management of our Group.
Gao Kun (高鵾)	47	Executive Director, Chief Financial Officer and Joint Company Secretary	September 3, 2014	July 29, 2017	Responsible for the overall financing and accounting management of our Group.
Non-executive Directors					
Rob Huting	56	Non-executive Director	March 27, 2018	March 27, 2018	Responsible for overall strategic liaison of cooperation between Cox Automotive and our Group.
Zhu Yi (朱奕)	47	Non-executive Director	August 12, 2022	August 12, 2022	Responsible for providing professional opinion and judgment to the Board.
Yang Chuyu(2)	34	Non-executive Director	September 3, 2014	September 3, 2014	Responsible for providing professional opinion and judgment to the Board.

Name	Age	Position	Time of joining our Group	Date of appointment as Director	Roles and responsibilities
Independent Non-executive Directors					
Wang Jianping (王建平)	59	Proposed Independent Non-executive Director	Date of this document	June 20, 2023, with effect on the date of this document	Responsible for providing independent advice to the Board.
Li Mochou (李莫愁)	41	Proposed Independent Non-executive Director	Date of this document	June 20, 2023, with effect on the date of this document	Responsible for providing independent advice to the Board.
Yan Jonathan Jun	60	Proposed Independent Non-executive Director	Date of this document	June 20, 2023, with effect on the date of this document	Responsible for providing independent advice to the Board.

Notes:

(1) Mr. Yang Aihua, one of our executive Directors, is the brother of Mr. Yang Hansong, one of the executive Directors and chairman of our Company.

(2) Ms. Yang Chuyu, one of our non-executive Directors, is the daughter of Mr. Yang Aihua, one of the executive Directors of our Company.

Executive Directors

Mr. Yang Aihua (楊愛華), aged 62, is the founder and executive Director of our Company. Since founding our Group in 2014, Mr. Yang has brought in extensive industry expertise and leveraged his reputation and relationship from his previous experience in building our business. Mr. Yang has been primarily responsible for the overall formation of corporate development plan and strategy of the Group, in particular, on forging business relationship with other industry leaders and maintaining strategic relationship with Cox Automotive. Mr. Yang was first appointed as our Director on August 12, 2022 and was redesignated as our executive Director on June 20, 2023.

Mr. Yang had over 30 years of experience in the automotive industry in China. Since 1999, Mr. Yang founded Baoxin Auto Group Limited (寶信汽車集團有限公司) (currently named as Grand Baoxin Auto Group Limited (廣匯寶信汽車集團有限公司), which has been a company listed on the Stock Exchange (stock code: 1293)) ("**Baoxin Auto**"). Mr. Yang has been the chairman of Baoxin Auto until June 2016. Mr. Yang also served as a chairman at Shanghai Kailong Automobile Trading Co., Ltd.* (上海開隆汽車貿易有限公司) ("**Shanghai Kailong**") from 1999 to 2004 and the chairman of Shanghai Baoxin Automobile Sales & Services Co., Ltd.* (上海寶信汽車銷售服務有限公司) from 2004 to 2007. Mr. Yang was appointed as an executive director of Baoxin Auto in November 2011, and later resigned as executive director and chairman of Baoxin Auto in June 2016 and has not been involved in the management or operations of Baoxin Auto since then.

Mr. Yang obtained an EMBA degree from Dalian University of Technology in January 2006. Mr. Yang received a certificate of completion after attending the Global Finance GFD held by the Tsinghua University PBC School of Finance from September 2017 to July 2019. In February 2021, Mr. Yang obtained a PhD degree in advanced studies in applied finance from the Graduate Institute of Finance of the University of Geneva, Switzerland. Mr. Yang Aihua (楊愛華) is the brother of Mr. Yang Hansong (楊漢松) and Mr. Yang Zehua (楊澤華), both of which are indirect Shareholders of the Company. For further details, please refer to the section headed "Substantial Shareholders" in this document.

Mr. Yang Hansong (楊漢松), aged 61, is the Chairman and an executive Director of our Company. Mr. Yang is primarily responsible for the overall formation and execution of development plan and strategy, and overall management of our Group. Mr. Yang was first appointed as our Director on March 27, 2018 and was redesignated as our executive Director on June 20, 2023. Mr. Yang also served as the chief executive officer of the Company from April 2021 to March 2022. Mr. Yang also serves as an executive director and legal representative at Shanghai Xinbao Botong since June 2014.

Mr. Yang had over 30 years of experience in the automotive industry in China. Prior to joining our Group, he served as the vice chairman of Shanghai Kailong, a subsidiary of Baoxin Auto from 1999 to 2002. From 2002 to 2004 he was the general manager of Shanghai Pacific Sands Automobile Sales Service Co., Ltd.* (上海太平洋金沙汽車銷售服務有限公司). From 2004 to 2008, Mr. Yang was an executive director of Suzhou Baoxin Automobile Sales Service Co., Ltd.* (蘇州寶信汽車銷售服務有限公司). Mr. Yang was appointed as a director and president of Baoxin Auto in 2008. He was later appointed as the vice chairman and the chief executive officer of Baoxin Auto and ceased to act as the president in September 2013. Mr. Yang resigned as an executive director and vice chairman of Baoxin Auto in June 2016 and has not been involved in the management or operations of Baoxin Auto since then.

Mr. Yang has been serving as the vice chairman of the China Automobile Dealers Association. In 2006, he was selected as one of the top ten influential figures of China's first MBA/EMBA Group Awards by CCTV. Mr. Yang has been awarded the title of Global Sales Master (全球銷售大師) by General Motors during 2008 to 2015.

Mr. Yang obtained a bachelor's degree in history from Jiangxi Normal University in 1983. Mr. Yang received a master's degree in business administration from Dalian University of Technology in 2006 and a doctoral degree in management from the same university in April 2014 and received his doctoral degree in professional advanced studies in applied finance from the Geneva Finance Research Institute of the University of Geneva in Switzerland in February 2023.

Ms. Gao Kun (高鵾), aged 47, is the executive Director, chief financial officer and joint company secretary of our Group. Ms. Gao is primarily responsible for the overall financing and accounting management of our Group. Ms. Gao was first appointed as our Director on July 29, 2017 and was redesignated as our executive Director on June 20, 2023. Ms. Gao served as the chief financial officer of the Company since September 2014.

Ms. Gao also holds the following positions in other members of our Group:

Other members of the Group	**Positions held with other members of the Group**	**Date of appointment**
Shanghai Xuntongjie Consulting Management Co., Ltd.* (上海勛通捷諮詢管理有限公司)	Executive Director, Manager	December 2021
Wenzhou Changxin Automobile Sales Service Co., Ltd.* (溫州常信汽車銷售服務有限公司)	Supervisor	June 2023
Guizhou Xintong Used Vehicle Auction Co., Ltd.* (貴州信通二手車拍賣有限公司)	Director	December 2019
Suzhou Huarunde Used Motor Vehicle Trading Market Co., Ltd.* (蘇州華潤德舊機動車交易市場有限公司)	Supervisor	June 2023
Shenyang Changxin Auction Co., Ltd* (瀋陽常信拍賣有限公司) (formerly known as Shenyang Yeqiao Changxin Auction Co., Ltd* (瀋陽業喬常信拍賣有限公司))	Supervisor	June 2023
Cixi Tianyue Used Vehicle Trading Co., Ltd.* (慈溪市天悦二手車銷售有限公司)	Supervisor	May 2023
Hunan Litianfuzhu Automobile Sales Service Co., Ltd.* (湖南力天福駐汽車銷售服務有限公司)	Supervisor	June 2023
Guangdong Xinghui Automobile Sales Service Co., Ltd.* (廣東星徽汽車銷售服務有限公司)	Supervisor	June 2023
Changchun Baorui International Exhibition Co., Ltd.* (長春寶瑞國際會展有限公司)	Executive Director, Manager	June 2023
Xinbao Botong (Tianjin) Used Vehicle Business Co., Ltd.* (信寶博通（天津）二手車經營有限公司) (formerly known as Xinbao Botong Financial Leasing (Tianjin) Co., Ltd.* (信寶博通融資租賃（天津）有限公司))	Director	August 2018
Shanghai Yichang Logistics Co., Ltd.* (上海翌暢物流有限公司)	Executive Director, Manager	July 2017
Hangzhou Changxin Auction Co. Ltd.* (杭州常信拍賣有限公司)	Supervisor	March 2023

Other members of the Group	Positions held with other members of the Group	Date of appointment
Beijing Kaokesi Auto Technical Co., Ltd.* (北京考科斯汽車科技有限公司)	Supervisor	May 2017
Fujian Huachuang Auction Co. Ltd.* (福建華創拍賣有限公司)	Director	September 2022
Hangzhou Haoze Exhibition Co., Ltd.* (杭州浩澤展覽有限公司)	Executive Director, Manager	June 2023
Changchun Haozheng Culture Media Co., Ltd.* (長春浩正文化傳媒有限公司)	Executive Director, Manager	June 2023
Tianjin Haoterni Exhibition Co., Ltd.* (天澤浩特瑞展覽有限公司)	Executive Director, Manager	June 2023
Haoterni (Tangshan) Exhibition Co., Ltd.* (浩特瑞(唐山)展覽有限公司)	Executive Director, Manager	June 2023

Ms. Gao joined our Group in 2014. Prior to joining our Group, she served as the senior audit manager of Ernst & Young Hua Ming LLP at its Shanghai branch from August 1998 to February 2012.

Ms. Gao obtained her bachelor's degree in business administration from Shanghai University of Finance and Economics in July 1998. She then received a master's degree in Finance from Durham University in September 2007. Ms. Gao has been a certified public accountant of the Chinese Institute of Certified Public Accountants since March 2002.

Non-Executive Directors

Mr. Rob Huting, aged 56, was appointed as our Director on March 27, 2018 and was redesignated as a non-executive Director on June 20, 2023. Mr. Huting is responsible for overall strategic liaison of cooperation between Cox Automotive and our Group.

Mr. Huting has served as the corporate development, vice president at Cox Automotive since August 2000. Mr. Huting has served as a director in Shanghai Youyue Information Technology Co., Ltd.* (上海優約信息技術有限公司), a non-wholly owned subsidiary of Jingzhengu Holdings Limited since April 2015, and he served as a director at Bitauto Holdings Ltd. (a company previously listed on the NYSE (stock code: BITA) from January 2018 to November 2020.

Mr. Huting obtained a bachelor's degree in business administration from the Nijenrode Business University in May 1988 and received a master's degree in international business from the University of South Carolina in May 1990.

Ms. Zhu Yi (朱奕), aged 47, was appointed as our Director on August 12, 2022 and was redesignated as a non-executive Director on June 20, 2023. Ms. Zhu is responsible for providing professional opinion and judgment to the Board.

Ms. Zhu has over 20 years of experience in the investment banking industry. Ms. Zhu joined Morgan Stanley group in May 2002 and worked in Morgan Stanley group of companies until February 2020 with her last position during the above period as a Managing Director. She focused on the automotive, industrial and infrastructure industries, and led her team on researches in automotive and industrial sectors. Ms. Zhu subsequently joined Shanghai Huasheng Youge Equity Investment Management Co., Ltd* (上海華晟優格股權投資管理有限公司), a company ultimately controlled by China Renaissance Holdings Ltd, where she served as partner since 2020, and she has demonstrated outstanding professional and leadership skills in project management and various transactions.

Ms. Zhu obtained a bachelor's degree in economics and a master's degree in finance from Shanghai University of Finance and Economics in June 1998 and February 2001 respectively.

Ms. Yang Chuyu, aged 34, was appointed as our Director on September 3, 2014 and was redesignated as a non-executive Director on June 20, 2023. Ms. Yang is responsible for providing professional opinion and judgment to the Board. Ms. Yang Chuyu is the daughter of Mr. Yang Aihua (楊愛華), one of the executive Directors of our Company.

Ms. Yang was appointed as a Director of our Company in 2014. Prior to joining our Group, Ms. Yang worked in investment management department of Baoxin Auto from 2012 to 2016.

Ms. Yang obtained a bachelor's degree in economics and finance from the University of Toronto in June 2011 and received a master's degree in risk management from the University of Nottingham in December 2013.

Proposed Independent Non-Executive Directors

Mr. WANG Jianping (王建平), aged 59, was appointed as our independent non-executive Director with effect from the date of this document. Mr. Wang is responsible for providing independent advice to the Board.

Mr. Wang has over 30 years of experience in finance management. He served as an assistant director at the accounting division of Hunan Branch at People's Bank of China. Mr. Wang subsequently joined China Minsheng Banking Corp., Ltd. where he held a number of management positions, including the director of the accounting department of the head office, general manager of the planning and finance department, general manager of the financial management department, president and the secretary of the branch party committee of the Shanghai branch, and member of the party committee at the head office until 2014. Mr. Wang then served as the chairman at Minsheng E-commerce Co., Ltd* (民生電子商務有限責任公司) from March 2014 to December 2014, and he also served as the vice president and chief financial officer at China Minsheng Investment Co., Ltd* (中國民生投資股份有限公司) from April 2014 to June 2018.

Mr. Wang has also served as an independent non-executive director of Pan Asia Data Holdings Inc., a company listed on the Stock Exchange (stock code: 1561), from December 2018 to December 2021, Aier Eye Hospital Group Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 300015), from June 2015 to November 2019, Chongqing Lummy Pharmaceutical Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 300006), from February 2016 to June 2020, and Shandong Yulong Gold Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 601028), since October 2019.

Mr. Wang obtained a bachelor's and a master's degree in finance from Hunan University (formerly known as Hunan University of Finance) in July 1982 and July 1999 respectively. He then received a master's degree in business administration from Wuhan University in June 2006.

Ms. LI Mochou (李莫愁), aged 41, was appointed as our independent non-executive Director with effect from the date of this document. Ms. Li is responsible for providing independent advice to the Board.

Ms. Li currently serves as an associate professor in accounting, a graduate adviser at the faculty of business administration at Donghua University since September 2017. Ms. Li served as the Deputy Director of the Accounting Department at Donghua University School of Business Administration from June 2017 to June 2020. Ms. Li specializes in financial analysis, valuation, and auditing theory and practice, with extensive experience in teaching these subjects at Donghua University. Ms. Li has significantly contributed to research in these areas by publishing academic journals. As recognition of her outstanding achievement, Ms. Li has received the awards such as the Excellent Award in the Second Shanghai Youth Teacher Teaching Competition.

Ms. Li has also served as an independent non-executive director and a member of the audit committee of Shanghai Sanyou Medical Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 688085) since July 2022, and a director of MeetFuture China Co., Ltd.* (彌費科技(上海)股份有限公司) since November 2022.

Ms. Li obtained a bachelor's degree in public administration and a master's degree in public finance from Shanghai University of Finance and Economics in July 2004 and January 2007 respectively. She further received a PhD in accounting from Fudan University in June 2013. Ms. Li has been a certified public accountant of the Chinese Institute of Certified Public Accountants since March 2011. Ms. Li is also our proposed independent non-executive Director with appropriate professional accounting or related financial management expertise for the purpose of Rule 3.10(2) of the Listing Rules through her qualifications and experiences listed above.

Mr. Yan Jonathan Jun, aged 60, was appointed as our independent non-executive Director with effect from the date of this document. Mr. Yan is responsible for providing independent advice to the Board.

Mr. Yan served as the general manager of Ecole Fashion Consulting (Beijing) Ltd.* (意國時尚管理諮詢(北京)有限公司) from 2006 to 2013. Mr. Yan subsequently served as the director of the Global Finance Development Education Center of PBC School of Finance, Tsinghua University from 2013 to 2020. He has been the president of China Global Philanthropy Institute since September 2020.

Mr. Yan has served as an independent director of Haisco Pharmaceutical Group Co. Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 002653) from January 2017 to August 2023. He has also served as an independent director of Guangdong Baolihua New Energy Stock Co. Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 000690) since May 2019, and an independent director of HICHAIN Logistics Co. Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 300873) since May 2022. Mr. Yan also serves as an independent non-executive director of Huabao International Holdings Limited, a company listed on the Stock Exchange (stock code: 336) since May 2019 and an independent non-executive director of Shandong Hi-speed Holdings Group Limited, a company listed on the Stock Exchange (stock code: 412), since May 2020.

Mr. Yan obtained a master's degree in management from University of Technology, Sydney in May 1998. Mr. Yan was a legal representative and chairman of Beijing BLCU-Insearch Language School (北京北語英世企語言學校), which was revoked in 2006 as the company did not have actual business operation.

GENERAL

Save as disclosed above, each of our Directors has confirmed that:

(i) he or she does not and has not held any other directorships in any other company listed in Hong Kong or overseas during the three years immediately preceding the Latest Practicable Date;

(ii) there is no other information in respect of such Director that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules; and

(iii) there is no other material matter relating to our Directors that needs to be brought to the attention of our Shareholders.

Save as disclosed in the section headed "Appendix IV — Statutory and General Information — C. Further Information about our Directors and Substantial Shareholders — 1. Disclosure of Interests" in this document, none of the Directors holds any interest in the Shares which would be required to be disclosed pursuant to Part XV of the SFO.

None of our Directors has any interests in a business apart from our Company's business which competes, or is likely to compete, directly or indirectly, with our Company's business and would require disclosure under Rule 8.10 of the Listing Rules.

SENIOR MANAGEMENT

In addition to our Directors, the senior management team of our Company and their details of experience are as follows:

Name	Age	Position	Date of joining our Group	Date of Appointment as senior management	Roles and responsibilities
Zhao Hongliang (趙宏良)	56	Chief Executive Officer	October 1, 2020	March 15, 2022	Responsible for the supervision of execution of strategic development and overall management of our Company.
Liu Ming (劉鳴)	56	President	January 1, 2021	March 15, 2022	Responsible for the business management and major operation affairs of our Company.
Lu Xiaoying (陸曉穎)	44	Senior Vice President	September 1, 2021	September 1, 2021	Responsible for the investment, financing, M&A and strategic development of our Company.
Gao Kun (高鵾)	47	Executive Director, Chief Financial Officer and Joint Company Secretary	September 3, 2014	September 3, 2014	Responsible for the overall financing and accounting management of our Company.
Qian Wei (錢偉)	43	Vice President	June 1, 2014	October 1, 2020	Responsible for the used vehicle auction and used vehicles value-added services of our Company.
Zhang Yanni (張燕妮)	44	Vice President	November 1, 2017	November 1, 2017	Responsible for human resources management, administrative and legal affairs of our Company.

Mr. Zhao Hongliang (趙宏良), aged 56, is the chief executive officer of our Company. Mr. Zhao is primarily responsible for the supervision of execution of strategic development and overall management of our Company. Mr. Zhao has served as the president of the Company from October 2020 to March 2022, and Mr. Zhao was appointed as the chief executive officer of the Company in March 2022.

Mr. Zhao also holds the following positions in other members of our Group:

Other members of the Group	Positions held with other members of the Group	Date of appointment
Cixi Tianyue Used Vehicle Trading Co., Ltd.* (慈溪市天悅二手車銷售有限公司)	Executive Director, Manager	May 2023
Xinjiang Huihan Motor Vehicle Auction Service Co., Ltd.* (新疆匯瀚機動車拍賣服務有限公司)	Executive Director, Manager	September 2023
Xinjiang Baoqian Motor Vehicle Auction Service Co., Ltd.* (新疆寶乾機動車拍賣服務有限公司)	Executive Director, Manager	September 2023
Wenzhou Changxin Automobile Sales Service Co., Ltd.* (溫州常信汽車銷售服務有限公司)	Executive Director, Manager	June 2023
Wuhan Botong Auction Co., Ltd.* (武漢市博通拍賣有限公司)	Supervisor	August 2021
Guangzhou Jiangjunjiang Business Service Co., Ltd.* (廣州江軍江商務服務有限公司)	Executive Director, Manager	June 2023
Guangdong Xinghui Automobile Sales Service Co., Ltd.* (廣東星徽汽車銷售服務有限公司)	Director	June 2023

Mr. Zhao had over 24 years of experience in the automotive industry. Mr. Zhao served as the deputy general manager of Shanghai Kailong from 1999 to 2001, and was appointed as the general manager of Shanghai Kailong from 2002 to 2006. Mr. Zhao then served as the vice president of Baoxin Auto from 2008 to 2016 and the executive director of Baoxin Auto from 2011 to 2016. He worked as the executive vice president at China Rundong Auto Group Limited* (中國潤東汽車集團有限公司) from April 2019 to August 2021.

Mr. Zhao obtained a master's degree in business administration in March 2005 by completing the program jointly offered by the University of Management and Technology and Fudan University.

Mr. Liu Ming (劉鳴), aged 56, is the president of our Company. Mr. Liu is primarily responsible for the business management and operation, in particular, making decisions on all major operation affairs of the Group. Mr. Liu served as the executive vice president of our Company from January 2021 to March 2022, and the president of our Company since March 2022.

Mr. Liu also holds the following positions in other members of our Group:

Other members of the Group	Positions held with other members of the Group	Date of appointment
Suzhou Huarunde Used Motor Vehicle Trading Market Co., Ltd.* (蘇州華潤德舊機動車交易市場有限公司)	Executive Director, Manager	June 2023
Shenyang Changxin Auction Co., Ltd* (瀋陽常信拍賣有限公司) (formerly known as Shenyang Yeqiao Changxin Auction Co., Ltd* (瀋陽業喬常信拍賣有限公司))	Executive Director, Manager	June 2023
Hunan Litianfuzhu Automobile Sales Service Co., Ltd.* (湖南力天福駐汽車銷售服務有限公司)	Executive Director, Manager	June 2023
Guangdong Xinghui Automobile Sales Service Co., Ltd.* (廣東星徽汽車銷售服務有限公司)	Chairman, Manager	June 2023
Changzhou Changxin Auction Co., Ltd.* (常州常信拍賣有限公司)	Director	December 2022
Shanghai Changxin Auction Co., Ltd.* (上海常信拍賣有限公司)	Supervisor	February 2023
Xinjiang Huihan Motor Vehicle Auction Service Co., Ltd.* (新疆匯瀚機動車拍賣服務有限公司)	Supervisor	September 2023
Xinjiang Baoqian Motor Vehicle Auction Service Co., Ltd.* (新疆寶乾機動車拍賣服務有限公司)	Supervisor	September 2023

Mr. Liu has extensive experience in regional management in the automotive industry and is familiar with dealership operations and OEM management in the automobile dealers' industry. Prior to joining our Group, Mr. Liu held various positions including sales manager, regional director and sales director in the sales department of Faw-Volkswagen Co., Ltd. (一汽 —大眾汽車有限公司,) during 2007 to 2020.

Mr. Liu obtained a bachelor's degree from Changchun Normal University in the PRC in July 1990.

Ms. Lu Xiaoying (陸曉穎), aged 44, is the senior vice president of our Company. Ms. Lu is primarily responsible for the investment and financing, mergers and acquisitions, and strategic development of our Company. Ms. Lu served as the senior vice president of our Company since September 2021.

Ms. Lu has extensive experience working in the international capital markets and more than six years of experience working in the automotive industry. Historically, Ms. Lu served as an investment banker in the investment banking division of Merrill Lynch & Co. at its New York headquarters from 2003 to 2005, the equity research analyst in the securities division of JPMorgan Chase & Co.'s Hong Kong office from 2005 to 2007, the vice president of investment banking at Macquarie Securities at its Hong Kong office from 2007 to 2009, the vice president of investment banking at JPMorgan Chase & Co.'s Hong Kong office from 2009 to 2013, the vice president of Baoxin Auto from 2013 to 2016.

Ms. Lu obtained a bachelor's degree in economics from Wellesley College in the U.S. in June 2003.

Ms. Gao Kun (高鵾), aged 47, is the executive Director, chief financial officer and joint company secretary of our Company. See "— Board of Directors" in this section for the biographical details of Ms. Gao.

Mr. Qian Wei (錢偉), aged 43, is the vice president of our Company. Mr. Qian is primarily responsible for the used vehicle auction and used vehicle value-added services business segment of our Company. Mr. Qian joined our Group in June 2014, and served as the supervisor at the auction centre from June 2016 to May 2018. Mr. Qian subsequently served as the regional manager of our Group for Shanghai Puxi region and was then promoted to serve as the assistant to the president of our Group and general manager of Shanghai region in September 2020. Mr. Qian subsequently served as the vice president and was in charge of the Shanghai region of our Group since October 2020. Mr. Qian then served as the vice president who oversees the used vehicle auction business segment of our Group since June 2021.

Mr. Qian also holds the following positions in other members of our Group:

Other members of the Group	Positions held with other members of the Group	Date of appointment
Tianjin Jiexin Auction Co., Ltd* (天津捷信拍賣有限公司)	Director	December 2021
Fujian Huachuang Auction Co., Ltd* (福建華創拍賣有限公司)	Director	September 2022
Changzhou Changxin Auction Co., Ltd.* (常州常信拍賣有限公司)	Director	December 2022
Hangzhou Changxin Auction Co. Ltd.* （杭州常信拍賣有限公司）	Manager	March 2023
Guangdong Xinghui Automobile Sales Service Co., Ltd.* (廣東星徽汽車銷售服務有限公司)	Director	June 2023

Mr. Qian has extensive experience in used vehicle trading platforms and dealership business management. Mr. Qian is familiar with all kinds of new and pre-owned vehicle trading and scenarios. Prior to joining us, Mr. Qian served as a director of sales of Shanghai Kailong from May 2007 to February 2013 and an assistant to the general manager of the same company from March 2013 to August 2016.

Mr. Qian obtained his bachelor's degree in business administration from the University of Shanghai for Science and Technology in June 2022.

Ms. Zhang Yanni (張燕妮), aged 44, is the vice president of our Company. Ms. Zhang is primarily responsible for the management of human resources, administrative and legal affairs of our Company. Ms. Zhang joined our Company in November 2017 as the vice president. Ms. Zhang has nearly 20 years of experience in managing human resources affairs, with more than 15 years of human resources management experience in the automotive industry. Prior to joining our group, Ms. Zhang served as a director of the management department of E-Space (Shanghai) Exhibition LTD from September 2016 to October 2017.

Ms. Zhang obtained a bachelor's degree in Economics from Nanchang University in July 2003, and master's degree in business administration from the Business School Netherlands in the Netherlands in September 2015.

Each of our senior management members has confirmed that he or she does not and has not held any other directorships in any other company listed in Hong Kong or overseas during the three years immediately preceding the Latest Practicable Date.

JOINT COMPANY SECRETARIES

Ms. Gao Kun (高鵾), aged 47, was appointed as our joint company secretary with effect from February 4, 2024. For details of her biography, see "— Executive Directors" in this section.

Ms. Chan Sau Ling (陳秀玲) was appointed as a joint company secretary with effect from February 4, 2024. Ms. Chan is a director of corporate services of Tricor Services Limited and she has over 25 years of experience in the corporate secretarial field. Ms. Chan has been providing professional corporate services to and acting as the company secretary or joint company secretary of several companies listed on the Stock Exchange.

Ms. Chan is a Chartered Secretary, a Chartered Governance Professional and a fellow of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

BOARD COMMITTEES

We have established the following committees under our Board of Directors — Audit Committee, Remuneration Committee and Nomination Committee. The committees operate in accordance with their respective terms of reference established by our Board.

Audit Committee

We have established the Audit Committee with written terms of reference in compliance with the code provisions, as set out in Appendix 14 to the Listing Rules. The Audit Committee consists of Ms. Li Mochou (李莫愁), Mr. Wang Jianping (王建平) and Mr. Yan Jonathan Jun. The chairperson of the Audit Committee is Ms. Li Mochou (李莫愁).

The primary duties of the Audit Committee are to consider issues in relation to the external auditors and their appointments, oversee the financial reporting system, risk management and internal control system of our Group, review the financial information of our Group and review policies and practices in relation to corporate governance.

Remuneration Committee

We have established the Remuneration Committee with written terms of reference in compliance with the code provisions, as set out in Appendix 14 to the Listing Rules. The Remuneration Committee consists of Mr. Wang Jianping (王建平), Ms. Li Mochou (李莫愁) and Mr. Yan Jonathan Jun. The chairperson of the Remuneration Committee is Mr. Wang Jianping (王建平).

The primary duties of the Remuneration Committee are to review the remuneration policies and make recommendations to the Board on the remuneration package of Directors and senior management our Group.

Nomination Committee

We have established the Nomination Committee with written terms of reference in compliance with the code provisions, as set out in Appendix 14 to the Listing Rules. The Nomination Committee consists of Mr. Yang Hansong (楊漢松), Mr. Wang Jianping (王建平) and Mr. Yan Jonathan Jun. The chairperson of the Nomination Committee is Mr. Yang Hansong (楊漢松).

The primary duties of the Nomination Committee are to assess and make recommendations on the candidates, procedures and criteria for the appointment of directors and senior management of our Company, review the structure, size and composition of the Board and assess the independence of the independent non-executive Directors.

REMUNERATION

Our Directors and senior management members receive compensation in the form of salaries, bonuses, contributions to pension schemes, share-based compensation, housing and other allowances and benefits in kind from the Company subject to applicable laws, rules and regulations.

The aggregate amount of compensation (including fees, salaries, bonuses, contributions to pension schemes) and benefits in kind paid to the Directors for the three years ended December 31, 2021, 2022 and 2023 were approximately RMB4.5 million, RMB4.2 million and RMB2.4 million, respectively.

The aggregate amount of compensation and benefits including share-based compensation in kind paid to the five highest paid individual employees of our Group for the three years ended December 31, 2021, 2022 and 2023 were approximately RMB2.7 million, RMB4.5 million and RMB5.8 million, respectively. Under the arrangements currently in force, we estimate the aggregate of the remuneration and benefits in kind payable to the Directors (excluding any discretionary bonus) for the financial year ending December 31, 2024 to be approximately RMB2.4 million.

The executive Directors receive compensation in the form of salaries, bonuses, contributions to pension schemes, share-based compensation, housing and other allowances and benefits in kind subject to applicable laws, rules and regulations. Please refer to the section headed "Appendix IV — Statutory and General Information — C. Further Information about our Directors and Substantial Shareholders — 2. Particulars of Service Contracts" in this document for further details on the executive Directors' compensation.

During the Track Record Period, no remuneration was paid by our Group to, or receivable by, our Directors or five highest paid individuals as an inducement to join or upon joining our Group. No compensation was paid by our Group to, or receivable by, our Directors or the five highest paid individuals for each of the three years ended December 31, 2021, 2022 and 2023 for the loss of any office in connection with the management of affairs of any Subsidiary. In addition, none of our Directors waived any emoluments for any of the three years ended December 31, 2021, 2022 and 2023. For the year ended December 31, 2021, two of the non-executive Directors did not receive any remuneration. For the year ended December 31, 2022, three non-executive Directors and one executive Director did not receive any remuneration. For the year ended December 31, 2023, three non-executive Directors and one executive Director did not receive any remuneration.

Save as disclosed above, the Directors are not entitled to receive any other special benefits from our Company. The compensation of the Directors is determined by the Board which, following [REDACTED], will receive recommendations from the Remuneration Committee which will take into account applicable laws, rules and regulations.

COMPLIANCE ADVISER

We have appointed Anglo Chinese Corporate Finance, Limited as our compliance adviser (the "**Compliance Adviser**") upon the [REDACTED] in compliance with Rule 3A.19 of the Listing Rules. We have entered into a compliance advisor's agreement with the Compliance Adviser, the material terms of which are as follows:

(i) the Compliance Adviser shall act as our compliance adviser for the purpose of Rules 3A.19 of the Hong Kong Listing Rules for a period commencing on the [REDACTED] and ending on the date on which we comply with Rule 13.46 of the Hong Kong Listing Rules in respect of our financial results for the first full financial year commencing after the [REDACTED], or until the agreement is terminated, whichever is earlier;

(ii) the Compliance Adviser will provide us with certain services, including proper guidance and advice as to compliance with the requirements under the Listing Rules and applicable laws, regulations and rules;

(iii) the Compliance Adviser will, as soon as reasonably practicable, inform us of any amendment or supplement to the Listing Rules announced by the Stock Exchange from time to time, and of any amendment or supplement to the applicable laws, regulations and rules in Hong Kong applicable to our Company; and

(iv) the Compliance Adviser will act as one of the key channels of communication of our Group with the Stock Exchange.

CORPORATE GOVERNANCE CODE

We aim to achieve high standards of corporate governance which are crucial to our development and safeguard the interests of our Shareholders. In order to accomplish this, we expect to comply with all applicable code provisions of the Corporate Governance Code set out in Appendix 14 of the Listing Rules after the [REDACTED].

Board Diversity Policy

We [have adopted] a diversity policy (the "**Board Diversity Policy**") which sets out the objective and approach to achieve diversity to strengthen the performance of the Board. Pursuant to the Board Diversity Policy, we seek to achieve diversity of our Board through the consideration of a number of factors when selecting candidates to our Board and determining the optimum composition of the Board, including but not limited to skills, experience, cultural and educational background, geographical, industry and professional experience, ethnicity, gender, age, knowledge and length of service.

Our Directors have a balanced mix of knowledge and skills, including in overall management and strategic development, finance and accounting, policy research and corporate governance, as well as industry experience in automotive industry. They obtained degrees in various areas such as accounting, economics and history. The ages of our Directors range from 34 to 62 years old.

We have taken steps to promote gender diversity of our Board and currently our Board comprises four female Directors and five male Directors. Going forward, we will continue to ensure gender diversity of our Board through measures to be implemented by our Nomination Committee in accordance with the Board Diversity Policy.

Our Nomination Committee is responsible for ensuring the diversity of our Board members. After the [REDACTED], our Nomination Committee will monitor the implementation of the Board Diversity Policy and review the Board Diversity Policy from time to time to ensure its effectiveness. We will also disclose in our annual corporate governance report a summary of the Board Diversity Policy together with information regarding the implementation of the Board Diversity Policy.

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of our authorized shares and shares of our Company in issue and to be issued as fully paid or credited as fully paid or issued and outstanding immediately following the completion of the [REDACTED].

1. Share capital as of the Latest Practicable Date

(i) Authorized share capital

Number of Shares	Description of Shares	Aggregate nominal value of Shares *(US$)*
4,944,330,282	Shares of par value US$0.00001 each	49,443.30
38,185,637	Series A Preferred Shares of par value US$0.00001 each	381.86
17,484,081	Series B Preferred Shares of par value US$0.00001 each	174.84
5,000,000,000	**Total**	50,000.00

(ii) Issued share capital

Number of Shares	Description of Shares	Aggregate nominal value of Shares *(US$)*
761,992,710	Shares of par value US$0.00001 each	7,619.92
38,185,637	Series A Preferred Shares of par value US$0.00001 each	381.86
17,484,081	Series B Preferred Shares of par value US$0.00001 each	174.84
817,662,428	**Total**	8,176.62

2. Share capital immediately following the completion of the [REDACTED]

(i) Authorized share capital

Number of Shares	Description of Shares	Aggregate nominal value of Shares *(US$)*
5,000,000,000	Shares of par value US$0.00001 each	50,000.00

(ii) Issued share capital

Number of Shares	Description of Shares	Aggregate nominal value of Shares *(US$)*
[817,662,428]	Shares of par value US$0.00001 each	[8,176.62]
[REDACTED]	Ordinary Shares to be issued under to the [REDACTED]	[REDACTED]
[REDACTED]	**Total**	[REDACTED]

ASSUMPTIONS

The above table assumes that the [REDACTED] becomes unconditional and the Shares are issued pursuant to the [REDACTED], each Preferred Share will be automatically converted into one Share. The above does not take into account (i) any Shares which [REDACTED] and/or sold pursuant to the exercise of the [REDACTED]; and (ii) any Shares which [REDACTED] or repurchased by our Company pursuant to the general mandates granted to our Directors [REDACTED] or repurchase Shares as described below.

RANKING

The [REDACTED] rank equally with all Shares currently in issue or [REDACTED] as mentioned in this document and, in particular, will rank equally for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this document.

POTENTIAL CHANGES TO SHARE CAPITAL

Circumstances under which general meeting and class meeting are required

Our Company may by ordinary resolution (i) increase its share capital by the creation of new shares; (ii) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares; (iii) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person; and (iv) sub-divide its shares or any of them into shares of smaller amount. In addition, our Company may by special resolution reduce its share capital or any capital redemption reserve subject to any conditions prescribed by the Cayman Companies Act.

See "Summary of our Constitution of the Company and Cayman Islands Company Law — Articles of Association — Alteration of capital" in Appendix III for further details.

If at any time the share capital of our Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Cayman Companies Act, be varied or abrogated only with (in addition to a special resolution to amend the Memorandum or the Articles) the consent in writing of the holders of not less than three-fourths of the voting rights of the issued shares of that class, or with the approval of a resolution passed by a majority of not less than three-fourths of the votes cast at a separate meeting of the holders of the shares of that class.

See "Summary of our Constitution of the Company and Cayman Islands Company Law — Articles of Association — Variation of rights of existing Shares or classes of Shares" in Appendix III for further details.

GENERAL MANDATE TO ISSUE SHARES

Subject to the conditions stated in the section headed "Structure of the [REDACTED] — Conditions of the [REDACTED]" in this document, our Directors [have been granted] a general unconditional mandate to allot, issue and deal with the Shares with a total nominal value of not more than the sum of:

(i) 20% of the total number of Shares in issue immediately following the completion of the [REDACTED] (excluding any Shares [REDACTED] pursuant to the exercise of the [REDACTED]); and

(ii) the aggregate nominal value of Shares repurchased by the Company under the authority referred to in paragraph headed "General Mandate to Repurchase Shares" below.

This general mandate to issue Shares will expire at the earliest of:

(1) the conclusion of the next annual general meeting of our Company unless renewed by an ordinary resolution of the Shareholders in general meeting either unconditionally or subject to condition; or

(2) the expiration of the period within which we are required by any applicable laws of the Cayman Islands or our Articles to hold the next annual general meeting of our Company; or

(3) the passing of an ordinary resolution of our Shareholders in general meeting of our Company revoking or varying the authority.

For further details of this general mandate, please see the section headed "Statutory and General Information — A. Further Information About our Group — 4. Resolutions in Writing of Our Shareholders" in Appendix IV to this document.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the conditions stated in the section headed "Structure of the [REDACTED] — Conditions of the [REDACTED]", our Directors [have been granted] a general unconditional mandate to exercise all of our powers to repurchase Shares with a total nominal value of not more than 10% of the total nominal value of our share capital in issue immediately following the completion of the [REDACTED] (excluding any Shares [REDACTED] pursuant to the exercise of the [REDACTED]).

This general mandate relates only to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are [REDACTED] (and which is recognized by the SFC and the Stock Exchange for this purpose), and made in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed "Statutory and General Information — A. Further Information about our Group — 5. Repurchase of our Own Securities" in Appendix IV to this document.

This general mandate to repurchase Shares will expire at the earliest of:

(i) the conclusion of the next annual general meeting of our Company unless renewed by an ordinary resolution of the Shareholders in general meeting either unconditionally or subject to condition; or

(ii) the expiration of the period within which we are required by any applicable laws of the Cayman Islands or our Articles to hold the next annual general meeting of our Company; or

(iii) the passing of an ordinary resolution of our Shareholders in general meeting of our Company revoking or varying the authority.

For further details of this general mandate, please see the section headed "Statutory and General Information — A. Further Information about our Group — 5. Repurchase of our Own Securities" in Appendix IV to this document.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the [REDACTED] and assuming that (i) the [REDACTED] is not exercised; and (ii) each Preferred Share is converted into one Share, the following persons will have an interest or a short position in the Shares which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Division 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group:

Name of Shareholders	Capacity/ Nature of interest	Number of Shares(1)	Approximate % of shareholding in each class of share of our Company as at the Latest Practicable Date	Approximate % of shareholding in each class of share of our Company after the [REDACTED]
Extensive Prosperous Investments Limited(2)	Beneficial owner	100,000,000	12.23%	[REDACTED]
Orient Rich Investment Development Limited(2)	Interest in controlled corporation	100,000,000	12.23%	[REDACTED]
Extensive Success Holding Limited(2)	Interest in controlled corporation	100,000,000	12.23%	[REDACTED]
TMF (Cayman) Ltd.(2)	Trustee	100,000,000	12.23%	[REDACTED]
Mr. Yang Aihua(2)	Founder of a trust	100,000,000	12.23%	[REDACTED]
Manheim Investments Inc.(3)	Beneficial owner	90,000,000	11.01%	[REDACTED]
Cox Automotive(3)	Interest in controlled corporation	90,000,000	11.01%	[REDACTED]
Cox Enterprises, Inc.(3)	Interest in controlled corporation	90,000,000	11.01%	[REDACTED]
James C. Kennedy(3)	Trustee	90,000,000	11.01%	[REDACTED]
Alexander C. Taylor(3)	Trustee	90,000,000	11.01%	[REDACTED]
John M. Dyer(3)	Trustee	90,000,000	11.01%	[REDACTED]

SUBSTANTIAL SHAREHOLDERS

Name of Shareholders	Capacity/ Nature of interest	Number of Shares[1]	Approximate % of shareholding in each class of share of our Company as at the Latest Practicable Date	Approximate % of shareholding in each class of share of our Company after the [REDACTED]
Zhuoheng Holding Limited[4]	Beneficial owner	70,115,754	8.58%	[REDACTED]
Han Zhuoheng[4]	Interest in controlled corporation	70,115,754	8.58%	[REDACTED]
World Key Investment Trading Limited[5]	Beneficial owner	50,000,000	6.11%	[REDACTED]
Yang Hansong[5]	Interest in controlled corporation	50,000,000	6.11%	[REDACTED]
China Grand Automotive Services Group Co., Ltd.[6]	Interest in controlled corporations	62,500,000	7.65%	[REDACTED]

Notes:

(1) The table above assumes (i) the [REDACTED] is not exercised; and (ii) each Preferred Share is converted into one Share.

(2) Extensive Prosperous Investments Limited is wholly owned by Orient Rich Investment Development Limited, which is held by Extensive Success Holding Limited. TMF (Cayman) Ltd., as the trustee of Yang's Family Trust, directly holds all the interests in Extensive Success Holding Limited. Mr. Yang Aihua (楊愛華) is the settlor of the trust and the beneficiaries are the descendants and remoter issue of Mr. Yang Aihua. By virtue of the SFO, each of Orient Rich Investment Development Limited, Extensive Success Holding Limited, TMF (Cayman) Ltd. and Mr. Yang Aihua (楊愛華) is deemed to be interested in the Shares in which Extensive Prosperous Investments Limited is interested in.

(3) Manheim Investments Inc. is wholly-owned by Cox Automotive, which in turn is wholly-owned by Cox Enterprises, Inc. All of the voting securities of Cox Enterprises, Inc. are held by the Cox Family Voting Trust (the "**Cox Trust**"). The trustees of the Cox Trust are James C. Kennedy, Alexander C. Taylor and John M. Dyer. There is no settlor of the Cox Trust and no beneficiary directly owns 10% or more of the equity of Cox Enterprises, Inc. By virtue of the SFO, each of Cox Automotive, Cox Enterprises, Inc., James C. Kennedy, Alexander C. Taylor, and John M. Dyer is deemed to be interested in the Shares in which Manheim Investments Inc. is interested in.

(4) Zhuoheng Holding Limited is wholly-owned by Mr. Han Zhuoheng (韓卓恒). By virtue of the SFO, Mr. Han Zhuoheng (韓卓恒) is deemed to be interested in the Shares in which Zhuoheng Holding Limited is interested in.

(5) World Key Investment Trading Limited is held as to 80% by Mr. Yang Hansong (楊漢松). By virtue of the SFO, Mr. Yang Hansong (楊漢松) is deemed to be interested in the Shares in which World Key Investment Trading Limited is interested in.

(6) Grand Baoxin Auto Group Limited, an entity held as to 67.7% by China Grand Automotive Services Group Co., Ltd. ("**CGA**"), directly held 21,000,000 Shares as at the Latest Practicable Date. Baoxin Auto Finance I Limited, a wholly-owned subsidiary of CGA, held 41,500,000 Shares as at the Latest Practicable Date. CGA is a company listed on the Shanghai Stock Exchange (stock code: 600297). By virtue of the SFO, CGA is deemed to be interested in the aggregate of Shares held by Baoxin Auto Finance I Limited and Grand Baoxin Auto Group Limited. As of the Latest Practicable Date, Mr. Yang Aihua is indirectly interested in 7.73% of Grand Baoxin Auto Group Limited through a discretionary trust that Ms. Yang Chuyu set up with TMF (Cayman) Ltd. As of the Latest Practicable Date, Mr. Yang Hansong is interested in approximately 1% shareholding interest in Grand Baoxin Auto Group Limited.

Save as disclosed herein, our Directors are not aware of any persons who will, immediately following completion of the [REDACTED] (assuming (i) the [REDACTED] is not exercised; and (ii) each Preferred Share is converted into one Share), have interests or short positions in Shares or underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or, will be, directly or indirectly, interested in 10% or more of the issued voting shares of our Company or any other member of our Group.

FUTURE PLANS

See "Business — Our Growth Strategies" for a detailed description of our future plans.

[REDACTED]

We estimate the [REDACTED] of the [REDACTED] which we will receive, assuming an [REDACTED] of [REDACTED] per [REDACTED] (being the mid-point of the [REDACTED] stated in this document), will be approximately [REDACTED], after deduction of [REDACTED] and [REDACTED] and other estimated expenses in connection with the [REDACTED] assuming the [REDACTED] is not exercised. We intend to use the [REDACTED] of the [REDACTED] for the following purposes:

(1) approximately [REDACTED] of our total estimated [REDACTED], or [REDACTED], will be used for the expansion of the geographic coverage of our auction site network, among which:

- approximately [REDACTED] of our total estimated [REDACTED], or [REDACTED], will be used for opening 194 new auction sites (including 91 new auction centers and 103 new auction hubs) within the next five years, primarily including the corresponding lease payment, the purchase of equipment and facilities and the hiring of professionals staffed at these auction sites. The actual number of new auction sites to be opened may be adjusted depending on our ongoing assessment, including the development of local used vehicle markets, the actual costs for opening up auction sites, and the competitive landscape.

  We divide our auction centers into three classes: Class A, Class B and Class C auction centers. We do not further divide our auction hubs into any classes. We classify our auction centers primarily based on two factors: (1) historical used vehicle transaction volume, and (2) the relevant local market's passenger vehicle parc.

  The following table sets forth the criteria that we use to determine the class of our auction centers:

Class of auction center	**Historical transaction volume**	**Local market's passenger vehicle parc**
Class A	At least 8,000 units per year	over 5 million units
Class B	From 3,000 to 8,000 units per year	from 2.5 million to 5 million units
Class C	From 1,000 to 3,000 units per year	from 1 million to 2.5 million units

  We are prudent in geographic expansion and generally do not establish new auction centers in a city where we do not have an existing auction site; instead, we generally open up a new auction center by leveling up an existing auction center/hub (such as leveling up from Class B auction center to Class A auction center) either through substantially expanding its capacity and space or relocating to a new location in the same city. We establish new auction hubs in cities where we do not have existing auction sites, as our auction hubs are less capital intensive, of smaller scales and offer more limited functions. They also typically require less capital expenditure and are good pilot projects to establish our physical foothold in a new city.

We believe China's used vehicle industry has significant growth potential. According to CIC, as of December 31, 2022, there were a total of over 80 cities in China with passenger vehicle parc exceeding one million units, which we believe have sufficient demand for used vehicles and our used vehicle auction services, and the number of such cities is expected to further increase to over 100 in the next five years. With the passenger vehicle parc continues to increase, more used vehicles are expected to enter into the used vehicle market, leading to an increase in the total supply of used vehicles and a growing need for used vehicle disposal channels. As such, we believe there are concrete needs for our used vehicle auction services, and accordingly, our new auction sites in cities with considerable or fast-growing passenger vehicle parc. Meanwhile, as the construction of offline auction network takes time, we believe it is strategically important for us to establish new auction sites in cities that present great growth potential in used vehicle transactions at an early stage in order to seize the market and expand our business operation.

We also believe that China's used vehicle industry presents ample opportunities for consolidation in the future. In 2022, while we ranked the first among all used vehicle wholesale marketplace and used vehicle transaction service providers in China, both in terms of transaction volume, our market share was 1.3% and 12.6% in the respective markets, indicating significant upswing potential in gaining more market share. In particular, as a result of the growing need for used vehicles in lower-tier cities coupled with the facilitation of cross-regional transportation and favorable government policies, the transaction volume and the demand for localized used vehicle related services are expected to rapidly grow in lower-tier cities in the next few years. As such, we believe there are concrete needs for our new auction sites.

The capital needs for our expansion plan are estimated based on our historical expansion of auction sites, the estimated set up costs for the new auction sites based on our experience, our analysis of the trends and the supply and demand dynamic of the local markets, and other relevant factors.

The following table sets forth our historical expansion plan during the Track Record Period:

	2021	**2022**	**2023**
Number of auction sites located in:			
Class A cities(1)	4	4	4
Class B cities(1)	13	13	13
Class C cities(1)	26	29	30
Class D cities(1)	30	32	32
Total	73	78	79

Note:

(1) For our internal classification purpose, cities that have at least one Class A/B/C auction centers are considered Class A/B/C cities, respectively, and cities that have at least one auction hub are considered Class D cities. A city that has multiple classes of auction centers will be categorized based on the highest class of the auction center it has (i.e., a city that has both Class A and Class B auction centers will be considered a Class A city). As of December 31, 2023, Class A cities include Shanghai, Beijing, Chengdu, Chongqing. Class B cities include Suzhou, Nanjing, Guiyang, Wuhan, Xi'an, Hefei, Ningbo, Jinan, Wuxi, Tianjin, Shenzhen, Hangzhou and Guangzhou. Class C cities include Linyi, Qingdao, Nanning, Zibo, Changsha, Heze, Xuzhou, Wenzhou, Nantong, Shenyang, Harbin, Dalian, Changchun, Hohhot, Tangshan, Zhengzhou, Shijiazhuang, Urumqi, Kunming, Zunyi, Yichang, Nanchong, Liupanshui, Xiamen, Taiyuan, Xiangyang, Lanzhou, Nanchang, Huizhou and Changzhou. Class D cities include other cities under our auction site network.

For our auction centers, we plan to strategically establish new ones across different classes of cities across China to capture the increasing transaction volume in these. We also plan to relocate certain existing auction centers when the these existing auction centers can no longer have sufficient capacities to accommodate the increasing used vehicle transaction volume. We plan to carefully select the cities and locations where we plan to establish new auction centers based on our historical experience with the local used vehicle markets, such as the local supply and demand dynamics for used vehicles and the demand for localized services.

The table below sets forth details of our expansion plan of auction centers for the next five years (i.e. leveling up from Class B to Class A, from Class C to Class B, and from auction hub to Class C):

	Number of auction centers	Expected construction commencement time	Expected operation commencement time	Allocated [REDACTED][1] *(RMB in millions)*	Allocated [REDACTED][1] *(HKD in millions)*	Expected payback period[2]
Auction centers located in:						
Class A cities[3]	6	2024 to 2028	2024 to 2028[4]	[REDACTED]	[REDACTED]	seven months
Class B cities[3]	29	2024 to 2028	2024 to 2028[4]	[REDACTED]	[REDACTED]	14 months
Class C cities[3]	56	2024 to 2028	2024 to 2028[4]	[REDACTED]	[REDACTED]	50 months
Total	91	–	–	[REDACTED]	[REDACTED]	–

Note:

(1) The amount of allocated [REDACTED] is estimated based on the average estimated set up cost for each new auction center in different classes of cities, multiplied by the numbers of auction centers to be established in the next five years in those cities. The average estimated set up cost for each new auction center in those cities is estimated based on (a) the actual expenses in establishing an auction center in the Track Record Period in cities of the same class; such expenses was typically spent on items including construction cost, lease payment, purchase of equipment and salaries for staff based on the auction center, (b) the planned scale of the new auction center, which is turn depends on the class of the auction center, planned use and scope of services offered, as well as the need for enhancing brand image and recognition in the local markets, and (c) the estimated demand and supply in the local markets where the new auction center is to be established, which in turn are based on our observation and experience with these markets during the Track Record Period, such as the number of vehicles sourced from these markets that were subsequently auctioned off in our existing auction sites.

(2) The expected payback period is estimated based on (a) the amount of [REDACTED] allocated to each auction center, and (b) the forecast profit generated from each auction center, both of which in turn were estimated based on our historical experience with the auction centers of the same class.

(3) As of December 31, 2023, based on our internal management system, Class A cities included Shanghai, Beijing, Chengdu, Chongqing. Class B cities included Suzhou, Nanjing, Guiyang, Wuhan, Xi'an, Hefei, Ningbo, Jinan, Wuxi, Tianjin, Shenzhen, Hangzhou and Guangzhou. Class C cities include Linyi, Qingdao, Nanning, Zibo, Changsha, Heze, Xuzhou, Wenzhou, Nantong, Shenyang, Harbin, Dalian, Changchun, Hohhot, Tangshan, Zhengzhou, Shijiazhuang, Urumqi, Kunming, Zunyi, Yichang, Nanchong, Liupanshui, Xiamen, Taiyuan, Xiangyang, Lanzhou, Nanchang, Huizhou and Changzhou. As we establish new Class A/B/C auction centers in the next five years, the classification of cities will change accordingly.

(4) Based on our historical experience, it typically requires three months to complete the relevant construction required for establishing a new auction center.

The following table sets forth the number of auction centers we plan to open (i.e., leveling up from Class B to Class A, from Class C to Class B, and from auction hub to Class C) each year over the next five years:

	2024	2025	2026	2027	2028
Auction centers located in:					
Class A cities(1)	2	1	3	0	0
Class B cities(1)	6	5	8	5	5
Class C cities(1)	8	7	10	16	15
Total	16	13	21	21	20

Note:

(1) As of December 31, 2023, based on our internal management system, Class A cities included Shanghai, Beijing, Chengdu, Chongqing. Class B cities included Suzhou, Nanjing, Guiyang, Wuhan, Xi'an, Hefei, Ningbo, Jinan, Wuxi, Tianjin, Shenzhen, Hangzhou and Guangzhou. Class C cities include Linyi, Qingdao, Nanning, Zibo, Changsha, Heze, Xuzhou, Wenzhou, Nantong, Shenyang, Harbin, Dalian, Changchun, Hohhot, Tangshan, Zhengzhou, Shijiazhuang, Urumqi, Kunming, Zunyi, Yichang, Nanchong, Liupanshui, Xiamen, Taiyuan, Xiangyang, Lanzhou, Nanchang, Huizhou and Changzhou. As we establish new Class A/B/C auction centers in the next five years, the classification of cities will change accordingly.

As a result of our expansion plan, by the end of 2028, we expect to have 105 auction centers across China, consisting of 10 Class A auction centers, 37 Class B auction centers, and 58 Class C auction centers.

We believe there are sufficient business needs to support our expansion plan of auction centers in the next five years. We estimate our needs for auction centers of each class in accordance with our internal classification criteria, which in turn depends on (1) local passenger vehicle parc in the cities of such class tiers, and (2) the Group's historical transaction volume:

- ***Local passenger vehicle parc***. We believe that there will be a sufficient number of Class A, Class B and Class C cities in China to meet our local market passenger vehicle parc requirements. According to CIC, as of September 30, 2023, there were 90, 43, 12 and 5 cities with passenger vehicle parc of at least one million, two million, four million and five million units, respectively, and the number of these cities are expected to continuously increase in the next five years. Our expansion plan is based on the assumption that by the end of 2028 there will be 58 Class C cities (with passenger vehicle parc between 1 million and 2.5 million), 37 Class B cities (with passenger vehicle parc between 2.5 and 5 million) and 10 Class A cities (with passenger vehicle parc over 5 million). As such, we believe there will be a sufficient number of Class A, Class B and Class C cities in China to accommodate our expansion plan.

- ***Historical transaction volume***. We further believe that we can meet the historical transaction volume requirements in the cities where we plan to have auction centers of each class. According to CIC, the penetration rate of used vehicles is expected to reach 5.8% in 2025. As such, based on our internal classification criteria, for a city to qualify as our Class C, Class B and Class A city, respectively, we only need to capture 1.7%, 2.1% and 2.8%, respectively, of local market share of used vehicle transactions. The following table sets forth the calculation for the market share required for establishing a Class C, Class B and Class A auction center in the cities of respective class based on our internal classification criteria.

	Class C	**Class B**	**Class A**
Minimum local passenger vehicle parc	1 million to 2.5 million	2.5 million to 5 million	over 5 million
Expected penetration rate in 2025	5.8%	5.8%	5.8%
Minimum expected number of used vehicle transactions in 2025	58,000	145,000	290,000
Minimum number of transaction required per year based on our internal criteria	1,000	3,000	8,000
Minimum market share required	1.7%	2.1%	2.8%

We believe the above required market shares are highly attainable targets based on our historical transaction volume and market share in cities where we have established an auction center of the respective class. The following table sets forth our market share in selected cities during the Track Record Period.

City	Class	Market share in terms of transaction volume between 2020 and 2022
Shanghai	A	4.0%
Chengdu	A	3.3%
Guiyang	B	4.6%
Suzhou	B	4.3%
Nanjing	B	3.5%
Tangshan	C	4.4%
Xuzhou	C	3.2%
Zibo	C	1.6%

Moreover, as our business operations recover from the pandemic, we expect to have a growing need for more auction centers with larger transaction capacity in the future. In particular, our transaction volume in the six months ended December 31, 2023 increased to approximately 98,000 units, representing a 20.6% increase from the corresponding period in 2022, higher than a 14.1% increase in the overall transaction volume of China's used vehicle industry during the same period. Overall, in 2023 our used vehicle transaction volume amounted to approximately 176,000 units, representing a 10.1% increase from 2022. In 2023, our upstream sellers put up a total of approximately 384,000 units of used vehicle for auctions on our transaction platform, representing a 21.9% increase from 2022. This strong growth indicates robust interest of our upstream sellers to dispose of their used vehicles through our platform, and as a result, we need to continuously expand the capacity of our auction site network (including leveling up our auction centers) to accommodate their growing demand. As such, we believe that the same characteristics that made us particularly vulnerable to a COVID-19-scale pandemic during the Track Record Period can similarly contribute to our rapid rebound when the overall economic environment and our business operation return to normal.

Furthermore, for our auction centers, we open up new ones through leveling up an existing auction center/hub, instead of building an auction center from scratch. In other words, for the 6 Class A auction centers, 29 Class B auction centers and 56 new Class C auction centers that we plan to open up for the next five years, they will be leveled up from our existing 6 Class B auction centers, 29 Class C auction centers, and 56 auction hubs, respectively. As of December 31, 2023, we had 13 Class B auction centers, 30 Class C auction centers and 32 auction hubs in our offline network. As such, we effectively only need to establish 25 new auction hubs that will ultimately be levelled up to Class C auction centers in the next five years. We believe the pace and scale of our expansion plan of auction sites are commensurate to the organic growth of both the transaction volume on our platform and the increase in the local market passenger vehicle parc across China.

Based on the above, we believe there are sufficient business needs to support our expansion plan of auction centers in the next five years.

For our auction hubs, we plan to primarily focus on cities where we have no auction site presence to capture the increasing transaction demand and provide localized used vehicle-related services in these cities. Once we have established an auction hub in a city, that city will be classified as Class D under our internal management system. We plan to carefully select the cities and locations where we plan to establish new auction hubs based on our historical experience with the local used vehicle markets, such as the local supply and demand dynamics for used vehicles and the demand for localized services. The table below sets forth details of our expansion plan of auction hubs for the next five years:

	Number of auction hubs	Expected construction commencement time	Expected operation commencement time	Allocated [REDACTED][1] *(RMB in millions)*	Allocated [REDACTED][1] *(HKD in millions)*
Auction hubs located in:					
Class D cities[3]	103	2024 to 2028	2024 to 2028[2]	[REDACTED]	[REDACTED]
Total	103	—	—	[REDACTED]	[REDACTED]

Notes:

(1) The amount of [REDACTED] for auction hubs is estimated based on the average estimated set up cost for each new auction hub in those cities, multiplied by the number of auction hubs to be established in the next five years in those cities. The average estimated set up cost for each new auction hub is estimated based on (a) the actual expenses in establishing an auction hub in the Track Record Period, (b) the planned scale of the auction hub based, planned use and scope of services offered, as well as the need for enhancing brand image and recognition in the local markets, (c) the estimated demand and supply in the local markets where the new auction hub is to be established, which in turn are based on our observation and experience with these markets during the Track Record Period, such as the number of vehicles sourced from these markets that were subsequently auctioned off in our existing auction hub.

(2) Based on our historical experience, it typically requires one to two months to complete the relevant construction required for establishing a new auction hub.

(3) Class D cities include other cities under our auction site network that are not Class A/B/C cities.

The following table sets forth the number of auction hubs we plan to open each year over the next five years:

	2024	**2025**	**2026**	**2027**	**2028**
Auction hubs located in:					
Class D cities[1]	21	21	21	20	20
Total	21	21	21	20	20

Note:

(1) Class D cities include other cities under our auction site network that are not Class A/B/C cities.

While we sometimes provide online-offline integrated auction on our auction sites in a remote manner to expand the effective coverage of our auction sites network, we believe that establishing an auction hub and have permanent presence in the local market can bring qualitatively different services to our used vehicle sellers and buyers. Having an auction hub allows us to have permanent staff based in the local market and provide the necessary infrastructure support for the services offering under the used vehicle auction business. For example, having an auction hub makes physical gathering of used vehicle more convenient, allows local buyers to more easily attend the auction sessions, and allows us to provide better post-auction services to local buyers. As a result, we believe that having an auction hub can lead to an increase in the transaction volume in the local market as compared to when the local market can only be covered in a remote manner. For instance, following the establishment of auction hubs in three cities located in three different provinces in 2021 that were previously only covered by our network through remote online-offline integrated auction, the transaction volume in these three cities increased materially, from 668 units, 1 unit and 26 units, respectively, in 2021 to 1,245 units, 105 units and 245 units, respectively, in 2022. In addition, we expect to spend HKD0.5 million in capital expenditure required for opening up an auction hub, making it a highly affordable option to quickly expand our offline network and increase our used vehicle transaction volume.

- approximately [REDACTED] of our total estimated [REDACTED], or [REDACTED], will be used for the renovation of 79 existing auction sites (namely 47 auction centers and 32 auction hubs) within the next five years, primarily including the purchase of additional equipment and facilities and the expansion of our team of professionals staffed at these auction sites. When upgrading auction sites, we generally improve the facilities of existing auction sites. We generally renovate an auction site every three years, based on the current used vehicle transaction and our prediction of the growth in the passenger vehicle parc in the local market. When the renovation is complete, the class of the auction sites remains the same. Thus, after the renovation, a Class B auction center will remain a Class B auction center instead of leveling up to Class A, and an auction hub will remain an auction hub instead of becoming a Class C auction center.

  As such, during the lifecycle of an auction site, we (1) generally renovate the auction site every three years to expand its capacity and accommodate the increase used vehicle transfection and services volume, and (2) may selectively level up the auction site, based on the criteria outlined above and depending on our future expansion plan.

The table below sets forth breakdown of the [REDACTED] allocated for the renovation of existing auction centers by classes of cities and by nature in the next five years:

		[REDACTED]				[REDACTED]			
	Number of auction centers	Lease payment and decoration[1]	Purchase of additional equipment and facilities[2]	Hiring of new staff[3]	Training of existing staff[4]	Lease payment and decoration[1]	Purchase of additional equipment and facilities[2]	Hiring of new staff[3]	Training of existing staff[4]
		(RMB in millions)				(HKD in millions)			
Auction centers located in:									
Class A cities[5]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Class B cities[5]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Class C cities[5]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

(1) The amount of [REDACTED] for lease payment and decoration is estimated based on the relevant expenses we have incurred historically for leasing and decorating in connection with upgrading an auction center of the same class.

(2) The amount of [REDACTED] for purchase of additional equipment and facilities is estimated based on (a) the relevant expenses we have incurred historically for purchasing the equipment and facilities required for upgrading an auction center of the same class, and (b) the expenses we expect to incur for such equipment and facilities required for introducing certain new functions and services in connection with upgrading the auction centers.

(3) The amount of [REDACTED] for hiring of staff is estimated based on the relevant expenses we have incurred historically for hiring the staff in connection with upgrading an auction center of the same class.

(4) The amount of [REDACTED] for training of existing staff is estimated based on the relevant expenses we have incurred historically for conducting staff training program in connection with upgrading an auction center of the same class.

(5) Class A cities include Shanghai, Beijing, Chengdu, Chongqing. Class B cities include Suzhou, Nanjing, Guiyang, Wuhan, Xi'an, Hefei, Ningbo, Jinan, Wuxi, Tianjin, Shenzhen, Hangzhou and Guangzhou. Class C cities include Linyi, Qingdao, Nanning, Zibo, Changsha, Heze, Xuzhou, Wenzhou, Nantong, Shenyang, Harbin, Dalian, Changchun, Hohhot, Tangshan, Zhengzhou, Shijiazhuang, Urumqi, Kunming, Zunyi, Yichang, Nanchong, Liupanshui, Xiamen, Taiyuan, Xiangyang, Lanzhou, Nanchang, Huizhou and Changzhou.

Our existing auction hubs are located in Class D cities. The table below sets forth breakdown of the [REDACTED] allocated for the upgrading of existing auction hubs by nature in the next five years:

	Number of auction hubs	[REDACTED] Lease payment and decoration[1]	Purchase of additional equipment and facilities[2]	Hiring of new staff[3]	Training of existing staff[4]	[REDACTED] Lease payment and decoration[1]	Purchase of additional equipment and facilities[2]	Hiring of new staff[3]	Training of existing staff[4]
		(RMB in millions)				(HKD in millions)			
Auction hubs located in:									
Class D cities[5]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

(1) We do not expect to [REDACTED] for lease payment and decoration because during the Track Record Period, we did not enter into any lease agreement with the relevant lessors for using the properties as our auction hub. We generally only utilize the properties when we need to host auction sessions in the auction hub, and we typically host a few sessions each month. When we need to utilize the properties for hosting auction sessions, we typically pay the lessors fees on a per-vehicle basis for the vehicles sold through the auction sessions, and incur such payment as our operational costs. We believe this arrangement is more commercially viable for our business model and we expect to continue this practice in the future.

(2) The amount of [REDACTED] for purchase of additional equipment and facilities is estimated based on (a) the relevant expenses we have incurred historically for purchasing similar equipment and facilities required for upgrading an auction hub, and (b) the expenses we expect to incur for such equipment and facilities required for introducing certain new functions and services in connection with upgrading an auction hub.

(3) The amount of [REDACTED] for hiring of staff and training of existing staff is estimated based on the relevant expenses we have incurred historically for hiring the staff in connection with upgrading an auction hub.

(4) The amount of [REDACTED] for training of existing staff is estimated based on the relevant expenses we have incurred historically for conducting staff training program in connection with upgrading an auction hub.

(5) Class D cities include other cities under our auction site network that are not Class A/B/C cities.

(2) approximately [REDACTED] of our total estimated [REDACTED], or [REDACTED], will be used to enhance our relationship with existing sellers and buyers and attract new sellers and buyers to our platform, among which:

- approximately [REDACTED] of our total estimated [REDACTED], or [REDACTED], will be used to enhance our business relationships with existing upstream sellers and downstream buyers through diversifying and customizing our services, including:

  (i) approximately [REDACTED] of our total estimated [REDACTED], or [REDACTED], will be used for carrying out sales and marketing activities, such as promotional campaigns through new media platforms, to increase the awareness of our service offering and establish our platform as the preferred marketplace for used vehicle transactions. In particular, we plan to launch advertisement campaigns across social media platforms, such as streaming services and online news platforms, to target a broader audience and maintain brand image. We also plan to form partnership with online influencers in the automotive sector to review our used vehicle auctions and transaction platform. We believe this approach can enhance our brand visibility and recognition and reach a large number of new users.

  We plan to hire approximately 70 sales and marketing personnel by 2028 (hiring approximately 14 sales and marketing personnel each year between 2024 and 2028) at the average compensation (including salary, commission and bonus) of approximately HK$99,000 per head each year. We typically require a college degree and three years of experience in the automotive industry or in sales and marketing;

  (ii) approximately [REDACTED] of our total estimated [REDACTED], or [REDACTED], will be used for carrying out sales and marketing activities to increase our coverage of 4S dealership stores of existing dealership group and OEM customers and increase the volume of used vehicles they dispose of through our transaction platform. Building upon our existing relationship and experience with dealership groups and OEMs, we plan to continue to have our sales and marketing personnel introduce and promote our services and platform at their 4S dealership stores that have not used our services and platform, especially through drawing examples of the success of 4S dealership stores that are already our sellers. We believe these sales and marketing activities can increase the volume of used vehicles disposed of through our platform and further strengthening our relationship with the dealership groups and OEMs as their preferred used vehicle disposal channel, thereby reinforcing our industry leadership.

  We plan to hire approximately 15 sales and marketing personnel by 2028 (hiring approximately three sales and marketing personnel each year between 2024 and 2028) at the average compensation (including salary, commission and bonus) of approximately HK$99,000 per head each year. We typically require a college degree and three years of experience in the automotive industry or in sales and marketing; and

(iii) approximately [REDACTED] of our total estimated [REDACTED], or [REDACTED], will be used for providing training programs and other services to both sellers and buyers to help them grow their used vehicle businesses. We plan to continue to inform our business partners of these services and dispatch our sales and marketing personnel and other professionals to their sites to conduct the relevant activities, the costs of which includes labor costs for our sales and marketing personnel and other professionals, travel expenses for dispatching our personnel and professionals to their sites, rental expenses for the venue where we conduct the relevant activities, and costs of designing the training programs for sellers and buyers. We believe offering specialized training programs for both sellers and buyers further establishes us as a go-to partner accompanying their business growth. By empowering sellers and buyers to operate their used vehicle business with greater efficacy, we believe we could in turn have higher transactional success rates and customer loyalty.

We plan to hire approximately 15 sales and marketing personnel by 2028 (hiring approximately three sales and marketing personnel each year between 2024 and 2028) at the average compensation (including salary, commission and bonus) of approximately HK$99,000 per head each year. We typically require a college degree and five years of experience in the automotive industry or in sales and marketing; and

- approximately [REDACTED] of our total estimated [REDACTED], or [REDACTED], will be used to expand our seller base and buyer base, including:

(i) approximately [REDACTED] of our total estimated [REDACTED], or [REDACTED], will be used for strengthening our outreach efforts targeting at, and expanding our sales and marketing team to provide more localized and specialized services to, sellers and buyers from lower-tier cities. We plan to build upon our prior experience with developed markets and dispatch our sales and marketing personnel to introduce and promote our services and platforms to sellers and buyers in lower-tier cities. In particular, we plan to offer localized and specialized services tailored to the unique needs of these regions, in order to increase used vehicle supply and demand through our transaction platform. For example, the sellers and buyers in these lower-tier cities typically rely on traditional transaction model — from conducting extensive offline search for vehicle sources to having fact-to-fact price negotiations with buyers — for their used vehicle transactions and are generally unfamiliar with online-offline-integrated used vehicle transaction platforms. We plan to design individualized entry-level trainings for their sales and other personnel and offer them detailed introduction of and guidance to use our transaction platform, assisting them to transform their used vehicle transaction model and improve their transactional efficiency. We believe this strategic move to tap into the vast, previously under-served markets can diversify our revenue geographically, minimizes dependency on any single region, and make our business model more resilient to various risks.

We plan to hire approximately 15 sales and marketing personnel by 2028 (approximately three sales and marketing personnel each year) at the average compensation (including salary, commission and bonus) of approximately HK$99,000 per head each year targeting at sellers and buyers from lower-tier cities. We typically require an college degree and three years of experience in the automotive industry or in sales and marketing;

(ii) approximately [REDACTED] of our total estimated [REDACTED], or [REDACTED], will be used for carrying out marketing and promotional campaigns to enhance the visibility of our platform and the awareness of our used vehicle-relate services. We plan to place advertisement at exhibitions, auto shows, used vehicle trading markets, and other traditional media of advertisement (including both online and offline channels), to educate the broader market about our unique value propositions as a platform offering a broad range of services that are able to meet the varied and evolving needs of used vehicle buyers and sellers. We believe a heightened visibility of our platform and service offerings directly correlates with our increased seller and buyer participation and service volume, thus solidifying our industry leadership position.

We plan to hire approximately 10 sales and marketing personnel by 2028 (approximately two sales and marketing personnel each year) at the average compensation (including salary, commission and bonus) of approximately HK$99,000 per head each year. We typically require a college degree and three years of experience in the automotive industry or in sales and marketing; and

(iii) approximately [REDACTED] of our total estimated [REDACTED], or [REDACTED], will be used for enhancing our transactional capabilities and experience for serving more types of upstream sellers and buyers, including those of used NEVs. We plan to establish more extensive collaboration with NEV OEMs and battery suppliers to have access to more information and data in relation to the inspection and appraisal of battery performance, which can help us establish our proprietary battery valuation system. We believe by diversifying our buyer and seller base, we can enhance our long-term relevance in the used vehicle market and reduce our reliance on any single type of buyers or sellers.

We plan to hire approximately 20 sales and marketing personnel by 2028 (approximately four sales and marketing personnel each year) at the average compensation (including salary, commission and bonus) of approximately HK$99,000 per head each year. We typically require a college degree and three years of experience in the automotive industry or in sales and marketing;

(3) approximately [REDACTED] of our total estimated [REDACTED], or [REDACTED], will be used for developing and diversifying our service offering and exploring new growth areas, including:

(i) approximately [REDACTED] of our total estimated [REDACTED], or [REDACTED], will be used for expanding and upgrading our ADMS system with additional functions that cater to specific needs of 4S dealership stores, such as developing a system to facilitate the management of their used vehicle business. For example, we plan to integrate the function of sharing of de-sensitized used vehicle disposition related data among dealership groups into our ADMS system, which we believe will enable dealership groups to have a better understanding of the market supply and demand dynamics and more efficiently manage their used vehicle business. As the used vehicle industry becomes more developed and market players become more sophisticated, 4S dealership stores and other used vehicle sellers are expected to increasingly utilize advanced systems like ADMS to more efficiently manage their used vehicle inventory and other aspects of their used vehicle business to optimize their operational costs and expenses. As such, we believe there will be a growing need for a digital and centralized system that is capable of handling 4S dealership stores and other sellers' varied business needs — such as setting KPIs, tracking operating and financial performance of their stores, conducting inventory analysis, and optimizing acquisition and selling strategies.

With respect to our ADMS system, we plan to continue to conduct market research of the prevailing needs of 4S dealership stores and other sellers, thereby focusing on marketing the advanced capabilities of our ADMS system and emphasizing its adaptability to such business needs. We also plan to dispatch our sales representatives to conduct live demonstration of how the ADMS system can streamline the used vehicle inventory management of 4S dealership stores and other sellers to help make their operations more efficient;

(ii) approximately [REDACTED] of our total estimated [REDACTED], or [REDACTED], will be used for providing additional services to buyers, such as vehicle repair and reconditioning, as well as developing systems and technologies that facilitate our used vehicle buyers' selling of used vehicles to end consumers. Along with the increase in the end demand in China's used vehicle market, there is expected to be a growing need among buyers to be more perceptive about (1) the condition of used vehicles that they have purchased and will ultimately sell to end customers, and (2) how they could quickly find an interested end customer to purchase the vehicle. Value-added services such as vehicle repair and reconditioning, and the provision of used vehicle information play a crucial role in ensuring the quality and transaction transparency of used vehicles, thereby enhancing transaction efficiency and buyer satisfaction.

To promote our services to buyers, we plan to organize live demonstrations and workshops to showcase the vehicle repair, reconditioning, and resale facilitation services. This can help illustrate how such services can address the specific needs of our buyers;

(iii) approximately [REDACTED] of our total estimated [REDACTED], or [REDACTED], will be used for continuously upgrading our mobile app and technology that underpin our transactional capabilities and the well-functioning of our platform to attract more used vehicle sellers and buyers to use our platform. As the world in general and our industry in particular are continuously moving towards digitalization, we believe an efficient and user-friendly mobile app and the technologies that empower our transaction platform is essential to our success. We believe powerful digital platforms could significantly enhance the transaction efficiency, information transparency and overall transaction experience of our used vehicle transactions, thereby attracting more users to our platform.

We plan to capitalize on digital marketing strategies to promptly promote the enhanced features of our mobile app whenever a new feature or function becomes available. We further plan to use data analytics to more accurately target potential users, emphasizing our platform's transactional capabilities and user-friendly interface;

(iv) approximately [REDACTED] of our total estimated [REDACTED], or [REDACTED], will be used for providing services and developing digital tools that assist other market participants in carrying out their used vehicle business. The rapid evolution of the used vehicle industry has led to, and will continue to create, increasingly diverse demand for used vehicle-related services, including post-auction services and value-added services, as market participants seek to navigate the complexities of used vehicle transactions. For example, in 2021, 2022 and 2023, the number of vehicles that utilized our post-auction title transfer services amounted to approximately 93,000, 95,000 and 97,000 units, respectively, representing an adoption rate of 35.6%, 59.5% and 55.4%, respectively. With respect to our used vehicle value-added services, in 2021, 2022 and 2023, the aggregated volume of pre-acquisition inspection and appraisal, used vehicle acquisition assistance service, and used vehicle title transfer services amounted to approximately 79,000, 149,000 and 220,000 units, respectively. The volume of these services all demonstrated a general upward trend, indicating a strong demand of used vehicle related services. Recognizing this, we plan to proactively identify the latest needs of market participants to provide services and develop digital tools that can address these needs. For example, we plan to develop digital tools for used vehicle inspection and appraisal. Powered by AR (augmented reality), VR (virtual reality) and OCR (optical character recognition) technologies, these digital tools will help us and other market participants reduce human error during used vehicle inspection and appraisal and improve the accuracy and efficiency of used vehicle inspection and appraisal. These services and digital tools will focus on streamlining the operations of market participants and facilitating more informed decision-making, efficient transaction processing, and enhanced customer engagements.

We plan to promote our new service offerings through targeted marketing campaigns and live demonstrations. Consistent with our current strategic positioning, we plan to continue position our company as the go-to partner for those aiming to develop their used vehicle business; and

(v) in relation to the foregoing, approximately [REDACTED] of our total estimated [REDACTED], or [REDACTED], will be used for recruiting additional talent and establishing relevant training programs to ensure the proper execution of the foregoing business plans. We plan to hire a total of approximately 110 sales and marketing personnel and IT personnel by 2028 (hiring approximately eight sales and marketing personnel and 14 IT personnel each year between 2024 and 2028) at the average compensation (including salary, commission and bonus) of approximately HK$160,000 per head each year. For the sales and marketing personnel, we typically require an undergraduate degree and three years of experience in the automotive industry or in sales and marketing. For the IT personnel, we typically require an undergraduate degree from reputable universities in computer science and other related majors. While past working experience is preferred, we also hire fresh graduate if the candidates demonstrate strong capabilities and qualification;

For additional information, see "Business — Our Growth Strategies — Diversify Our Service Offerings and Revenue Streams";

(4) approximately [REDACTED] of our total estimated [REDACTED], or [REDACTED], will be used to further invest in research and development, to further strengthen our digitalized infrastructure and continuously support our digitalization initiatives. Such initiatives will be conducted through (1) hiring additional R&D personnel for our in-house research and development, or (2) outsourcing to third parties specialized in the relevant areas, depending on our assessment and cost and benefit analysis for each project. We expect to use approximately [REDACTED] of our total estimated [REDACTED], or [REDACTED], to achieve our research and development initiatives and projects through hiring additional R&D personnel for our in-house research and development, and approximately [REDACTED] of our total estimated [REDACTED], or [REDACTED], through outsourcing to third parties. Our research and development initiatives and projects and their respective [REDACTED] of our total estimated [REDACTED] include:

(i) approximately [REDACTED] of our total estimated [REDACTED], or [REDACTED], will be used for developing a QR code-based, AI-assisted intelligent inventory management system to more accurately and efficiently track and manage auction vehicle inventory. This AI-assisted intelligent inventory management system assigns a temporary and unique QR code to each used vehicle that will be stored in our parking lot to facilitate our management. We believe this system ensures seamless and instantaneous vehicle tracking which minimizes inventory discrepancies, reduces the need for conducting manual checks, and streamlines warehouse and parking lot management. As such, it is expected to enhance transaction transparency while reducing our operating costs;

(ii) built on the vast amount of transaction and inspection data we have accumulated over the years, approximately [REDACTED] of our total estimated [REDACTED], or [REDACTED], will be used for developing and optimizing a used vehicle pricing model that can provide a more accurate indicative price range for a broader spectrum of used vehicles based on their inspection results. By utilizing the vast accumulation of transaction and inspection data, this pricing model aims to provide a more optimized and holistic pricing strategy for used vehicles, based on the results of their specific inspection and appraisal. This leads to more fair and accurate pricing and could further boost our transaction volume and enhance customer loyalty;

(iii) approximately [REDACTED] of our total estimated [REDACTED], or [REDACTED], will be used for continuously enhancing our IT infrastructure, such as procuring additional servers, cloud services and bandwidth to maintain great user experience while sustaining the growth of our user base; An efficient, scalable, and secure IT infrastructure is the backbone of a technology-empowered enterprise like us. As our user base continues to grow, there's a direct need for additional resources to manage the increased data traffic and ensure that user experience will not be compromised;

(iv) approximately [REDACTED] of our total estimated [REDACTED], or [REDACTED], will be used for continuously upgrading our big data analytics capabilities to support used vehicle transactions, including creating more information-rich user profiles and more accurate recommendation algorithms on our mobile app. This R&D initiative could lead to more personalized user experience, allowing users to more efficiently identify used vehicles that suit their need and increasing transaction success rates. As such, these initiatives are expected to help us maintain and increase customer loyalty among our buyers;

(v) approximately [REDACTED] of our total estimated [REDACTED], or [REDACTED], will be used for developing AI-empowered digital tools for detecting and analyzing images of used vehicles to automatically capture defects and recognize used vehicles' conditions. These AI-empowered digital tools are expected to increase the efficiency of our inspection and appraisal process and accuracy of inspection results, while ensuring the objectivity and consistency of vehicle inspection and reducing dependency on manual inspections at the same time. We believe the use of AI-empowered digital tools can not only ensure transparency for used vehicle sellers and buyers but also make used vehicles auction-ready in an more efficient manner, saving time and operational costs.

(vi) approximately [REDACTED] of our total estimated [REDACTED], or [REDACTED], will be used for developing technology and systems that facilitate the transaction process of NEVs, including auction and related services. As the NEV market continues to grow, the market will be in urgent need of specialized systems that can handle the auctioning and related services of NEVs, given that NEVs have different technical features from traditional vehicles. Through these dedicated systems, we can cater to the specialized requirements of NEVs, thereby attracting a broader spectrum of NEV sellers and buyers while establishing our position as a frontrunner in the used NEV industry; and

(vii) approximately [REDACTED] of our total estimated [REDACTED], or [REDACTED], will be used to continuously increase the digitalization level of our business operation, including for our auction sites operation and group management, to reduce the occurrence of human errors throughout our business and optimize our internal control system. We believe this can help us build a more integrated, automated and streamlined workflow, which expedites business operation and transaction processes while increasing our overall operational efficiency. Moreover, a robust digitalized system can enhance data security and privacy protection, and facilitate the implementation of our internal control measures, including those related to Third-party Settlement Practices. We believe an increased digitalization level leads to cost savings in the long run, justifying the initial capital expenditure; and

(5) approximately [REDACTED] of our total estimated [REDACTED], or [REDACTED], will be used for forming potential strategic partnerships and alliances with our business partners and making investments and/or acquiring controlling interest in target companies in our industry.

When determining the amount of allocated [REDACTED], we have considered (i) our criteria for targets for strategic acquisition and investment, and (ii) the value of potential acquisition targets. These considerations under the [REDACTED] of the [REDACTED] may be subject to changes based on market conditions.

Throughout the years, centered around our used vehicle auction business, we have steadily expanded our business segments to cover various aspects and steps throughout the used vehicle industry value chain, and forming strong business relationships with parties both in the upstream and downstream. While we have historically built up our diverse service offering through our in-house resources, as we start to move into more specialized and technical areas of used vehicle-related services, we believe sometimes it may be more cost-efficient to offer those services through partnership, alliances and/or equity investment. This allows us to more quickly ramp up new types of services to complement our service offering through leveraging other parties' expertise and resources. In addition, while we plan to continue to conduct sales and marketing activities to expand our seller and buyer base, we will also consider acquiring our local competitors to quick tap into or consolidate the local market while significantly expanding our seller and buyer base. As such, we believe our plan for strategic partnerships, alliances, investments and/or acquisitions is commensurate with our overall business strategies.

We have determined the criteria for evaluating potential targets for strategic acquisition and investment based on the results of market research, operating, legal and financial due diligence and preliminary assessments and feasibility studies undertaken during the Track Record Period and up to the Latest Practicable Date, as well as our senior management's past experience in conducting acquisition and other similar transactions. The criteria for target companies, including their size, scale, maturity of operation, market position, scope of primary business and potential synergies with us, are as follows:

- Other used vehicle transaction service providers in China to further expand our geographic coverage and consolidate our industry leadership. For such companies, we focus on their historical transaction volume, numbers of their upstream sellers and downstream buyers, scope and quality of their services, and the overall quality of their business operations. We will give priority to used vehicle transaction service providers with (i) a transaction volume of more than 50,000 units, (ii) a volume of used vehicles put up for auction of more than 10,000 units, and (iii) an offline auction network consisting of more than 20 auction sites;

- SaaS technology providers for used vehicle business and used vehicle service providers that complement our used vehicle business, including used vehicle valuation, inspection and appraisal. For such companies, we focus on their accumulation of technology, volume of used vehicle related data, and quality of talents. We will give priority to SaaS technology providers for used vehicle business and used vehicle service providers with (i) more than 20% market share, and (ii) more than five years of experience in the relevant industry; and

- Used vehicle financial service providers. For such companies, we focus on their business relationships with financial institutions, experience and expertise in automobile-related financing, as well as risk control and management capabilities and experience. We will prioritize establishing strategic alliances with top 50 banks and financial institutions (in terms of total assets) in China.

We are familiar with potential targets' businesses and believe we are able to identify suitable targets, leveraging our industry experiences and insights. Currently there are hundreds of used vehicle transaction service providers, SaaS technology providers for used vehicle business, used vehicle service providers, and used vehicle financial service providers, providing ample opportunities for acquisition and investment. We plan to carefully select the target for acquisition and investment among these companies based on the abovementioned criteria. As advised by CIC, based on our criteria for strategic acquisition and investment, there were approximately 100 potential targets available in China. In addition, according to the same source, while China's used vehicle industry is highly fragmented, there is an increasing trend of consolidation, with used vehicle transaction service providers playing an increasingly important role in the process. Although we will face competition from other market players for quality target companies, we believe that there are sufficient number of suitable targets available for our strategic acquisitions and investments.

As of the Latest Practicable Date, we have not entered into any binding commitment, whether oral or written, for any business or asset acquisitions; and

(6) approximately [REDACTED] of our total estimated [REDACTED] or [REDACTED], will be used for our working capital and general corporate purposes.

The above [REDACTED] of the [REDACTED] will be adjusted on a pro rata basis in the event that the [REDACTED] is fixed at a higher or lower level compared to the [REDACTED] of the proposed [REDACTED].

If the [REDACTED] is fixed at [REDACTED] per [REDACTED] (being the high end of the [REDACTED] stated in this document), we will receive additional [REDACTED] of approximately [REDACTED], assuming the [REDACTED] is not exercised.

If the [REDACTED] is fixed at [REDACTED] per [REDACTED] (being the low end of the [REDACTED] stated in this document), the [REDACTED] we receive will be reduced by approximately [REDACTED], assuming the [REDACTED] is not exercised.

In the event that the [REDACTED] is exercised in full, we will receive additional [REDACTED] of approximately [REDACTED] assuming an [REDACTED] of [REDACTED] per Share, being the high end of the proposed [REDACTED], after deduction of [REDACTED] and [REDACTED] and estimated expenses payable by us in connection with the [REDACTED]. If the [REDACTED] is set at [REDACTED] per Share, being the low end of the proposed [REDACTED], the additional [REDACTED] upon full exercise of the [REDACTED] will decrease by approximately [REDACTED], after deduction of [REDACTED] and [REDACTED] and estimated expenses payable by us in connection with the [REDACTED]. We intend to apply the additional [REDACTED] to the above uses in the proportions stated above.

To the extent that the [REDACTED] are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we will only deposit the [REDACTED] into short-term demand deposits with licensed commercial banks or authorized financial institutions in Hong Kong or the PRC (as defined under the Securities and Futures Ordinance or applicable PRC laws and regulations). We will make an appropriate announcement if there is any change to the above proposed [REDACTED].

With respect to corporate finance strategy, we aim to build capabilities in accessing both onshore and offshore capital markets to raise equity and debt funding as required. Our management seeks to utilize a combination of available funding sources and instruments including bank loans, bonds, equity as well as hybrid securities to ensure it has sufficient flexibility in obtaining capital at a competitive rate while maintaining a sustainable capital structure.

IMPLEMENTATION TIMELINE

The following table sets forth how the [REDACTED] are expected to be allocated in the next five years with respect to each of the intended uses described above.

	2024	2025	2026	2027	2028	Total	% of total [REDACTED]
			(HKD in millions)				
Expansion of the geographic coverage of our auction site network							
Opening 180 to 220 new auction sites	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Renovation of existing 79 auction sites	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Enhancing our relationship with existing sellers and buyers and attract new sellers and buyers to our platform							
Enhancing our business relationships with existing upstream sellers and downstream buyers	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Expanding our seller base and buyer base	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Developing and diversifying our service offering and exploring new growth areas							
Expanding and upgrading our ADMS system with additional functions	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Providing additional services to buyers	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Continuously upgrading our mobile app and technology	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Providing services and developing digital tools that assist other market participants in carrying out their used vehicle business	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Recruiting additional talent and establishing relevant training programs	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

	2024	2025	2026	2027	2028	Total	% of total [REDACTED]
			(HKD in millions)				
Investing in research and development							
Developing a QR code-based, AI-assisted intelligent inventory management system	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Developing and optimizing a used vehicle pricing model	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Enhancing our IT infrastructure	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Upgrading our big data analytics capabilities	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Developing AI-empowered digital tools for detecting and analyzing images used vehicles	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Developing technology and systems that facilitate the transaction process of NEVs	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Increasing the digitalization level of our business operation	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Forming potential strategic partnerships and alliances with our business partners and making investments and/or acquiring controlling interest in target companies	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Used for our working capital and general corporate purposes	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

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[To insert the firm's letterhead]

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF AUTOSTREETS DEVELOPMENT LIMITED, CITIC SECURITIES (HONG KONG) LIMITED AND HAITONG INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of Autostreets Development Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages [I-3] to [I-69], which comprises the consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2021, 2022 and 2023 (the "Relevant Periods"), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2021, 2022 and 2023 and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages [I-3] to [I-69] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [Date] (the "Document") in connection with the [REDACTED] of the shares of the Company [REDACTED] The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the Accountants' Report, a true and fair view of the financial position of the Group and the Company as at 31 December 2021, 2022 and 2023, and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page [I-3] have been made.

Dividends

We refer to note 13 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

No historical financial statements for the Company

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

[●]
Certified Public Accountants
Hong Kong
[Date]

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this Accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by Hong Kong Institute of Certified Public Accountants ("HKICPA") (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Notes	2021 RMB'000	2022 RMB'000	2023 RMB'000
REVENUE	5	677,687	467,631	491,968
Cost of revenue		(252,120)	(182,810)	(179,486)
Gross profit		425,567	284,821	312,482
Other income and gains, net	6	40,797	54,695	18,846
Selling and distribution expenses		(79,769)	(88,886)	(89,978)
Administrative expenses		(121,020)	(125,831)	(138,769)
Other expenses		(6,632)	(5,659)	(4,237)
Finance costs	8	(4,922)	(5,716)	(5,765)
Share of profits and losses of associates		548	796	446
Fair value change of financial assets and liabilities at fair value through profit or loss	7	(26,688)	(13,989)	(75,003)
PROFIT BEFORE TAX	9	227,881	100,231	18,022
Income tax expense	12	(62,795)	(31,251)	(8,753)
PROFIT FOR THE YEAR		165,086	68,980	9,269
Attributable to:				
Owners of the parent		47,968	45,237	(15,509)
Non-controlling interests		117,118	23,743	24,778
		165,086	68,980	9,269
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT				
— Basic and diluted (RMB)	14	0.16	0.14	(0.03)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
PROFIT FOR THE YEAR	165,086	68,980	9,269
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Equity investments designated at fair value through other comprehensive income:			
Changes in fair value	83	55	—
Exchange differences on translation of the financial statement of the Company	1,368	(10,662)	1,292
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	1,451	(10,607)	1,292
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	166,537	58,373	10,561
Attributable to:			
Owners of the parent	49,419	34,630	(14,217)
Non-controlling interests	117,118	23,743	24,778

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
		2021	2022	2023
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Property, plant and equipment	*15*	16,825	11,918	13,675
Right-of-use assets	*16(a)*	84,309	65,086	64,371
Other intangible assets	*17*	1,167	986	804
Long-term time deposits at banks	*23*	—	1,000	1,000
Investments in associates	*18*	1,864	2,660	1,926
Equity investment designated at fair value through other comprehensive income	*19*	897	952	—
Deferred tax assets	*27*	1,632	2,129	12,257
Other non-current assets	*21*	6,118	7,257	7,292
Total non-current assets		112,812	91,988	101,325
CURRENT ASSETS				
Trade receivables	*20*	9,399	13,259	16,288
Prepayments, deposits and other receivables	*21*	336,104	454,221	90,170
Income tax recoverable		8,441	—	—
Financial assets at fair value through profit or loss	*22*	21,391	77,210	3,500
Cash and cash equivalents	*23*	352,402	389,298	935,441
Total current assets		727,737	933,988	1,045,399
CURRENT LIABILITIES				
Trade payables	*24*	11,647	32,751	30,431
Other payables and accruals	*25*	255,375	404,972	204,179
Interest-bearing bank borrowings	*26*	19,800	49,700	69,500
Lease liabilities	*16(b)*	13,277	14,132	14,782
Tax payable		12,767	10,085	7,039
Total current liabilities		312,866	511,640	325,931
NET CURRENT ASSETS		414,871	422,348	719,468
TOTAL ASSETS LESS CURRENT LIABILITIES		527,683	514,336	820,793

		As at 31 December		
		2021	**2022**	**2023**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT LIABILITIES				
Convertible redeemable preferred shares and warrants	*28*	180,076	291,694	372,385
Lease liabilities	*16(b)*	72,949	52,641	53,682
Total non-current liabilities		253,025	344,335	426,067
Net assets		274,658	170,001	394,726
EQUITY				
Equity attributable to owners of the parent				
Share capital	*29*	308,801	382,320	51
Other reserves	*30*	(231,262)	(249,621)	394,809
		77,539	132,699	394,860
Non-controlling interests	*31*	197,119	37,302	(134)
Total equity		274,658	170,001	394,726

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Attributable to owners of the parent							
	Notes	Share capital *RMB'000* *(note 29)*	Capital reserve* *RMB'000* *(note 30)*	Exchange fluctuation reserve* *RMB'000* *(note 30)*	Fair value reserve of financial assets at fair value through other comprehensive income* *RMB'000*	Accumulated losses* *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2021		308,801	20,770	6,496	(206)	(307,741)	28,120	113,999	142,119
Profit for the year		—	—	—	—	47,968	47,968	117,118	165,086
Other comprehensive income for the year:									
Changes in fair value of equity investment at fair value through other comprehensive income, net of tax		—	—	—	83	—	83	—	83
Exchange differences on translation of the financial statement of the Company		—	—	1,368	—	—	1,368	—	1,368
Total comprehensive income for the year		—	—	1,368	83	47,968	49,419	117,118	166,537
Dividends paid to non-controlling shareholders	*13*	—	—	—	—	—	—	(14,680)	(14,680)
Capital contribution from non-controlling shareholders from subsidiaries		—	—	—	—	—	—	200	200
Acquisition of a subsidiary	*32*	—	—	—	—	—	—	(19,518)	(19,518)
At 31 December 2021		308,801	20,770	7,864	(123)	(259,773)	77,539	197,119	274,658

		Attributable to owners of the parent							
	Notes	Share capital RMB'000 (note 29)	Capital reserve* RMB'000 (note 30)	Exchange fluctuation reserve* RMB'000 (note 30)	Fair value reserve of financial assets at fair value through other comprehensive income* RMB'000	Accumulated losses* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2022		308,801	20,770	7,864	(123)	(259,773)	77,539	197,119	274,658
Profit for the year		—	—	—	—	45,237	45,237	23,743	68,980
Other comprehensive income for the year:									
Changes in fair value of equity investment at fair value through other comprehensive income, net of tax		—	—	—	55	—	55	—	55
Exchange differences on translation of the financial statement of the Company		—	—	(10,662)	—	—	(10,662)	—	(10,662)
Total comprehensive (loss)/income for the year		—	—	(10,662)	55	45,237	34,630	23,743	58,373
Dividends paid to non-controlling shareholders	13	—	—	—	—	—	—	(271,331)	(271,331)
Acquisition of non-controlling interests		—	(224,471)	—	—	—	(224,471)	87,771	(136,700)
Issue of shares	29	73,519	171,482	—	—	—	245,001	—	245,001
At 31 December 2022		382,320	(32,219)	(2,798)	(68)	(214,536)	132,699	37,302	170,001

		Attributable to owners of the parent							
	Notes	Share capital RMB'000 (note 29)	Capital reserve* RMB'000 (note 30)	Exchange fluctuation reserve* RMB'000 (note 30)	Fair value reserve of financial assets at fair value through other comprehensive income* RMB'000	Accumulated losses* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2023		382,320	(32,219)	(2,798)	(68)	(214,536)	132,699	37,302	170,001
(Loss)/profit for the year		—	—	—	—	(15,509)	(15,509)	24,778	9,269
Other comprehensive income for the year:									
Exchange differences on translation of the financial statement of the Company		—	—	1,292	—	—	1,292	—	1,292
Total comprehensive income/(loss) for the year		—	—	1,292	—	(15,509)	(14,217)	24,778	10,561
Dividends paid to non-controlling shareholders	13	—	—	—	—	—	—	(136,601)	(136,601)
Acquisition of non-controlling interests		—	(1,031,931)	—	—	—	(1,031,931)	70,895	(961,036)
Capital contribution from non-controlling shareholders from subsidiaries		—	—	—	—	—	—	645	645
Disposal of subsidiaries		—	—	—	—	—	—	2,847	2,847
Transfer of fair value reserve upon disposal of equity investments at fair value through other comprehensive income		—	—	—	68	—	68	—	68
Capital reorganisation		(382,297)	382,297	—	—	—	—	—	—
Issue of shares	29	28	1,308,213	—	—	—	1,308,241	—	1,308,241
At 31 December 2023		51	626,360	(1,506)	—	(230,045)	394,860	(134)	394,726

* These reserve accounts comprise the consolidated reserves of RMB(231,262,000), RMB(249,621,000) and RMB394,809,000 as at 31 December 2021, 2022 and 2023, respectively, in the consolidated statements of financial position.

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December		
		2021	2022	2023
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		227,881	100,231	18,022
Adjustments for:				
Finance costs	*8*	4,922	5,716	5,765
Fair value change of financial assets and liabilities at fair value through profit or loss	*7*	26,688	13,989	75,003
Interest income from assistant funds to business partners	*6*	(20,795)	(14,328)	(9,028)
Covid-19-related rent concessions from lessors	*16(b)*	—	(1,534)	—
Depreciation of property, plant and equipment	*15*	10,693	8,800	4,935
Depreciation of right-of-use assets	*16(a)*	16,712	20,756	22,243
Amortisation of other intangible assets	*17*	858	225	255
Loss on disposal of items of property, plant and equipment, net		50	—	300
Gain on termination of items of right-of-use assets		(212)	(670)	(84)
Gain on forfeiture of valuation adjustment mechanism	*6*	—	(15,884)	—
Loss on disposal of subsidiaries		—	—	6,482
Loss on disposal of associates		112	—	—
Share of profits and losses of associates		(548)	(796)	(446)
		266,361	116,505	123,447
Decrease/(increase) in trade receivables		23,987	(3,860)	(3,133)
Decrease/(increase) in prepayments, deposits and other receivables		(12,112)	8,852	(1,362)
Increase/(decrease) in trade payables		(26,915)	2,926	(2,308)
Increase/(decrease) in other payables and accruals		673	(5,971)	28,575
Cash generated from operations		251,994	118,452	145,219
Income taxes paid		(63,289)	(23,120)	(21,858)
Net cash flows from operating activities		188,705	95,332	123,361

		Year ended 31 December		
		2021	2022	2023
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of items of property, plant and equipment		(6,217)	(4,560)	(7,101)
Purchases of items of intangible assets		(61)	(44)	(73)
Purchases of items of financial assets at fair value through profit or loss		(21,391)	(77,000)	(2,500)
Proceeds from disposal of financial assets at fair value through profit or loss		61,500	21,391	76,210
Acquisition of a subsidiary	*32*	13,458	—	—
Proceeds from disposal of associates		2,668	—	1,180
Disposal of subsidiaries		—	—	(3,203)
Proceeds from disposal of items of property, plant and equipment		402	667	83
Repayment of assistant funds to business partners		752,666	463,197	649,889
Assistant funds to business partners		(870,992)	(459,057)	(417,025)
Interest received		18,974	12,517	12,428
Proceeds from disposal of equity investments designated at fair value through other comprehensive income		—	—	1,020
New long-term time deposits at banks		—	(1,000)	—
Proceeds from maturity of long-term time deposits		1,500	—	—
Net cash flows (used in)/from investing activities		(47,493)	(43,889)	310,908
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issue of shares		—	—	542,864
Proceeds from issue of convertible redeemable preferred shares and warrants		—	101,120	—
Acquisition of non-controlling interests		—	—	(86,180)
Proceeds from interest-bearing bank borrowings		49,500	79,400	99,200
Repayment of interest-bearing bank borrowings		(49,500)	(49,500)	(79,400)
Advance from third parties		12,697	64,176	61,515
Repayment of advance from third parties		(29,315)	(37,779)	(203,950)
Principal portion of lease payment	*16(b)*	(13,182)	(18,306)	(19,037)
Dividends paid to non-controlling shareholders		(14,680)	(149,350)	(198,387)
Interest paid		(4,922)	(5,716)	(5,765)
Capital contributions by non-controlling shareholders		200	—	645
Net cash flows (used in)/from financing activities		(49,202)	(15,955)	111,505

		Year ended 31 December		
		2021	2022	2023
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
NET INCREASE IN CASH AND CASH EQUIVALENTS		92,010	35,488	545,774
Cash and cash equivalents at beginning of year		260,401	352,402	389,298
Effect of foreign exchange rate changes, net		(9)	1,408	369
CASH AND CASH EQUIVALENTS AT END OF YEAR	*23*	352,402	389,298	935,441

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As at 31 December		
		2021	**2022**	**2023**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Investments in subsidiaries	*1*	348,000	416,050	732,597
Total non-current assets		348,000	416,050	732,597
CURRENT ASSETS				
Prepayments, deposits and other receivables	*21*	1,228	123,624	571
Amounts due from subsidiaries	*21*	67,284	58,119	241,368
Cash and cash equivalents	*23*	424	32,673	10,300
Total current assets		68,936	214,416	252,239
CURRENT LIABILITIES				
Other payables and accruals		4,898	7,799	548
Total current liabilities		4,898	7,799	548
NET CURRENT ASSETS		64,038	206,617	251,691
TOTAL ASSETS LESS CURRENT LIABILITIES		412,038	622,667	984,288
NON-CURRENT LIABILITIES				
Convertible redeemable preferred shares and warrants	*28*	180,076	291,694	372,385
Total non-current liabilities		180,076	291,694	372,385
Net assets		231,962	330,973	611,903
EQUITY				
Share capital	*29*	308,801	382,320	51
Other reserves	*30*	(76,839)	(51,347)	611,852
Total equity		231,962	330,973	611,903

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE AND GROUP INFORMATION

Autostreets Development Limited ("the Company") was incorporated in the Cayman Islands under the Companies Act (As Revised) of the Cayman Islands on 3 September 2014 as an exempted company with limited liability. The registered office address of the Company is P.O. Box 309, Ugland House Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company. During the Relevant Periods, the Company and its subsidiaries were mainly involved in the arrangement of sales and provision of service of used vehicles.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place and date of incorporation/ registration and place of operations	Issued ordinary shares/registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Shanghai Xinbao Botong E-commerce Co., Ltd.*	PRC/Mainland China 19 June 2014	RMB900,000,000	—	100%	Investment holding, arrangement for sales of used vehicles
Shanghai Shuxun Electric Commercial Co., Ltd.*	PRC/Mainland China 7 March 2014	RMB100,000,000	—	100%	Operation of IT system and internet information service
Shanghai Changxin Auction Co., Ltd.*	PRC/Mainland China 29 September 2014	RMB400,000,000	—	100%	Used vehicle auction services and related services
Beijing Kaokesi Auto Technical Co., Ltd.*	PRC/Mainland China 10 May 2017	RMB30,000,000	—	100%	Used vehicle auction services and related services
Changchun Baorui International Exhibition Co., Ltd.*	PRC/Mainland China 26 December 2017	RMB1,000,000	—	100%	Exhibition related services
Wenzhou Changxin Automobile Sales Service Co., Ltd.*	PRC/Mainland China 4 November 2019	RMB10,000,000	—	100%	Used vehicle value-added services, arrangement for sales of used vehicles
Guizhou Xintong Used Vehicle Auction Co., Ltd.*	PRC/Mainland China 20 July 2011	RMB10,000,000	—	67%	Used vehicle auction services and related services, used vehicle value-added services
Suzhou Huarunde Used Motor Vehicle Trading Market Co., Ltd.*	PRC/Mainland China 8 June 2017	RMB10,000,000	—	100%	Used vehicle value-added services
Xinjiang Huihan Motor Vehicle Auction Service Co., Ltd.*	PRC/Mainland China 4 June 2020	RMB140,000,000	—	100%	Used vehicle auction services and related services

* The English names of these companies represent the best effort made by the management of the Company to directly translate their Chinese names as they do not register any official English names.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Note: No statutory accounts had been prepared for the subsidiaries as the subsidiaries were not required by the local government to prepare statutory accounts.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board (the "IASB").

The Historical Financial Information has been prepared under the historical cost convention, except for financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss and convertible redeemable preferred shares and warrants. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the years ended 31 December 2021, 2022 and 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Due to regulatory restrictions on foreign ownership in the provision of value-added telecommunication service in Mainland China, the principal business carried out by Shanghai Shuxun Electric Commercial Co., Ltd. (the "Consolidated Affiliated Entity") was restricted from foreign ownership. The wholly-owned subsidiary of the Company, Shanghai Xinbao Botong E-commerce Co., Ltd., has entered into a series of contractual arrangements (the "Contractual Arrangements") with the Consolidated Affiliated Entity and its respective shareholders. The Contractual Arrangements enable Shanghai Xinbao Botong E-commerce Co., Ltd. to exercise effective control over the Consolidated Affiliated Entity and obtain substantially all economic benefits of the Consolidated Affiliated Entity. Accordingly, the Company regards the Consolidated Affiliated Entity as indirect subsidiaries and consolidated the assets, liabilities and results of operations of the Consolidated Affiliated Entities in the financial statements of the Group. These entities are owned through Contractual Arrangements.

All intra-group transactions and balances have been eliminated on consolidation.

2.2 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following revised IFRSs, that have been issued but are not yet effective, in the financial statements. The Group intends to apply these revised IFRSs, if applicable, when they become effective.

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current* (the "2020 Amendments")[1]
Amendments to IAS 1	*Non-current Liabilities with Covenants* (the "2022 Amendments")[1]
Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements*[1]
Amendments to IAS 21	*Lack of Exchangeability*[2]

1 Effective for annual periods beginning on or after 1 January 2024
2 Effective for annual periods beginning on or after 1 January 2025
3 No mandatory effective date yet determined but available for adoption

The Group is in the process of making an assessment of the impact of these revised IFRSs upon initial application. The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with early application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the Group expects that the application of the amendments will result in that the convertible redeemable preferred shares will be classified as current liabilities. So far, the Group has expected that other revised IFRSs will not have a significant effect on the Group's financial performance and financial position.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION

Investments in associates

An associate is an entity in which the Group has a long-term interest of generally not less than 20% of the equity voting rights and over which it has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss and convertible redeemable preferred shares and warrants at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Plant and Machinery	10%–33%
Motor vehicles	20%–25%
Furniture and fixtures	20%–33%
Leasehold improvements	Over the shorter of lease terms and estimated useful lives

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets are amortised on the straight-line basis over the following useful economic lives:

Software	10 years

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Buildings	1 to 15 years

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

When the Group is an intermediate lessor, a sublease is classified as a finance lease or operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the on-balance sheet recognition exemption, the Group classifies the sublease as an operating lease.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on the equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables and accruals, lease liabilities, interest-bearing borrowings and convertible redeemable preferred shares and warrants.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities. The Group has designated its convertible redeemable preferred shares and warrants as financial liabilities at fair value through profit or loss, details of which are included in note 28 to the Historical Financial Information.

Financial liabilities at amortised cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables, and interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax assets relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

The Group primarily engages in the operation of a used vehicles e-commerce platform through mobile applications (Autostreets) and website (**autostreets.com**), providing consumers with a nationwide selection of used and various vehicles-related value-added services.

(1) Used vehicle auction commission and service fees

The Group provides online platform and offline auction which enable consumers to buy used vehicles. The Group charges consumers the commission fees based on agreed percentage of final sales price. The Group recognises revenue at the point in time upon the closing of used vehicles sale. The Group also provides related logistics services. The Group recognises related delivery service and warehouse service revenue over time as customers receive the benefit of the services.

(2) Revenue from used vehicle value-added services

The Group also provides used vehicle value-added service to customers, such as used vehicles inspection services, title transfer, vehicles assessment services, etc. The Group recognises revenue at the point in time upon the completion of the service and customer acceptance. The Group also provides used vehicle management system services to customers. The Group recognises revenue from used vehicle management system services over time as customers receive the benefit of the services.

(3) Revenue from arrangement for sale of used vehicles

The Group arranges the sale of used vehicles to individual buyers and wholesalers through online platform and offline auction. The Group recognises revenue at the point in time upon the closing of used vehicles sale between owner and buyer.

(4) Revenue from exhibition related services

The Group also provides exhibition and other related services to customers. The Group recognises revenue from advertisement and exhibition related services over time as customers receive the benefit of the services.

(5) Revenue from other services

The Group also provides other services, such as new vehicle title transfer services. The Group recognises revenue at the point in time upon the completion of the service and customer acceptance.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements. Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in RMB, which is different from the Company's functional currency, the United States dollar ("USD" or "US$"). As the major revenues and assets of the Group are derived from operations in Mainland China, RMB is chosen as the presentation currency to present the Historical Financial Information. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of the Company and certain overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, for entities whose functional currencies are different from the Group's presentation currency, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of these entities are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of these entities which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

Employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements apart from those involving estimations which have the most significant effect on the amounts recognised in the Historical Financial Information.

Income taxes

Significant judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Group carefully evaluates tax implications of transactions and tax provisions are recorded accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, service type and customer type).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. As at the end of each of the Relevant Periods, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 20 to the Historical Financial Information.

Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are included in note 27 to the Historical Financial Information.

Leases — Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Fair value of financial instruments

The convertible redeemable preferred shares and warrants issued by the Company are not traded in an active market and the respective fair values are determined using valuation techniques, including the discounted cash flow method and the equity allocation model. Valuation techniques are certified by an independent and recognised international business valuer before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions. Key assumptions include the risk-free interest rate, discounts for lack of marketability ("DLOM") and volatility.

The fair values of convertible redeemable preferred shares and warrants at 31 December 2021, 2022 and 2023 were RMB180,076,000, RMB291,694,000, RMB372,385,000, respectively. Further details are set out in note 28 to the Historical Financial Information.

4. OPERATING SEGMENT INFORMATION

No operating segment information is presented as the Group's revenue and reported results during each of the Relevant Periods, and the Group's total assets as at the end of each of the Relevant Periods were derived from one single operating segment, i.e., provision of transportation and related services.

Geographical information

As the Group generates all of its revenues and all the non-current assets are allocated in the PRC during the Relevant Periods, no geographical segments are presented.

Information about major customers

The Group has a large number of customers and no revenue from a single customer is accounted for more than 10% of the Group's total revenue for the Relevant Periods.

5. REVENUE

An analysis of revenue is as follows:

Revenue from contracts with customers

(a) *Disaggregated revenue information*

	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Revenue from contracts with customers:			
Used vehicle auction commission and service fees	334,444	240,044	287,202
Revenue from used vehicle value-added services	73,148	74,959	73,814
Revenue from arrangement for sale of used vehicles	154,088	79,254	63,567
Revenue from exhibition related services	89,556	62,864	54,770
Revenue from other services	26,451	10,510	12,615
	677,687	467,631	491,968

	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Timing of revenue recognition			
Closing of sale or completion of service at a point in time	536,509	370,243	376,107
Services rendered over time	141,178	97,388	115,861
	677,687	467,631	491,968

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Revenue from used vehicle value-added services	16,663	15,805	15,065

(b) *Performance obligations*

Information about the Group's performance obligations is summarised below:

Used vehicle auction commission and service fees

The performance obligation is generally satisfied upon the closing of used vehicles sale, or over time as logistics services are rendered. Payment is generally due upon completion of the auction and customer acceptance.

Revenue from used vehicle value-added services

The performance obligation is satisfied as services are rendered and payment is generally due upon completion of the service and customer acceptance.

Revenue from arrangement for sale of used vehicles

The performance obligation is satisfied upon the closing of vehicles sale between owner and buyer. Payment is generally due within 30 days from the closing of used vehicles sale.

Revenue from exhibition related services

The performance obligation is satisfied over time as services are rendered. Payment in advance is normally required.

Revenue from other services

The performance obligation is satisfied at the point in time upon the completion of the service and customer acceptance.

As at the end of each of the Relevant Periods, no transaction prices were allocated to unsatisfied performance obligations.

6. OTHER INCOME AND GAINS, NET

An analysis of other income and gains, net is as follows:

	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Interest income from assistant funds to business partners	20,795	14,328	9,028
Government grants*	7,099	13,141	8,000
Gain on forfeiture of valuation adjustment mechanism**	—	15,884	—
Rental services	5,776	4,186	1,696
Penalty from customers	3,383	2,544	3,915
Bank interest income	2,514	2,275	1,608
Gain on termination of items of right-of-use assets	212	670	84
Loss on disposal of investment in an associate	(112)	—	—
Loss on disposal of items of property, plant and equipment, net	(50)	—	(300)
Loss on disposal of subsidiaries	—	—	(6,482)
Others	1,180	1,667	1,297
	40,797	54,695	18,846

* The government grants have been received from the PRC local government authorities to support certain subsidiaries' operating activities. There are no unfulfilled eligibility requirements and conditions relating to these government grants.

** Pursuant to the relevant documents between the Company and Series A Investors in August 2022, Series A Investors agreed to forfeit valuation adjustment mechanism and the Company issued 7,637,049 series A convertible redeemable preferred shares to Series A Investors.

7. FAIR VALUE CHANGES OF FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

		2021	2022	2023
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Fair value changes of convertible redeemable preferred shares	*28*	26,688	12,617	85,929
Fair value changes of warrants	*28*	—	1,582	(10,926)
Fair value changes of financial assets at fair value through profit or loss		—	(210)	—
		26,688	13,989	75,003

8. FINANCE COSTS

An analysis of finance costs is as follows:

	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Interest on lease liabilities	4,162	3,905	3,549
Interest on bank loans	760	1,811	2,216
	4,922	5,716	5,765

9. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2021	2022	2023
		RMB'000	*RMB'000*	*RMB'000*
Cost of used vehicle auction commission and service fees		141,321	122,503	118,463
Cost of exhibition related services		51,711	31,679	31,430
Cost of arrangement for sale of used vehicles		38,747	11,486	12,687
Cost of used vehicle value-added services		12,707	13,993	12,706
Cost of other services		7,634	3,149	4,200
Research and development costs*		9,463	8,346	11,367
Depreciation of property, plant and equipment	*15*	10,693	8,800	4,935
Depreciation of right-of-use assets	*16*	16,712	20,756	22,243
Amortisation of other intangible assets*	*17*	858	225	255
Reversal of impairment of trade receivables, net	*20*	(385)	—	—
Loss on disposal of items of property, plant and equipment, net	*6*	50	—	300
Loss on disposal of subsidiaries		—	—	6,482
Gain on termination of items of right-of-use assets	*6*	(212)	(670)	(84)
Loss on disposal of investment in an associate	*6*	112	—	—
Gain on forfeiture of valuation adjustment mechanism		—	(15,884)	—
Lease payments not included in the measurement of lease liabilities	*16(c)*	7,299	7,824	7,325
Fair value changes of convertible redeemable preferred shares	*7*	26,688	12,617	85,929
Fair value changes of warrants	*7*	—	1,582	(10,926)
Fair value changes of financial assets at fair value through profit or loss	*7*	—	(210)	—
Auditors' remuneration		535	—	—
[REDACTED]		[REDACTED]	[REDACTED]	[REDACTED]
Employee benefit expense (including directors' remuneration)**:				
Wages, salaries and other allowances		101,219	109,274	107,282
Pension scheme contributions and social welfare		19,398	25,239	23,530
		120,617	134,513	130,812
Foreign exchange differences, net		578	1,324	(144)

* Research and development costs and amortisation of other intangible assets are included in "Administrative expenses" in the consolidated statements of profit or loss.

** The amount of employee benefit expense excludes those included in the cost of used vehicle auction commision and service fees.

10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Mr. Diao Jianshen was appointed as a director of the Company on 29 July 2017 and resigned on 12 August 2022.

Mr. Zhou Yu was appointed as a director of the Company on 27 March 2018 and resigned on 10 September 2022.

Mr. Yang Aihua was appointed as an executive director of the Company on 12 August 2022.

Ms. Zhu Yi was appointed as a non-executive director of the Company on 12 August 2022.

Certain of the directors received remunerations from entities now comprising the Group prior to their appointment as the directors of the Company. Details of the remuneration received or receivable by the directors from the group entities which is included in the Historical Financial Information are as follows:

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Fees	—	—	—
Other emoluments:			
Salaries, allowances and benefits in kind	4,375	4,013	2,323
Pension scheme contributions	171	178	70
	4,546	4,191	2,393

(a) Independent non-executive directors

There were no fees and other emoluments payable to the independent non-executive directors during the Relevant Periods.

(b) Executive directors, non-executive directors and the chief executive

	Fees	**Salaries, allowances and benefits in kind**	**Pension scheme contributions**	**Performance related bonuses**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2021					
Executive directors					
Ms. Gao Kun	—	1,365	57	—	1,422
Mr. Yang Hansong	—	1,025	57	—	1,082
Non-executive directors					
Ms. Yang Chuyu	—	—	—	—	—
Mr. Diao Jianshen	—	300	—	—	300
Mr. Rob Huting	—	—	—	—	—
Mr. Zhou Yu	—	1,685	57	—	1,742
	—	4,375	171	—	4,546

	Fees	**Salaries, allowances and benefits in kind**	**Pension scheme contributions**	**Performance related bonuses**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2022					
Executive directors					
Ms. Gao Kun	—	1,221	63	—	1,284
Mr. Yang Hansong	—	998	52	—	1,050
Mr. Yang Aihua	—	—	—	—	—
Non-executive directors					
Ms. Yang Chuyu	—	—	—	—	—
Mr. Diao Jianshen	—	213	—	—	213
Mr. Rob Huting	—	—	—	—	—
Mr. Zhou Yu	—	1,581	63	—	1,644
Ms. Zhu Yi	—	—	—	—	—
	—	4,013	178	—	4,191

	Fees	**Salaries, allowances and benefits in kind**	**Pension scheme contributions**	**Performance related bonuses**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2023					
Executive directors					
Ms. Gao Kun	—	1,363	70	—	1,433
Mr. Yang Hansong	—	960	—	—	960
Mr. Yang Aihua	—	—	—	—	—
Non-executive directors					
Ms. Yang Chuyu	—	—	—	—	—
Mr. Rob Huting	—	—	—	—	—
Ms. Zhu Yi	—	—	—	—	—
	—	2,323	70	—	2,393

There was no disagreement or dispute between the resigned directors with the Board in connection with their resignations.

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the years ended 31 December 2021, 2022 and 2023 included three, three and two directors, respectively, details of whose remuneration are set out in Note 10 above.

Details of the remaining two, two and three highest paid employees who are not the directors of the Group during the years ended 31 December 2021, 2022 and 2023, respectively, are as follows:

	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowances and benefits in kind	2,622	4,401	5,626
Pension scheme contributions	106	63	140
	2,728	4,464	5,766

The number of non-director highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees		
	2021	2022	2023
Nil to HK$1,000,000	1	—	—
HK$1,000,001 to HK$1,500,000	1	1	1
HK$1,500,001 to HK$2,000,000	—	—	1
HK$2,000,001 to HK$2,500,000	—	—	—
HK$2,500,001 to HK$3,000,000	—	1	1
	2	2	3

12. INCOME TAX

The major components of income tax expense for the Relevant Periods are:

	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Current — Mainland China:			
Charge for the year	62,297	31,653	18,808
Under provision in prior years	992	95	73
Deferred tax	(494)	(497)	(10,128)
Total tax charge for the year	62,795	31,251	8,753

Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands.

The subsidiaries incorporated in the BVI are not subject to income tax as these subsidiaries do not have a place of business (other than a registered office only) or carry on any business in the BVI.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the Relevant Periods.

Taxable income for the subsidiaries of the Company in the PRC is subject to PRC income tax at a rate of 25%, unless otherwise specified below.

Changchun Baorui International Exhibition Co., Ltd. was accredited as a High and New Technology Enterprise to enjoy a preferential income tax rate of 15% from 2021 to 2023. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

Xinjiang Huihan Motor Vehicle Auction Service Co., Ltd. ("Xinjiang Huihan") and Xinjiang Baoqian Motor Vehicle Auction Service Co., Ltd. ("Xinjiang Baoqian) enjoyed the benefit of income tax exemption for five years starting from the financial year with initial operating revenue and a 50% enterprise income tax reduction for the subsequent five years under the Notice of the Ministry of Finance and the State Administration of Taxation on Income Tax Incentives for Newly-established Enterprises in Poverty Areas of Xinjiang.

According to Caishui (2011) No. 58 "The notice on the tax policies of further implementation of the western region development strategy" (財稅[2011]58號"關於深入實施西部大開發戰略有關稅收政策問題的通知") issued by the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs, companies set up in the western region and falling into the encouraged industry catalogue promulgated by the PRC government are entitled to a preferential tax rate of 15%. Guizhou Xintong Used Vehicle Auction Co., Ltd ("Guizhou Xintong") was set up in the western development region and falls into the encouraged industry catalogue, and therefore it is entitled to the foresaid preferential tax rate.

Certain of the Group's PRC subsidiaries are qualified as small and micro enterprises and are entitled to a preferential corporate income tax rate of 20% during the Relevant Periods.

A reconciliation of the tax credit applicable to profit before tax at the statutory rate applicable in Mainland China to the tax expense at the effective tax rates is as follows:

	2021 *RMB'000*	**2022** *RMB'000*	**2023** *RMB'000*
Profit before tax	227,881	100,231	18,022
Tax at the statutory tax rate of 25%	56,970	25,058	4,506
Lower tax rates enacted by local authority	(10,910)	(9,109)	8,527
Adjustments in respect of current tax of previous periods	992	95	73
Expenses not deductible for tax	6,018	3,819	1,680
Tax losses utilised from previous periods	(9,642)	(8,451)	(7,875)
Tax losses not recognised	19,367	19,839	1,842
Tax charge at the Group's effective rate	62,795	31,251	8,753

13. DIVIDENDS

The directors of the Company do not recommend the payment of any dividend in respect of the Relevant Periods.

14. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings/(loss) per share amounts is based on the earnings/(loss) attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the Relevant Periods.

The calculation of the diluted earnings/(loss) per share amounts is based on the earnings/(loss) for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the Relevant Periods, as used in the basic earnings/(loss) per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic earnings/(loss) per share are based on:

	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Earnings/(loss)			
Profit/(loss) attributable to ordinary equity holders of the parent	47,968	45,237	(15,509)
Shares			
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation	305,000	330,856	570,691
Earnings/(loss) per share	0.16	0.14	(0.03)

During the Relevant Periods, the potential ordinary shares were not included in the calculation of diluted earnings/(loss) per share as the potential ordinary shares had an anti-dilutive effect on the basic earnings/(loss) per share of each of the period. Accordingly, the diluted earnings/(loss) per share during the Relevant Periods, are the same as the basic earnings/(loss) per share.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Plant and machinery	Furniture and fixtures	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2021						
At 1 January 2021:						
Cost	57,725	2,321	12,316	2,606	1,466	76,434
Accumulated depreciation and impairment	(41,139)	(1,259)	(10,316)	(1,967)	—	(54,681)
Net carrying amount	16,586	1,062	2,000	639	1,466	21,753
At 1 January 2021, net of accumulated depreciation and impairment	16,586	1,062	2,000	639	1,466	21,753
Additions	1,713	1	629	393	3,481	6,217
Transfers	3,706	21	1,220	—	(4,947)	—
Disposals	—	(26)	(134)	(292)	—	(452)
Depreciation provided during the year	(9,231)	(188)	(915)	(359)	—	(10,693)
At 31 December 2021, net of accumulated depreciation and impairment	12,774	870	2,800	381	—	16,825
At 31 December 2021:						
Cost	63,144	2,263	13,349	1,650	—	80,406
Accumulated depreciation and impairment	(50,370)	(1,393)	(10,549)	(1,269)	—	(63,581)
Net carrying amount	12,774	870	2,800	381	—	16,825

	Leasehold improvements *RMB'000*	Plant and machinery *RMB'000*	Furniture and fixtures *RMB'000*	Motor vehicles *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
31 December 2022						
At 1 January 2022:						
Cost	63,144	2,263	13,349	1,650	—	80,406
Accumulated depreciation and impairment	(50,370)	(1,393)	(10,549)	(1,269)	—	(63,581)
Net carrying amount	12,774	870	2,800	381	—	16,825
At 1 January 2022, net of accumulated depreciation and impairment	12,774	870	2,800	381	—	16,825
Additions	1,526	—	526	—	2,508	4,560
Transfers	999	—	927	582	(2,508)	—
Disposals	(5)	(89)	(514)	(59)	—	(667)
Depreciation provided during the year	(7,277)	(216)	(1,132)	(175)	—	(8,800)
At 31 December 2022, net of accumulated depreciation and impairment	8,017	565	2,607	729	—	11,918
At 31 December 2022:						
Cost	65,664	1,717	12,235	2,152	—	81,768
Accumulated depreciation and impairment	(57,647)	(1,152)	(9,628)	(1,423)	—	(69,850)
Net carrying amount	8,017	565	2,607	729	—	11,918

	Leasehold improvements *RMB'000*	Plant and machinery *RMB'000*	Furniture and fixtures *RMB'000*	Motor vehicles *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
31 December 2023						
At 1 January 2023:						
Cost	65,664	1,717	12,235	2,152	—	81,768
Accumulated depreciation and impairment	(57,647)	(1,152)	(9,628)	(1,423)	—	(69,850)
Net carrying amount	8,017	565	2,607	729	—	11,918
At 1 January 2023, net of accumulated depreciation and impairment	8,017	565	2,607	729	—	11,918
Additions	5,002	—	412	85	1,602	7,101
Transfers	678	—	459	—	(1,137)	—
Disposal of subsidiaries	—	—	(26)	—	—	(26)
Disposals	—	(279)	(84)	(20)	—	(383)
Depreciation provided during the year	(3,529)	(88)	(1,080)	(238)	—	(4,935)
At 31 December 2023, net of accumulated depreciation and impairment	10,168	198	2,288	556	465	13,675
At 31 December 2023:						
Cost	71,344	542	12,223	2,087	465	86,661
Accumulated depreciation and impairment	(61,176)	(344)	(9,935)	(1,531)	—	(72,986)
Net carrying amount	10,168	198	2,288	556	465	13,675

16. LEASES

The Group as a lessee

The Group leases certain buildings for its offices and auction sites. The movements in right-of-use assets and lease liabilities during each reporting period are as follows:

(a) Right-of-use assets

	Buildings
	RMB'000
As at 1 January 2021	56,809
Additions	48,402
Termination	(4,190)
Depreciation charge	(16,712)
As at 31 December 2021	84,309
As at 31 December 2021 and 1 January 2022	84,309
Additions	7,539
Termination	(6,006)
Depreciation charge	(20,756)
As at 31 December 2022	65,086
As at 31 December 2022 and 1 January 2023	65,086
Additions	23,390
Termination	(1,078)
Revision of lease payments	(784)
Depreciation charge	(22,243)
As at 31 December 2023	64,371

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount at the beginning of year	57,285	86,226	66,773
New leases	46,525	7,063	22,674
Accretion of interest recognised during the year	4,162	3,905	3,549
Covid-19-related rent concessions from lessors	—	(1,534)	—
Revision of lease payments	—	—	(784)
Payments	(17,344)	(22,211)	(22,586)
Termination of leases	(4,402)	(6,676)	(1,162)
Carrying amount at the end of year	86,226	66,773	68,464
Current portion	13,277	14,132	14,782
Non-current portion	72,949	52,641	53,682

The maturity analysis of lease liabilities is disclosed in note 39 to the Historical Financial Information.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Interest on lease liabilities	4,162	3,905	3,549
Depreciation charge of right-of-use assets	16,712	20,756	22,243
Expense relating to short-term leases	7,299	7,824	7,325
Total amount recognised in profit or loss	28,173	32,485	33,117

17. OTHER INTANGIBLE ASSETS

	Software
	RMB'000
31 December 2021	
Cost at 1 January 2021, net of accumulated amortisation	1,964
Additions	61
Amortisation provided during the year	(858)
At 31 December 2021	1,167
At 31 December 2021 and at 1 January 2022:	
Cost	4,467
Accumulated amortisation	(3,300)
Net carrying amount	1,167
31 December 2022	
Cost at 1 January 2022, net of accumulated amortisation	1,167
Additions	44
Amortisation provided during the year	(225)
At 31 December 2022	986
At 31 December 2022:	
Cost	4,511
Accumulated amortisation	(3,525)
Net carrying amount	986
31 December 2023	
Cost at 1 January 2023, net of accumulated amortisation	986
Additions	73
Amortisation provided during the year	(255)
At 31 December 2023	804
At 31 December 2023:	
Cost	4,584
Accumulated amortisation	(3,780)
Net carrying amount	804

18. INVESTMENTS IN ASSOCIATES

	2021 *RMB'000*	2022 *RMB'000*	2023 *RMB'000*
Share of net assets	1,864	2,660	1,926

Particulars of the principal associates are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activities
Wuxi Dongxin Auto Auction Limited *(note a)*	Ordinary shares	PRC/Mainland China	40%	Car trading
Shandong Changtong Auction Limited *(note b&d)*	Ordinary shares	PRC/Mainland China	49%	Car trading
Shandong Yinxin Auction Limited *(notes b&c)*	Ordinary shares	PRC/Mainland China	45%	Car trading

The Group casts significant influence in the decision making of the relevant activities of the associates through the respective shareholdings, participation in the board or provision of technical information, which does not constitute unilateral power to direct the relevant activities of the associates and the ability to use the power over the associates to affect the amount of the Group's returns.

(a) Wuxi Dongxin Auto Auction Limited, which is considered as a material associate of the Group, is a partner of the Group engaged in the car trading and is accounted for using the equity method.

The following table illustrates the summarised financial information in respect of Wuxi Dongxin Auto Auction Limited adjusted for any differences in accounting policies and reconciled to the carrying amount in the Historical Financial Information:

	2021 *RMB'000*	2022 *RMB'000*	2023 *RMB'000*
Assets	5,673	5,861	6,315
Liabilities	(3,957)	(2,161)	(1,499)
Net assets	1,716	3,700	4,816
Reconciliation to the Group's interest in the associate:			
Proportion of the Group's ownership	40%	40%	40%
Carrying amount of the investment	687	1,480	1,926

	2021 *RMB'000*	2022 *RMB'000*	2023 *RMB'000*
Revenue	6,591	5,016	5,216
Cost of sales	824	403	566
Selling and distribution expenses	3,183	3,069	2,981
Administrative expenses	1,189	857	628
Finance costs	(34)	(30)	(31)
Post-tax profit and total comprehensive income for the year	1,483	1,982	1,116
Group's share of profit for the year	593	793	446

(b) The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2021 *RMB'000*	2022 *RMB'000*	2023 *RMB'000*
Share of the associates' profit/(loss) for the year	(45)	3	—
Share of the associates' total comprehensive income	(45)	3	—
Aggregate carrying amount of the Group's investments in the associates	1,177	1,180	—

(c) On 31 March 2021, Shandong Yinxin Auction Limited was liquidated.

(d) On 16 May 2023, Shandong Changtong Auction Limited was liquidated.

19. EQUITY INVESTMENT DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021 *RMB'000*	2022 *RMB'000*	2023 *RMB'000*
Equity investment designated at fair value through other comprehensive income			
Unlisted equity investment, at fair value			
Nanjing Huahai Haicheng Used Vehicle Trading Co., Ltd	897	952	—

The above equity investment was irrevocably designated at fair value through other comprehensive income as the Group considers the investment to be strategic in nature.

In April 2023, the Group disposed of its equity interest in Nanjing Huahai Haicheng Used Vehicle Trading Co., Ltd as this investment no longer coincided with the Group's investment strategy. The fair value on the disposal date was RMB952,000 and the accumulated loss recognised in other comprehensive income of RMB68,000 was transferred to retained earnings.

20. TRADE RECEIVABLES

	2021 *RMB'000*	2022 *RMB'000*	2023 *RMB'000*
Trade receivables	11,155	15,015	16,288
Impairment	(1,756)	(1,756)	—
	9,399	13,259	16,288

Trade receivables are non-interest-bearing. An ageing analysis of the Group's trade receivables as at the end of each of the Relevant Periods, based on the invoice date and net of loss allowance, is as follows:

	2021 *RMB'000*	2022 *RMB'000*	2023 *RMB'000*
Within 6 months	9,399	12,803	16,006
6 months to 1 year	—	456	282
	9,399	13,259	16,288

The movements in the loss allowance for impairment of trade receivables are as follows:

	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	2,141	1,756	1,756
Reversal of impairment of trade receivables, net *(note 9)*	(385)	—	—
Amount written off as uncollectible	—	—	(1,756)
At end of year	1,756	1,756	—

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses have also incorporated forward-looking information.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2021

	Aging			
	Less than 1 year	1 year to 2 years	Over 2 years	Total
Expected credit loss rate	0%	0%	100%	16%
Gross carrying amount (RMB'000)	9,399	—	1,756	11,155
Expected credit losses (RMB'000)	—	—	1,756	1,756

As at 31 December 2022

	Aging			
	Less than 1 year	1 year to 2 years	Over 2 years	Total
Expected credit loss rate	0%	0%	100%	12%
Gross carrying amount (RMB'000)	13,259	—	1,756	15,015
Expected credit losses (RMB'000)	—	—	1,756	1,756

As at 31 December 2023

	Aging			
	Less than 1 year	1 year to 2 years	Over 2 years	Total
Expected credit loss rate	0%	0%	100%	0%
Gross carrying amount (RMB'000)	16,288	—	—	16,288
Expected credit losses (RMB'000)	—	—	—	—

The expected credit loss on the trade receivables for less than 1 year was insignificant in 2021, 2022 and 2023.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group

	Notes	**2021** *RMB'000*	**2022** *RMB'000*	**2023** *RMB'000*
Assistant funds to business partners	*(a)*	298,952	294,812	61,948
Capital injection due from shareholders	*(b)*	—	121,880	—
Advances to suppliers		21,533	19,120	9,399
Other receivables	*(c)*	2,039	4,329	1,945
Deposits	*(c)*	7,706	8,462	7,782
[REDACTED]		[REDACTED]	[REDACTED]	[REDACTED]
Interest receivable		2,967	4,778	1,378
Deductible value-added tax		4,833	2,629	2,284
Prepaid lease payments		1,055	1,137	775
Amounts due from related parties	*36(c)*	1,627	1,516	1,002
Less: Other non-current assets		(6,118)	(7,257)	(7,292)
Total current portion		336,104	454,221	90,170

None of the above assets is either past due or impaired.

As at the end of each of the Relevant Periods, other receivables of the Group are considered to be of low credit risk and thus the Group has assessed that the ECL for other receivables is minimal under the 12-month expected credit loss method.

(a) Details of assistant funds to business partners are set out below:

	2021 *Effective interest rate (%)*	*RMB'000*	**2022** *Effective interest rate (%)*	*RMB'000*	**2023** *Effective interest rate (%)*	*RMB'000*
Maturity						
Within one year or on demand	0–8.6	298,952	0–8.6	294,812	1.7–4.5	61,948

Default rate is defined as gross amount of assistant funds to business partners which are 90 days past due over the gross amount of assistant funds to business partners as at the end of each of the Relevant Periods. In making this assumption, the Group considers that a default event occurs when:

(i) the business partner is unlikely to pay its credit obligations to the Group in full; or

(ii) the assistant funds to business partners are 90 days past due.

(b) In August 2022, the Company issued 62,500,000 ordinary shares to Baoxin Auto Finance I Limited and Grand Baoxin Auto Group Limited at an aggregate subscription price of RMB121,880,000 and was settled as at 31 May 2023.

(c) Deposits and other receivables mainly represent deposits to suppliers and landlords, and were unsecured, non-interest-bearing, and trade in nature. The general expected timing of settlement for deposits and other receivables ranges from 1 year to 5 years.

Company

	Notes	**2021** *RMB'000*	**2022** *RMB'000*	**2023** *RMB'000*
Capital injection due from shareholders	*(b)*	—	121,880	—
Other receivables	*(d)*	1,228	1,744	571
		1,228	123,624	571

(d) Other receivables mainly represent amounts due from third parties, and were unsecured, non-interest-bearing and repayable on demand.

Amounts due from subsidiaries

	2021 *RMB'000*	**2022** *RMB'000*	**2023** *RMB'000*
Amounts due from subsidiaries	67,284	58,119	241,368

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Financial products issued by banks	21,391	77,210	3,500

The above financial products represented short-term investments issued by banks with no predetermined or guaranteed return which are primarily not principal protected investments. The financial products are with expected rates of return (not guaranteed), depending on the market prices of underlying financial instruments, including bonds, debentures and other financial assets. The expected return rates ranged from 0.02%~4.52% per annum.

23. CASH AND CASH EQUIVALENTS

Group

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Cash and bank balances	325,902	385,298	931,441
Time deposits	26,500	5,000	5,000
	352,402	390,298	936,441
Less:			
Long-term time deposits at banks	—	(1,000)	(1,000)
Cash and cash equivalents	352,402	389,298	935,441
Denominated in RMB	351,911	356,558	924,449
Denominated in US$	396	32,634	10,377
Denominated in HK$	95	106	615
Cash and cash equivalents	352,402	389,298	935,441

The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group and earn interest at the respective short-term time deposit rates. Long-term time deposits at banks are deposits with a term of three years and earn interest at a fixed rate of 3.30%, 3.30% and 3.30% as at 31 December 2021, 31 December 2022 and 31 December 2023 respectively. The bank balances are deposited with creditworthy banks with no recent history of default.

Company

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Cash and bank balances	424	32,673	10,300
Denominated in US$	394	32,632	10,102
Denominated in RMB	28	11	133
Denominated in HK$	2	30	65
Cash and cash equivalents	424	32,673	10,300

24. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Within 6 months	11,647	32,000	30,190
6 months to 1 year	—	751	241
	11,647	32,751	30,431

The trade payables are non-interest-bearing and are normally settled on terms of 15 to 120 days.

25. OTHER PAYABLES AND ACCRUALS

Other payables and accruals are detailed as follows:

		2021	2022	2023
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Advances from third parties		116,038	142,435	—
Dividends payable to non-controlling shareholders of subsidiaries	*(a)*	—	121,981	60,195
Deposits		63,677	68,975	73,837
Salary and welfare payables		21,642	16,327	14,810
Contract liabilities	*(b)*	15,805	15,065	16,392
Advance from buyers collected on behalf of sellers		24,161	13,863	22,521
Consideration payable related to acquisition of non-controlling shareholders	*(c)*	—	13,580	1,180
Accrued expenses		9,027	8,417	11,702
Other tax payables		3,355	1,966	1,488
Others		1,670	2,363	2,054
		255,375	404,972	204,179

Notes:

(a) On 30 November 2022, a total of dividends of RMB121,981,000 have been declared by Xinjiang Huihan Motor Vehicle Auction Service Co., Ltd. and Xinjiang Baoqian Motor Vehicle Auction Service Co., Ltd. to their shareholders, and were settled as at 28 June 2023.

(b) Contract liabilities include short-term advances received to used vehicle service.

(c) On 30 November 2022, the Group acquired 49% interests of Xinjiang Huihan Motor Vehicle Auction Service Co., Ltd. and 49% interests of Xinjiang Baoqian Motor Vehicle Auction Service Co., Ltd., at an aggregate price of RMB13,580,000, which was settled as at 29 December 2023. In June 2023, the Group acquired 10% interests of Cixi Tianyue Used Vehicle Trading Co., Ltd., 49% interests of Guangzhou Jiangjunjiang Business Service Co., Ltd and 49% interests of Shenyang Changxin Auction Co., Ltd., at an aggregate price of RMB3,380,000, out of which RMB2,200,000 was settled as at 8 November 2023.

26. INTEREST-BEARING BANK BORROWINGS

	2021			2022			2023		
	Effective interest rate (%)	*Maturity*	*RMB'000*	*Effective interest rate (%)*	*Maturity*	*RMB'000*	*Effective interest rate (%)*	*Maturity*	*RMB'000*
The Group									
Current									
Bank loans — unsecured	4.30	2022	19,800	4.10–4.20	2023	49,700	3.50–4.10	2024	69,500

	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Analysed into:			
Bank loans repayable:			
Within one year	19,800	49,700	69,500

27. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax liabilities

	Right-of-use assets
	RMB'000
At 1 January 2021	2,260
Deferred tax charged to profit or loss during the year *(Note 12)*	3,096
Gross deferred tax liabilities at 31 December 2021 and 1 January 2022	5,356
Deferred tax charged to profit or loss during the year *(Note 12)*	4,178
Gross deferred tax liabilities at 31 December 2022 and 1 January 2023	9,534
Deferred tax charged to profit or loss during the year *(Note 12)*	3,375
Gross deferred tax liabilities at 31 December 2023	12,909

Deferred tax assets

	Lease liabilities *RMB'000*	**Losses available for offsetting against future taxable profits** *RMB'000*	**Total** *RMB'000*
As at 1 January 2021	3,398	—	3,398
Deferred tax credited to profit or loss during the year *(Note 12)*	3,590	—	3,590
Gross deferred tax assets at 31 December 2021 and 1 January 2022	6,988	—	6,988
Deferred tax credited to profit or loss during the year *(Note 12)*	4,675	—	4,675
Gross deferred tax assets at 31 December 2022 and 1 January 2023	11,663	—	11,663
Deferred tax credited to profit or loss during the year *(Note 12)*	3,690	9,813	13,503
Gross deferred tax assets at 31 December 2023	15,353	9,813	25,166

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statements of financial position as at 31 December 2021, 2022 and 2023. The following is an analysis of the deferred tax balances for financial reporting purposes:

	2021 *RMB'000*	**2022** *RMB'000*	**2023** *RMB'000*
Net deferred tax assets recognised in the statements of financial position	1,632	2,129	12,257
Net deferred tax liabilities recognised in the statements of financial position	—	—	—

Deferred tax assets have not been recognised in respect of the following items:

	2021 *RMB'000*	**2022** *RMB'000*	**2023** *RMB'000*
Tax losses	284,651	321,141	141,943

The Group has tax losses arising in Mainland China of RMB284,651,000, RMB321,141,000, RMB141,943,000, as at 31 December 2021, 2022 and 2023, respectively, that will expire in one to five years for offsetting against their future taxable profits.

Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that enough taxable profits will be available against which the tax losses can be utilised.

28. CONVERTIBLE REDEEMABLE PREFERRED SHARES AND WARRANTS

	Series A Convertible redeemable preferred shares	Series B Convertible redeemable preferred shares	Series B Warrants	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2021 *(note (i))*	155,626	—	—	155,626
Change in fair value	26,688	—	—	26,688
Exchange adjustments *(note (iv))*	(2,238)	—	—	(2,238)
At 31 December 2021	180,076	—	—	180,076
New issue *(note (ii))*	—	91,977	9,143	101,120
Change in fair value	5,544	7,073	1,582	14,199
Forfeiture of valuation adjustment mechanism	(15,884)	—	—	(15,884)
Exchange adjustments *(note (iv))*	8,834	3,349	—	12,183
At 31 December 2022	178,570	102,399	10,725	291,694
Change in fair value *(note (iii))*	69,826	16,103	(10,926)	75,003
Exchange adjustments *(note (iv))*	3,615	1,872	201	5,688
At 31 December 2023	252,011	120,374	—	372,385

Notes:

(i) In February 2019, the Company issued 16,971,220 series A convertible redeemable preferred shares (the "Series A Preferred Shares") to Series A Investors at a cash consideration of US$10,000,000 (or US$0.5892 per share).

In July 2019, the Company issued 8,485,610 Series A Preferred Shares to Series A Investors at a cash consideration of US$5,000,000 (or US$0.5892 per share).

(ii) In August 2022, the Company issued 15,152,715 series B convertible redeemable preferred shares (the "Series B Preferred Shares") to an investor (the "Series B Investor") at a cash consideration of US$15,000,000 (or US$0.9899 per share). The price included the issue price of warrants (the "Series B Warrants") to certain shareholder (the "Series B Warrants Holder") that is entitled to purchase 10,101,810 second tranche of series B convertible redeemable preferred shares in an aggregate consideration of no more than US$10,000,000 or US$0. 9899 per share to be issued by the Company.

In August 2022, the Company issued 7,637,049 Series A Preferred Shares to Series A Investors at nil cash consideration to forfeit valuation adjustment mechanism.

(iii) According to the Share Purchase Agreement, the Series B Warrants Holder is entitled, but not obligated, prior to the earlier of (i) the date on which the Company enters into the transaction documents of the next round of equity financing and (ii) the sixtieth (60th) day before the first submission of the registration statement of QIPO to the relevant securities regulatory authority (the "Exercise Period"), to purchase shares from the Company. On 30 June 2023, the Company filed the first submission of the registration statement and the Series B Warrants had expired 60 days before the filing date.

(iv) Exchange adjustments presented the effect of exchange on translation from US$ balances, which were charged to other comprehensive income.

Conversion rights

Each holder of the Preferred Shares (the "Series A Preferred Shares" and the "Series B Preferred Shares") shall have the right, at such holder's sole discretion, to convert all or any portion of the Preferred Shares into ordinary shares at any time by the conversion price then in effect at the date of the conversion (the "Conversion Price"). The initial Conversion Price for the Preferred Shares will be the applicable Preferred Share issue price (i.e., a 1-to-1 initial conversion ratio), which will be subject to adjustments to reflect share dividends, subdivisions, combinations or consolidations, recapitalisation and adjustment upon issuance of new securities for a consideration per share less than the Conversion Price.

Redemption feature

In the event that (a) the Company fails to consummate a qualified [REDACTED] ("Q[REDACTED]", see definition below) on or before thirty-six (36) months after the Closing Date (4 August 2022); (b) any material breach by any of the Group Companies (collectively the Company and its subsidiaries) or the Founder Parties of the terms of the Transaction Documents (the Share Purchase Agreement, the Restated Memorandum and Articles, the Shareholders' Agreement, the Management Rights Letter, the Indemnification Agreement, the Control Documents, and each of the other agreements and documents otherwise required in connection with implementing the transactions contemplated by any of the foregoing); (c) any holder of any other class or series of shares of the Company has requested a redemption of such other shares or series of shares; (d) the Founder holds less than fifty percent of the Shares beneficially owned by the Founder in the Company as of the Closing Date; (e) any of the ODI Entities fails to complete the required ODI Procedures on or before the first anniversary date of the Closing Date; (f) due to cause or Founder's voluntarily resignation, the Founder ceases to serve the Group Companies as an employee or a non-employee personnel; (g) the Group Companies materially change their Principal Business, or any governmental approvals, permits, licenses, authorizations, certifications, registrations, or filings which are required to be obtained or made by any Group Company under applicable Laws in connection with the due and proper establishment and operation of each Group Company, has been suspended, revoked or invalid, the holders of the outstanding Preferred Shares shall have the right to request redemption of all or part of the issued and outstanding Preferred Shares held by such holder of the outstanding Preferred Shares at any time, and the Company shall pay to such holder in such redemption.

Q[REDACTED] means a firm commitment [REDACTED] of ordinary shares of the Company (or depositary receipts or depositary shares therefore) in the United States pursuant to an effective registration statement under the United States Securities Act of 1933, as amended, with an offering price (net of [REDACTED]) reflecting the valuation of the Company immediately prior to such [REDACTED] of at least RMB7 billion or equivalent foreign currencies, or in a [REDACTED] of the ordinary shares of the Company (or depositary receipts or depositary shares therefore) in another jurisdiction which results in the ordinary shares trading publicly on a recognised international securities exchange approved by the Board, so long as such [REDACTED] satisfies the foregoing [REDACTED] and [REDACTED] requirements.

Founder Parties are Yang Aihua (楊愛華), a Hong Kong citizen (the "Founder"); Orient Rich Investment Development Limited, a business company duly established and validly existing under the Laws of the British Virgin Islands, wholly owned by the Founder ("Orient Rich"); and Extensive Prosperous Investments Limited, a business company duly established and validly existing under the Laws of the British Virgin Islands, wholly owned by Orient Rich.

Presentation and classification

The Group does not bifurcate any embedded derivatives from the Preferred Shares and designates the entire instruments as financial liabilities at fair value through profit or loss. The change in fair value is charged to profit or loss except for the portion attributable to credit risk change that shall be charged to other comprehensive income, if any. Management considered that fair value change in the Preferred Shares attributable to changes of own credit risk was not significant.

The Group has used the discounted cash flow method to determine the underlying equity value of the Company and adopted the equity allocation model to determine the fair value of convertible redeemable preferred shares and warrants. Key assumptions are set out below:

	As at 31 December		
	2021	**2022**	**2023**
Discount rate	17%	17%	16%
Risk-free interest rate	0.56%	4.3%	4.5%
Discounts for lack of marketability ("DLOM")	7.0%	8.3%	4.0%
Volatility	36.8%	38.9%	36.2%

The discount rate (pre-tax) was estimated based on the weighted average cost of capital as of the valuation date. The Group estimated the risk-free interest rate based on the yield of US Treasury Strips. The DLOM was estimated based on the option-pricing method. Under the option-pricing method, the cost of a put option, which can hedge the price change before the privately held share can be sold, was considered as a basis to determine the discount for lack of marketability. Volatility was estimated based on annualised standard deviation of daily stock price return of comparable companies for a period from the valuation date and with a similar span as time to expiration.

29. SHARE CAPITAL

Pursuant to a special resolution passed in the board meeting held on 23 June 2023, the Company has proceeded with the capital reorganisation (the "Capital Reorganisation") that the par value of the unissued share will be reduced from USD0.1639 to USD0.00001 each.

	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Issued and fully paid:			
Issuance of ordinary shares	308,801	308,801	51
Issued and not fully paid	—	73,519	—

A summary of movements in the Company's share capital is as follows:

	Note	**Number of shares in issue**	**Share capital**
			RMB'000
At 1 January 2021		305,000,000	308,801
Additions		—	—
At 31 December 2021 and 1 January 2022		305,000,000	308,801
Additions		62,500,000	73,519
At 31 December 2022 and 1 January 2023		367,500,000	382,320
Additions	*(a)*	394,492,710	28
Capital reorganisation		—	(382,297)
At 31 December 2023		761,992,710	51

Note:

(a) During the year ended 31 December 2023, the Company issued 394,492,710 ordinary shares, and 147,876,118 shares of which were issued to acquire non-controlling interests of partly-owned subsidiaries of the Group.

30. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the Group.

(a) Capital reserve

The capital reserve represents share premium of the Group, the reserve arisen pursuant to the acquisition of non-controlling interests, capital reorganisation and issue of shares. Details of the movement in capital reserve are set out in the consolidated statements of changes in equity of the Historical Financial Information.

(b) Exchange fluctuation reserve

The exchange fluctuation reserve is used to record exchange differences arising from the translation of the financial statements of entities of which the functional currency is not RMB.

31. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2021	**2022**	**2023**
Percentage of equity interest held by non-controlling interests:			
Guangzhou Jiangjunjiang Business Service Co., Ltd.	49%	49%	—
Wenzhou Changxin Automobile Sales Service Co., Ltd.	49%	49%	—
Guizhou Xintong Used Vehicle Auction Co., Ltd.	49%	49%	33%
Hunan Litianfuzhu Automobile Sales Service Co., Ltd.	49%	49%	—
Changchun Baorui International Exhibition Co., Ltd.	40%	40%	—
Xinjiang Huihan Motor Vehicle Auction Service Co., Ltd.	49%	49%	—
Xinjiang Baoqian Motor Vehicle Auction Service Co., Ltd.	49%	49%	—

	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Profit/(loss) for the year allocated to non-controlling interests:			
Guangzhou Jiangjunjiang Business Service Co., Ltd.	4,667	2,089	283
Wenzhou Changxin Automobile Sales Service Co., Ltd.	17,129	10,020	2,191
Guizhou Xintong Used Vehicle Auction Co., Ltd.	20,531	19,614	20,307
Hunan Litianfuzhu Automobile Sales Service Co., Ltd.	10,753	5,520	1,094
Changchun Baorui International Exhibition Co., Ltd.	7,586	7,979	(819)
Xinjiang Huihan Motor Vehicle Auction Service Co., Ltd.	38,063	(21,760)	—
Xinjiang Baoqian Motor Vehicle Auction Service Co., Ltd.	10,238	(4,563)	—
Dividends paid to non-controlling interests:			
Guizhou Xintong Used Vehicle Auction Co., Ltd.	—	100,000	—
Changchun Baorui International Exhibition Co., Ltd.	—	19,350	24,671
Wenzhou Changxin Automobile Sales Service Co., Ltd.	—	—	95,753
Guangzhou Jiangjunjiang Business Service Co., Ltd.	—	—	15,376
Accumulated balances of non-controlling interests at the reporting date:			
Guangzhou Jiangjunjiang Business Service Co., Ltd.	13,660	15,535	—
Wenzhou Changxin Automobile Sales Service Co., Ltd.	40,041	50,041	—
Guizhou Xintong Used Vehicle Auction Co., Ltd.	46,952	(33,435)	(5,807)
Hunan Litianfuzhu Automobile Sales Service Co., Ltd.	(8,765)	(3,245)	—
Changchun Baorui International Exhibition Co., Ltd.	69,835	58,126	—
Xinjiang Huihan Motor Vehicle Auction Service Co., Ltd.	45,789	—	—
Xinjiang Baoqian Motor Vehicle Auction Service Co., Ltd.	14,743	—	—

2021	Hunan Litianfuzhu Automobile Sales Service Co., Ltd.	Guangzhou Jiangjunjiang Business Service Co., Ltd.	Wenzhou Changxin Automobile Sales Service Co., Ltd.	Guizhou Xintong Used Vehicle Auction Co., Ltd.	Changchun Baorui International Exhibition Co., Ltd.	Xinjiang Huihan Motor Vehicle Auction Service Co., Ltd.	Xinjiang Baoqian Motor Vehicle Auction Service Co., Ltd.
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	22,460	19,384	67,301	86,237	63,468	109,949	36,235
Total expense	(514)	(2,194)	(2,222)	(16,782)	(9,030)	1,184	(568)
Profit and total comprehensive income for the year	21,945	9,524	34,956	41,899	18,965	77,680	20,894
Current assets	7,167	24,280	95,246	108,091	124,632	97,453	32,230
Non-current assets	—	300	78	142	31,104	—	19
Current liabilities	(4,740)	(2,405)	(14,581)	(12,391)	431	(4,006)	(2,160)
Net cash flows from/(used in) operating activities	20,826	7,432	(725)	(272)	16,789	48,296	(1,182)
Net cash flows from/(used in) investing activities	18	14	(1,228)	(36,520)	61,360	(10,306)	448
Net cash flows used in financing activities	(14,981)	—	—	(227)	—	—	—
Net increase/(decrease) in cash and cash equivalents	5,863	7,446	(1,953)	(37,019)	78,149	37,990	(734)

2022	Hunan Litianfuzhu Automobile Sales Service Co., Ltd.	Guangzhou Jiangjunjiang Business Service Co., Ltd.	Wenzhou Changxin Automobile Sales Service Co., Ltd.	Guizhou Xintong Used Vehicle Auction Co., Ltd.	Changchun Baorui International Exhibition Co., Ltd.	Xinjiang Huihan Motor Vehicle Auction Service Co., Ltd.	Xinjiang Baoqian Motor Vehicle Auction Service Co., Ltd.
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	11,912	11,170	22,824	85,690	61,862	5,354	699
Total expense	(544)	(2,296)	(1,515)	(21,647)	(9,831)	2,122	103
Profit and total comprehensive income for the year	11,265	4,264	20,449	40,028	19,947	(47,620)	(10,112)
Current assets	16,939	27,542	109,889	55,764	127,267	95,097	29,014
Non-current assets	—	300	—	40	31,069	—	11
Current liabilities	(3,246)	(1,403)	(8,697)	(19,933)	(1,572)	(241,880)	(65,379)
Net cash flows from operating activities	9,240	8,730	5,477	54,441	21,270	27,013	3,742
Net cash flows from/(used in) investing activities	(8,000)	—	(6,553)	25,395	(70,046)	(76,757)	(8,481)
Net cash flows used in financing activities	(4,537)	—	—	(100,091)	(19,351)	—	—
Net increase/(decrease) in cash and cash equivalents	(3,297)	8,730	(1,076)	(20,255)	(68,127)	(49,744)	(4,739)

2023	Hunan Litianfuzhu Automobile Sales Service Co., Ltd.	Guangzhou Jiangjunjiang Business Service Co., Ltd.	Wenzhou Changxin Automobile Sales Service Co., Ltd.	Guizhou Xintong Used Vehicle Auction Co., Ltd.	Changchun Baorui International Exhibition Co., Ltd.
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	2,365	2,902	5,937	99,924	1,680
Total expense	(82)	(1,156)	(905)	(22,592)	(2,573)
Profit and total comprehensive income for the period	2,232	6,064	4,502	50,637	(2,240)
Current assets	16,917	32,615	14,550	40,220	99,056
Non-current assets	—	300	—	24	31,073
Current liabilities	(992)	(31,793)	(66,849)	(23,736)	(130,584)
Net cash flows from/(used in) operating activities	1,253	(971)	(2,354)	46,416	(81,374)
Net cash flows from investing activities	12,571	—	98,497	46,831	70,906
Net cash flows used in financing activities	—	—	(95,753)	—	(24,671)
Net increase/(decrease) in cash and cash equivalents	13,824	(971)	390	93,247	(35,139)

32. BUSINESS COMBINATION

On 1 January 2021, the Group acquired 51% interest in Hunan Litianfuzhu Automobile Sales Service Co., Ltd. Hunan Litianfuzhu Automobile Sales Service Co., Ltd. is mainly engaged in arrangement for sale of used vehicles. The acquisition was made as part of the Group's strategy to expand its market share of car trading in the local area. The purchase consideration for the acquisition was in the form of cash, with RMB1 paid at the acquisition date. The Group further acquired 49% interest in Hunan Litianfuzhu Automobile Sales Service Co., Ltd. during the year ended 31 December 2023.

The Group has elected to recognise non-controlling interests measured at the non-controlling interests in the acquirees' net assets.

The fair values of the identifiable assets and liabilities of Hunan Litianfuzhu Automobile Sales Service Co., Ltd. as at the date of acquisition were nil.

Since the acquisition, Hunan Litianfuzhu Automobile Sales Service Co., Ltd. contributed RMB22,460,000 to the Group's revenue and RMB21,945,000 to the consolidated profit for the year ended 31 December 2021.

33. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Changes in liabilities arising from financing activities

	Interest-bearing bank borrowings *RMB'000*	Lease liabilities *RMB'000*	Convertible redeemable preferred shares and warrants *RMB'000*
At 1 January 2021	19,800	57,285	155,626
Changes from financing cash flows	(760)	(17,344)	—
New leases	—	46,525	—
Interest expense	760	4,162	—
Termination of leases	—	(4,402)	—
Fair value changes	—	—	26,688
Exchange realignment	—	—	(2,238)
At 31 December 2021 and 1 January 2022	19,800	86,226	180,076
Changes from financing cash flows	28,089	(22,211)	101,120
New leases	—	7,063	—
Interest expense	1,811	3,905	—
Termination of leases	—	(6,676)	—
Covid-19-related rent concessions from lessors	—	(1,534)	—
Fair value changes	—	—	14,199
Forfeiture of valuation adjustment mechanism	—	—	(15,884)
Exchange realignment	—	—	12,183
At 31 December 2022 and 1 January 2023	49,700	66,773	291,694
Changes from financing cash flows	17,584	(22,586)	—
New leases	—	22,674	—
Interest expense	2,216	3,549	—
Termination of leases	—	(1,162)	—
Revision of lease payments	—	(784)	—
Fair value changes	—	—	75,003
Exchange realignment	—	—	5,688
At 31 December 2023	69,500	68,464	372,385

(b) Total cash outflow for leases

	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Within operating activities	7,299	7,824	7,325
Within financing activities	17,344	22,211	22,586
	24,643	30,035	29,911

34. CONTINGENT LIABILITIES

As at the end of each of the Relevant Periods, neither the Group nor the Company had any significant contingent liabilities.

35. COMMITMENTS

As at the end of each of the Relevant Periods, neither the Group nor the Company had any commitments.

36. RELATED PARTY TRANSACTIONS

(a) Name and relationship:

Name of related party	Relationship with the Group
Huzhou Baorui Auto Sales Service Co., Ltd. 湖州寶睿汽車銷售服務有限公司	An entity controlled by a shareholder with significant influence over the Group
Maanshan Ruibao Auto Sales Service Co., Ltd. 馬鞍山瑞寶汽車銷售服務有限公司	An entity controlled by a shareholder with significant influence over the Group
Shanghai Kailong Jinhu Automobile Technology Service Co., Ltd. 上海開隆金滬汽車技術服務有限公司	An entity controlled by a shareholder with significant influence over the Group
Shanghai Kailong Automobile Sales Co., Ltd. 上海開隆汽車集團有限公司	An entity controlled by a shareholder with significant influence over the Group
Shanghai Longyun Property Management Co., Ltd. 上海隆雲物業管理有限公司	An entity controlled by a shareholder with significant influence over the Group

(b) Related party transactions:

The Group had the following transactions with related parties during the Relevant Periods:

	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Revenue from used vehicle value-added services			
Huzhou Baorui Auto Sales Service Co., Ltd.	1,062	47	—
Maanshan Ruibao Auto Sales Service Co., Ltd.	207	30	—
Cost of used vehicle value-added services			
Shanghai Kailong Jinhu Automobile Technology Service Co., Ltd.	1,076	986	—
Rental expenses:			
Shanghai Kailong Automobile Sales Co., Ltd.	3,096	3,314	3,314
Shanghai Longyun Property Management Co., Ltd.	493	498	498
Rental income:			
Shanghai Kailong Jinhu Automobile Technology Service Co., Ltd.	377	—	—

(c) Outstanding balances with related parties:

	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Non-trade:			
Prepayments, deposits and other receivables			
Shanghai Kailong Jinhu Automobile Technology Service Co., Ltd.	625	—	—
Shanghai Kailong Automobile Sales Co., Ltd.	870	1,120	870
Shanghai Longyun Property Management Co., Ltd.	132	396	132
	1,627	1,516	1,002

(d) Compensation of key management personnel of the Group:

	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowances and benefits in kind	8,627	10,824	9,581
Pension scheme contributions	391	427	356
Total	9,018	11,251	9,937

Further details of directors' emoluments are included in note 10 to the Historical Financial Information.

37. FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets

	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss:			
Financial products issued by banks *(note 22)*	21,391	77,210	3,500
Financial assets at fair value through other comprehensive income:			
Equity investment designated at fair value through other comprehensive income *(note 19)*	897	952	—
Financial assets at amortised cost:			
Trade receivables *(note 20)*	9,399	13,259	16,288
Prepayments, deposits and other receivables *(note 21)*	311,664	434,261	73,053
Cash and cash equivalents *(note 23)*	352,402	389,298	935,441
Long-term time deposits at banks *(note 23)*	—	1,000	1,000
	673,465	837,818	1,025,782

Loans and receivables are non-derivative financial assets carried at amortised cost which generate a fixed or variable interest income for the Group. The carrying value may be affected by changes in the credit risk of the counterparties.

Financial liabilities

	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Financial liabilities at fair value through profit or loss:			
Convertible redeemable preferred shares and warrants *(note 28)*	180,076	291,694	372,385
Financial liabilities at amortised cost:			
Trade payables *(note 24)*	11,647	32,751	30,431
Lease liabilities *(note 16(b))*	86,226	66,773	68,464
Interest-bearing bank borrowings *(note 26)*	19,800	49,700	69,500
Financial liabilities included in other payables and accruals *(note 25)*	203,876	238,853	97,538
	321,549	388,077	265,933

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, trade receivables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, and interest-bearing borrowings approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance team is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At the end of each reporting period, the finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair value of equity investment designated at fair value through other comprehensive income has been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as enterprise value to earnings before interest, taxes, depreciation and amortisation ("EV/EBITDA") multiple and price to earnings ("P/E") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investment to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

For the fair value of the equity investments at fair value through other comprehensive income, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model.

The Group invests in unlisted investments, which represent financial products issued by the bank. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks. Further details are set out in note 22 to the Historical Financial Information.

The fair value of the convertible redeemable preferred shares and warrants is determined using the valuation techniques, including discounted cash flow method and back-solve method, and is within Level 3 fair value measurement. Further details are set out in note 28 to the Historical Financial Information.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2021, 2022 and 2023, respectively:

	Valuation technique	Significant Unobservable inputs	Range	Sensitivity of fair value to the input
Equity investment designated at fair value through other comprehensive income	Discounted cash flow method	Discount rate	18.0%	Notes a
Convertible redeemable preferred shares and warrants	Discounted cash flow method	Discount rate	16% to 17%	Notes b
		Risk-free interest rate	0.56% to 4.5%	Notes c
		Discount of lack of marketability ("DLOM")	4.0% to 8.3%	Notes d
		Volatility	36.2% to 38.9%	Notes e

Notes:

a. 1% increase/decrease in discount rate, with all other variables held constant, would decrease/increase the fair value of equity investment designated at fair value through other comprehensive income by RMB3,000/RMB3,000 and RMB27,000/RMB31,000 as at 31 December 2021, 2022.

b. 1% increase/decrease in discount rate, with all other variables held constant, would decrease/increase the fair value of convertible redeemable preferred shares and warrants by RMB4,936,000/RMB5,666,000, RMB11,903,000/RMB13,826,000, RMB23,945,000/RMB27,846,000 as at 31 December 2021, 2022, 2023.

c. 1% increase/decrease in risk-free interest rate, with all other variables held constant, would decrease/increase the fair value of convertible redeemable preferred shares and warrants by RMB847,000/RMB860,000, RMB2,319,000/RMB2,396,000, RMB267,000/RMB273,000 as at 31 December 2021, 2022, 2023.

d. 1% increase/decrease in DLOM, with all other variables held constant, would decrease/increase the fair value of convertible redeemable preferred shares and warrants by RMB1,936,000/RMB1,936,000, RMB3,462,000/RMB3,462,000, RMB3,866,000/RMB3,866,000 as at 31 December 2021, 2022, 2023.

e. 1% increase/decrease in volatility, with all other variables held constant, would increase/decrease the fair value of convertible redeemable preferred shares and warrants by RMB0/RMB0, RMB537,000/RMB536,000, RMB51,000/RMB50,000 as at 31 December 2021, 2022, 2023.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Equity investment designated at fair value through other comprehensive income	—	—	897	897
Financial assets at fair value through profit or loss	—	21,391	—	21,391
	—	21,391	897	22,288

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Equity investment designated at fair value through other comprehensive income	—	—	952	952
Financial assets at fair value through profit or loss	—	77,210	—	77,210
	—	77,210	952	78,162

As at 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss	—	3,500	—	3,500

The movements in fair value measurements within Level 3 during the year are as follows:

	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Equity investment designated at fair value through other comprehensive income			
At January	814	897	952
Total gains recognised in other comprehensive income	83	55	—
Disposals	—	—	(952)
At 31 December	897	952	—

Liabilities measured at fair value:

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Convertible redeemable preferred shares and warrants	—	—	180,076	180,076

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Convertible redeemable preferred shares and warrants	—	—	291,694	291,694

As at 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Convertible redeemable preferred shares and warrants	—	—	372,385	372,385

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise trade payables, financial liabilities included in other payables and accruals. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group's principal financial assets include trade receivables, financial assets included in prepayments, deposits and other receivables, and cash and cash equivalents that are derived directly from its operations.

It is, and has been, throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The Group's policies for managing each of these risks are as follows:

Foreign currency risk

The Group's major businesses are in Mainland China and the majority of the transactions are conducted in RMB. Most of the Group's assets and liabilities are denominated in RMB. The Group does not have material foreign currency risk during the Relevant Periods.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2021

	12-month ECLs	**Lifetime ECLs**			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	—	—	—	11,155	11,155
Financial assets included in prepayments, deposits and other receivables					
— Normal**	311,664	—	—	—	311,664
Cash and cash equivalents					
— Not yet past due	352,402	—	—	—	352,402
	664,066	—	—	11,155	675,221

As at 31 December 2022

	12-month ECLs		Lifetime ECLs		
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	—	—	—	15,015	15,015
Financial assets included in prepayments, deposits and other receivables					
— Normal**	434,261	—	—	—	434,261
Cash and cash equivalents					
— Not yet past due	389,298	—	—	—	389,298
Long-term time deposits at banks					
— Not yet past due	1,000	—	—	—	1,000
	824,559	—	—	15,015	839,574

As at 31 December 2023

	12-month ECLs		Lifetime ECLs		
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	—	—	—	16,288	16,288
Financial assets included in prepayments, deposits and other receivables					
— Normal**	73,053	—	—	—	73,053
Cash and cash equivalents					
— Not yet past due	935,441	—	—	—	935,441
Long-term time deposits at banks					
— Not yet past due	1,000	—	—	—	1,000
	1,009,494	—	—	16,288	1,025,782

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 20 to the Historical financial information.

** The credit quality of the financial assets included in prepayments, deposits and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 20 to the Historical Financial Information.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility. The Group's policy is to regularly monitor the current and expected liquidity requirements, to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer terms.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Group

	Within 1 year	**1 to 5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
2021				
Trade payables	11,647	—	—	11,647
Lease liabilities	17,671	59,010	27,184	103,865
Other payables and accruals	61,881	141,995	—	203,876
Interest-bearing bank borrowings	19,826	—	—	19,826
Convertible redeemable preferred shares and warrants	—	180,076	—	180,076
	111,025	381,081	27,184	519,290
2022				
Trade payables	32,000	751	—	32,751
Lease liabilities	16,515	42,750	18,397	77,662
Other payables and accruals	88,712	150,141	—	238,853
Interest-bearing bank borrowings	49,763	—	—	49,763
Convertible redeemable preferred shares and warrants	—	291,694	—	291,694
	186,990	485,336	18,397	690,723
2023				
Trade payables	30,431	—	—	30,431
Lease liabilities	17,818	41,192	20,227	79,237
Other payables and accruals	94,149	3,389	—	97,538
Interest-bearing bank borrowings	69,583	—	—	69,583
Convertible redeemable preferred shares and warrants	—	372,385	—	372,385
	211,981	416,966	20,227	649,174

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No change was made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Group monitors capital using a gearing ratio, which is total debt divided by the total assets. Total debt includes current liabilities and non-current liabilities. Total assets include current assets and non-current assets.

The gearing ratio as at the end of each of the Relevant Periods is as follows:

	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Total debt	565,891	855,975	751,998
Total assets	840,549	1,025,976	1,146,724
Net gearing ratio	67.32%	83.43%	65.58%

40. EVENTS AFTER THE RELEVANT PERIODS

There is no significant event taking place subsequent to 31 December 2023.

41. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2023.

[REDACTED]

[REDACTED]

SUMMARY OF THE CONSTITUTION OF THE COMPANY

1 Memorandum of Association

The Memorandum of Association of the Company was conditionally adopted on [●] and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Act or any other law of the Cayman Islands.

The Memorandum of Association is on display on the websites of the Stock Exchange and the Company as specified in Appendix V in the section headed "Documents Delivered to the Registrar of Companies and Available on Display".

2 Articles of Association

The Articles of Association of the Company were conditionally adopted on [●] and include provisions to the following effect:

2.1 Directors

(a) Power to allot and issue Shares

Subject to the provisions in the Memorandum of Association (and to any direction that may be given by the Company in general meeting) and without prejudice to any rights attached to any existing shares, the Directors may allot, issue, grant options over or otherwise dispose of shares with or without preferred, deferred or other rights or restrictions, whether in regard to dividend or other distribution, voting, return of capital or otherwise and to such persons, at such times and on such other terms as the Directors think proper.

(b) Power to dispose of the assets of the Company or any subsidiary

Subject to the provisions of the Companies Act, the Memorandum and Articles of Association and to any directions given by special resolution, the business of the Company shall be managed by the Directors who may exercise all the powers of the Company. No alteration of the Memorandum and Articles of Association and no such direction shall invalidate any prior act of the Directors which would have been valid if that alteration had not been made or that direction had not been given.

(c) Compensation or payment for loss of office

There are no provisions in the Articles of Association relating to compensation or payment for loss of office of a Director.

(d) Loans to Directors

There are no provisions in the Articles of Association relating to making of loans to Directors.

(e) Financial assistance to purchase Shares

There are no provisions in the Articles of Association relating to the giving of financial assistance by the Company to purchase shares in the Company or its subsidiaries.

(f) Disclosure of interest in contracts with the Company or any of its subsidiaries

No person shall be disqualified from the office of Director or alternate Director or prevented by such office from contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or any contract or transaction entered into by or on behalf of the Company in which any Director or alternate Director shall be in any way interested be or be liable to be avoided, nor shall any Director or alternate Director so contracting or being so interested be liable to account to the Company for any profit realised by or arising in connection with any such contract or transaction by reason of such Director or alternate Director holding office or of the fiduciary relationship thereby established, provided that the nature of the interest of any Director or any alternate Director in any such contract or transaction shall be disclosed by them at or prior to its consideration and any vote thereon.

A Director shall not be entitled to vote on (nor shall the Director be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates has any material interest, and if he shall do so his vote shall not counted (nor shall he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

A. the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

B. the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

C. any proposal concerning an [REDACTED] of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the [REDACTED] or [REDACTED] of the [REDACTED];

D. any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:

(A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or

(B) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates to the Director, his close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

E. any contract or arrangement in which the Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of their interest in shares or debentures or other securities of the Company.

(g) Remuneration

The remuneration to be paid to the Directors, if any, shall be such remuneration as the Directors shall determine. The Directors shall also be entitled to be paid all travelling, hotel and other expenses properly incurred by them in connection with their attendance at meetings of Directors or committees of Directors, or general meetings of the Company, or separate meetings of the holders of any class of shares or debentures of the Company, or otherwise in connection with the business of the Company or the discharge of their duties as a Director, or to receive a fixed allowance in respect thereof as may be determined by the Directors, or a combination partly of one such method and partly the other.

The Directors may approve additional remuneration to any Director for any services which in the opinion of the Directors go beyond that Director's ordinary routine work as a Director. Any fees paid to a Director who is also counsel, attorney or solicitor to the Company, or otherwise serves it in a professional capacity shall be in addition to their remuneration as a Director.

(h) Retirement, appointment and removal

The Company may by ordinary resolution appoint any person to be a Director, either to fill a vacancy or as an additional Director.

The Company may by ordinary resolution remove any Director (including a managing or other executive Director) before the expiration of such Director's term of office, notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director, and may by ordinary resolution elect another person in their stead. Nothing shall be taken as depriving a Director so removed of compensation or damages payable to such Director in respect of the termination of his appointment as Director or of any other appointment or office as a result of the termination of his appointment as Director.

The Directors may appoint any person to be a Director, either to fill a vacancy or as an additional Director provided that the appointment does not cause the number of Directors to exceed any number fixed by or in accordance with the Articles of Association as the maximum number of Directors. Any Director so appointed shall hold office only until the first annual general meeting of the Company after such Director's appointment and shall then be eligible for re-election at that meeting.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated if:

A. the Director gives notice in writing to the Company that he resigns the office of Director;

B. the Director is absent (for the avoidance of doubt, without being represented by proxy or an alternate Director appointed by him) for a continuous period of 12 months without special leave of absence from the Directors, and the Directors pass a resolution that he has by reason of such absence vacated office;

C. the Director dies, becomes bankrupt or makes any arrangement or composition with his creditors generally;

D. the Director is found to be or becomes of unsound mind; or

E. the Director is removed from office by notice in writing served upon such Director signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors then in office (including such Director).

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election at such meeting. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) Borrowing powers

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof and to issue debentures, debenture stock, mortgages, bonds and other such securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

2.2 Alteration to constitutional documents

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.3 Variation of rights of existing shares or classes of shares

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class for the time being issued (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound up, be varied only with the consent in writing of the holders of not less than three-fourths of the voting rights of the issued shares of that class, or with the approval of a resolution passed by a majority of not less than three-fourths of the votes cast at a separate meeting of the holders of the shares of that class. To any such meeting all the provisions of the Articles of Association relating to general meetings shall apply *mutatis mutandis*, except that the necessary quorum shall be one or more persons holding or representing by proxy or duly authorised representative at least one-third of the voting rights of the issued shares of that class.

The rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.4 Alteration of capital

The Company may by ordinary resolution:

(a) increase its share capital by such sum as the ordinary resolution shall prescribe and with such rights, priorities and privileges annexed thereto, as the Company in general meeting may determine;

(b) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchasers thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

(c) by subdivision of its existing shares or any of them divide the whole or any part of its share capital into shares of smaller amount than is fixed by the Memorandum of Association or into shares without par value; and

(d) cancel any shares that at the date of the passing of the ordinary resolution have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

The Company may by special resolution reduce its share capital or any capital redemption reserve fund, subject to the provisions of the Companies Act.

2.5 Special resolution — majority required

A "special resolution" is defined in the Articles of Association to have the same meaning as in the Companies Act, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an "ordinary resolution" is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.6 Voting rights

Subject to any rights or restrictions attached to any shares, at any general meeting every member of the Company present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have (a) the right to speak; (b) one vote on a show of hands; and (c) one vote for every share of which he is the holder on a poll.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint holders the vote of the senior holder who tenders a vote, whether in person or by proxy (or in the case of a corporation or other non-natural person, by its duly authorised representative or proxy) shall be accepted to the exclusion of the votes of the other joint holders, and seniority shall be determined by the order in which the names of the holders stand in the register of members of the Company.

A member of unsound mind, or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by their committee, receiver, curator bonis, or other person on such member's behalf appointed by that court, and any such committee, receiver, curator bonis or other person may vote by proxy.

No person shall be counted in a quorum or be entitled to vote at any general meeting unless he is registered as a member on the record date for such meeting, nor unless all calls or other monies then payable by him in respect of shares have been paid.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairperson of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

Any corporation or other non-natural person which is a member of the Company may in accordance with its constitutional documents, or in the absence of such provision by resolution of its directors or other governing body, authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of members, and the person so authorised shall be entitled to exercise the same powers as the corporation could exercise if it were an individual member.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company, provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) which that person represents as that recognised clearing house (or its nominee(s)) could exercise as if such person were an individual member of the Company holding the number and class of shares specified in such authorisation, including the right to speak and, where a show of hands is allowed, the right to vote individually on a show of hands.

2.7 *Annual general meetings and extraordinary general meetings*

The Company shall hold a general meeting as its annual general meeting for each financial year within six months (or such other period as may be permitted by the Listing Rules or the Stock Exchange) after the end of such financial year. An annual general meeting shall be specified as such in the notices calling it.

The Directors may call general meetings, and they shall on a members' requisition forthwith proceed to convene an extraordinary general meeting of the Company. A members' requisition is a requisition of one or more members holding at the date of deposit of the requisition not less than 10% of the voting rights, on a one vote per share basis, of the issued shares which as at that date carry the right to vote at general meetings of the Company. The members' requisition must state the objects and the resolutions to be added to the agenda of the meeting and must be signed by the requisitionists and deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office of the Company, and may consist of several documents in like form each signed by one or more requisitionists. If there are no Directors as at the date of the deposit of the members' requisition or if the Directors do not within 21 days from the date of the deposit of the members' requisition duly proceed to convene a general meeting to be held within a further 21 days, the requisitionists, or any of them representing more than one-half of the total voting rights of all the requisitionists, may themselves convene a general meeting, but any meeting so convened shall be held no later than the day which falls three months after the expiration of the said 21 day period. A general meeting convened by requisitionists shall be convened in the same manner as nearly as possible as that in which general meetings are to be convened by Directors.

2.8 *Accounts and audit*

The Directors shall cause proper books of account to be kept with respect to all sums of money received and expended by the Company and the matters in respect of which the receipt or expenditure takes place, all sales and purchases of goods by the Company and the assets and liabilities of the Company. Such books of account must be retained for a minimum period of five years from the date on which they are prepared. Proper books shall not be deemed to be kept if there are not kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to explain its transactions.

The Directors shall determine whether and to what extent and at what times and places and under what conditions or regulations the accounts and books of the Company or any of them shall be open to the inspection of members of the Company not being Directors, and no member (not being a Director) shall have any right of inspecting any account or book or document of the Company except as conferred by the Companies Act or authorised by the Directors or by the Company in general meeting.

The Directors shall cause to be prepared and to be laid before the Company at every annual general meeting a profit and loss account for the period since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up, a Directors' report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditors' report on such accounts and such other reports and accounts as may be required by law.

2.9 Auditors

The Company shall at every annual general meeting by ordinary resolution appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The Company may by ordinary resolution remove an auditor before the expiration of his period of office. No person may be appointed as an auditor of the Company unless such person is independent of the Company. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed by ordinary resolution, or in the manner specified in such resolution.

2.10 Notice of meetings and business to be conducted thereat

An annual general meeting shall be called by not less than 21 days' notice and any extraordinary general meeting shall be called by not less than 14 days' notice, which shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Every notice shall specify the place, the day and the hour of the meeting, particulars of the resolutions and the general nature of the business to be conducted at the meeting. Notwithstanding the foregoing, a general meeting of the Company shall, whether or not the notice specified has been given and whether or not the provisions of the Articles of Association regarding general meetings have been complied with, be deemed to have been duly convened if it is so agreed:

(a) in the case of an annual general meeting, by all members of the Company entitled to attend and vote at the meeting; and

(b) in the case of an extraordinary general meeting, by a majority in number of the members having a right to attend and vote at the meeting, together holding not less than 95% in par value of the shares giving that right.

If, after the notice of a general meeting has been sent but before the meeting is held, or after the adjournment of a general meeting but before the adjourned meeting is held (whether or not notice of the adjourned meeting is required), the Directors, in their absolute discretion, consider that it is impractical or unreasonable for any reason to hold a general meeting on the date or at the time and place specified in the notice calling such meeting, they may change or postpone the meeting to another date, time and place.

The Directors also have the power to provide in every notice calling a general meeting that in the event of a gale warning or a black rainstorm warning is in force at any time on the day of the general meeting (unless such warning is cancelled at least a minimum period of time prior to the general meeting as the Directors may specify in the relevant notice), the meeting shall be postponed without further notice to be reconvened on a later date.

Where a general meeting is postponed:

(a) the Company shall endeavour to cause a notice of such postponement, which shall set out the reason for the postponement in accordance with the Listing Rules, to be placed on the Company's website and published on the Stock Exchange's website as soon as practicable, provided that failure to place or publish such notice shall not affect the automatic postponement of a general meeting due to a gale warning or black rainstorm warning being in force on the day of the general meeting;

(b) the Directors shall fix the date, time and place for the reconvened meeting and at least seven clear days' notice shall be given for the reconvened meeting; and such notice shall specify the date, time and place at which the postponed meeting will be reconvened and the date and time by which proxies shall be submitted in order to be valid at such reconvened meeting (provided that any proxy submitted for the original meeting shall continue to be valid for the reconvened meeting unless revoked or replaced by a new proxy); and

(c) only the business set out in the notice of the original meeting shall be transacted at the reconvened meeting, and notice given for the reconvened meeting does not need to specify the business to be transacted at the reconvened meeting, nor shall any accompanying documents be required to be recirculated. Where any new business is to be transacted at such reconvened meeting, the Company shall give a fresh notice for such reconvened meeting in accordance with the Articles of Association.

2.11 Transfer of shares

Transfers of shares may be effected by an instrument of transfer, which shall be in writing and in any standard form of transfer as prescribed by the Stock Exchange or such other form as the Directors may approve. The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company.

The Directors may decline to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

(a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;

(b) the instrument of transfer is in respect of only one class of shares;

(c) the instrument of transfer is properly stamped (in circumstances where stamping is required);

(d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;

(e) the shares concerned are free of any lien in favour of the Company; and

(f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall notify the transferor and the transferee within two months of such refusal.

The registration of transfers shall be suspended during such periods as the register of members of the Company is closed. The Directors may, on at least 10 business days' notice (or on at least 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, close the register of members at such times and for such periods as the Directors may from time to time determine, provided that the register of members shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

2.12 Power of the Company to purchase its own shares

Subject to the provisions of the Companies Act, the Company may purchase its own shares provided that (a) the manner of purchase has first been authorised by the members of the Company by ordinary resolution, and (b) any such purchase shall only be made in accordance with any relevant code, rules or regulations issued by the Stock Exchange or the Securities and Futures Commission of Hong Kong from time to time in force.

2.13 Power of any subsidiary of the Company to own shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.14 Dividends and other methods of distribution

Subject to the Companies Act and the Articles of Association, the Company may by ordinary resolution resolve to pay dividends and other distributions on shares in issue and authorise payment of the dividends or other distributions out of the funds of the Company lawfully available therefor, provided no dividends shall exceed the amount recommended by the Directors. No dividend or other distribution shall be paid except out of the realised or unreleased profits of the Company, out of the share premium account or as otherwise permitted by law.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may in addition from time to time declare and pay special dividends on shares of such amounts and on such dates as they think fit.

Except as otherwise provided by the rights attached to any shares, all dividends and other distributions shall be paid according to the amounts paid up on the shares that a member holds during any portion or portions of the period in respect of which the dividend is paid. For this purpose no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may deduct from any dividends or other distribution payable to any member of the Company all sums of money (if any) then payable by the member to the Company on account of calls or otherwise. The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

No dividend shall carry interest against the Company. Except as otherwise provided by the rights attached to any shares, dividends and other distributions may be paid in any currency.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other monies payable in cash in respect of shares may be paid by wire transfer to the holder or by cheque or warrant sent through the post directed to the registered address of the holder or, in the case of joint holders, to the registered address of the holder who is first named on the register of members of the Company or to such person and to such address as the holder or joint holders may in writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent. Any one of two or more joint holders may give effectual receipts for any dividends, other distributions, bonuses, or other monies payable in respect of the shares held by them as joint holders.

Any dividend or other distribution which remains unclaimed after a period of six years from the date on which such dividend or distribution becomes payable shall be forfeited and shall revert to the Company.

The Directors, with the sanction of the members of the Company by ordinary resolution, may resolve that any dividend or other distribution be paid wholly or partly by the distribution of specific assets, and in particular (but without limitation) by the distribution of shares, debentures, or securities of any other company or in any one or more of such ways, and where any difficulty arises in regard to such distribution, the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any members of the Company upon the basis of the value so fixed in order to adjust the rights of all members, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.15 Proxies

A member of the Company entitled to attend and vote at a general meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. Votes may be given either personally or by proxy. A proxy need not be a member of the Company. A member may appoint any number of proxies to attend in his stead at any one general meeting or at any one class meeting.

The instrument appointing a proxy shall be in writing and shall be executed under the hand of the appointor or of his attorney duly authorised in writing, or, if the appointor is a corporation or other non-natural person, under the hand of its duly authorised representative.

The Directors shall, in the notice convening any meeting or adjourned meeting, or in an instrument of proxy sent out by the Company, specify the manner (including by electronic means) by which the instrument appointing a proxy shall be deposited and the place and the time (being not later than the time appointed for the commencement of the meeting or adjourned meeting to which the proxy relates) at which the instrument appointing a proxy shall be deposited.

The instrument appointing a proxy may be in any usual or common form (or such other form as the Directors may approve) and may be expressed to be for a particular meeting or any adjournment thereof or generally until revoked.

2.16 Calls on shares and forfeiture of shares

Subject to the terms of the allotment and issue of any shares, the Directors may make calls upon the members of the Company in respect of any monies unpaid on their shares (whether in respect of par value or premium), and each member of the Company shall (subject to receiving at least 14 clear days' notice specifying the times or times of payment) pay to the Company at the time or times so specified the amount called on his shares. A call may be revoked or postponed, in whole or in part, as the Directors may determine. A call may be required to be paid by instalments. A person upon whom a call is made shall remain liable for calls made upon him, notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share.

If a call remains unpaid after it has become due and payable, the person from whom it is due shall pay interest on the amount unpaid from the day it became due and payable until it is paid at such rate as the Directors may determine (and in addition all expenses that have been incurred by the Company by reason of such non-payment), but the Directors may waive payment of the interest or expenses wholly or in part.

If any call or instalment of a call remains unpaid after it has become due and payable, the Directors may give to the person from whom it is due not less than 14 clear days' notice requiring payment of the amount unpaid together with any interest which may have accrued and any expenses incurred by the Company by reason of such non-payment. The notice shall specify where payment is to be made and shall state if the notice is not complied with the shares in respect of which the call was made will be liable to be forfeited.

If such notice is not complied with, any share in respect of which it was given may, before the payment required by the notice has been made, be forfeited by a resolution of the Directors. Such forfeiture shall include all dividends, other distributions or other monies payable in respect of the forfeited shares and not paid before the forfeiture.

A forfeited share may be sold, re-allotted or otherwise disposed of on such terms and in such manner as the Directors think fit.

A person any of whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares and shall surrender to the Company for cancellation the certificate for the shares forfeited and shall remain liable to pay to the Company all monies which at the date of forfeiture were payable by him to the Company in respect of the shares, together with interest at such rate as the Directors may determine, but that person's liability shall cease if and when the Company shall have received payment in full of all monies due and payable by them in respect of those shares.

2.17 Inspection of register of members

The Company shall maintain or cause to be maintained the register of members of the Company in accordance with the Companies Act. The Directors may, on giving 10 business days' notice (or 6 business days' notice in the case of a rights issue) by advertisement published on the Stock Exchange's website or, subject to the Listing Rules, in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, close the register of members at such times and for such periods as the Directors may determine, either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

Except when the register is closed, the register of members shall during business hours be kept open for inspection by any member of the Company without charge.

2.18 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present. Two members of the Company present in person or by proxy, or if a corporation or other non-natural person by its duly authorised representative or proxy, shall be a quorum unless the Company has only one member entitled to vote at such general meeting in which case the quorum shall be that one member present in person or by proxy, or in the case of a corporation or other non-natural person by its duly authorised representative or proxy.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.3 above.

2.19 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.20 Procedure on liquidation

Subject to the Companies Act, the Company may by special resolution resolve that the Company be wound up voluntarily.

Subject to the rights attaching to any shares, in a winding up:

(a) if the assets available for distribution amongst the members of the Company shall be insufficient to repay the whole of the Company's paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, on the shares held by them at the commencement of the winding up;

(b) if the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the Company's paid up capital at the commencement of the winding up, the surplus shall be distributed amongst the members of the Company in proportion to the capital paid up on the shares held by them at the commencement of the winding up.

If the Company shall be wound up, the liquidator may with the approval of a special resolution of the Company and any other approval required by the Companies Act, divide amongst the members of the Company in kind the whole or any part of the assets of the Company (whether such assets shall consist of property of the same kind or not) and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like approval, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like approval, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.21 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12-year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12-year period, the Company has caused an advertisement to be published in the newspapers or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

1 Introduction

The Companies Act is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Act and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Act, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on September 3, 2014 under the Companies Act. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorised share capital.

3 Share Capital

The Companies Act permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the "share premium account". At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Act provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

(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) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Act);

(d) writing-off the preliminary expenses of the company;

(e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and

(f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands, 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.

Subject to the detailed provisions of the 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. The manner of such a purchase must be authorised either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors 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 member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company 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 to act 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.

4 Dividends and Distributions

With the exception of section 34 of the Companies Act, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Act permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

5 Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class 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 where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands 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 Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands 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.

Claims against a company by its shareholders must, as a general rule, 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.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7 Disposal of Assets

The Companies Act contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and Auditing Requirements

The Companies Act requires that a company shall cause to be kept proper books of account 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.

9 Register of Members

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 its directors may from time to time think fit. There is no requirement under the Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10 Inspection of Books and Records

Members of a company will have no general right under the Companies Act to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

11 Special Resolutions

The Companies Act provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

12 Subsidiary Owning Shares in Parent

The Companies Act does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Mergers and Consolidations

The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent company and (b) such other authorisation, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by (a) 75% in value of shareholders, or (b) a majority in number representing 75% in value of creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand 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 and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15 Take-overs

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 90% 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 require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand 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.

16 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 Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17 Restructuring

A company may present a petition to the Grand Court of the Cayman Islands for the appointment of a restructuring officer on the grounds that the company:

(a) is or is likely to become unable to pay its debts; and

(b) intends to present a compromise or arrangement to its creditors (or classes thereof) either pursuant to the Companies Act, the law of a foreign country or by way of a consensual restructuring.

The Grand Court may, among other things, make an order appointing a restructuring officer upon hearing of such petition, with such powers and to carry out such functions as the court may order. At any time (i) after the presentation of a petition for the appointment of a restructuring officer but before an order for the appointment of a restructuring officer has been made, and (ii) when an order for the appointment of a restructuring officer is made, until such order has been discharged, no suit, action or other proceedings (other than criminal proceedings) shall be proceeded with or commenced against the company, no resolution to wind up the company shall be passed, and no winding up petition may be presented against the company, except with the leave of the court. However, notwithstanding the presentation of a petition for the appointment of a restructuring officer or the appointment of a restructuring officer, a creditor who has security over the whole or part of the assets of the company is entitled to enforce the security without the leave of the court and without reference to the restructuring officer appointed.

18 Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

19 Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

20 Taxation

Pursuant to section 6 of the Tax Concessions Act (As Revised) of the Cayman Islands, the Company may obtain an undertaking from the Financial Secretary of the Cayman Islands:

(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 the Company or its operations; and

(b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:

A. on or in respect of the shares, debentures or other obligations of the Company; or

B. by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Act (As Revised).

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save 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 not party to any double tax treaties that are applicable to any payments made by or to the Company.

21 Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

22 General

Maples and Calder (Hong Kong) LLP, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising aspects of Cayman Islands company law. This letter, together with a copy of the Companies Act, is on display on the websites as referred to in the section headed "Documents Delivered to the Registrar of Companies and Available on Display" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of Our Company

We were incorporated in the Cayman Islands under the Cayman Companies Act as an exempted company with limited liability on September 3, 2014. Our registered office is at Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. As we were incorporated in the Cayman Islands, our operations are subject to the relevant laws of the Cayman Islands and our Constitution comprising our Memorandum and the Articles. A summary of certain provisions of our Constitution and relevant aspects of the Cayman Companies Act is set out in Appendix III to this document.

Our registered place of business in Hong Kong is at 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong. We have registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on June 29, 2023 with the Registrar of Companies in Hong Kong. Ms. Chan Sau Ling (陳秀玲) has been appointed as our authorized representative for the acceptance of service of process and notices on our behalf in Hong Kong.

As of the date of this document, our Company's head office is located at 6/F, Kailong Center, 2251 Zhenbei Road, Putuo District, Shanghai, PRC.

2. Changes in our share capital

The following sets out the changes in our Company's share capital within the two years immediately preceding the issue of this document:

- On August 12, 2022, our Company allotted and issued an aggregate of (i) 97,480,000 Shares; (ii) 7,637,049 Series A Preferred Shares; and (iii) 15,152,715 Series B Preferred Shares to the following persons.

Name	Number of Shares	Class of Shares
WISE AXIS LIMITED	1,660,000	Ordinary Shares
Triton Venture Limited	3,320,000	Ordinary Shares
Grand Baoxin Auto Group Limited	21,000,000	Ordinary Shares
Baoxin Auto Finance I Limited	41,500,000	Ordinary Shares
Dazzling Calcite Limited	2,545,683	Series A Preferred Shares
Image Frame Investment (HK) Limited	5,091,366	Series A Preferred Shares
CR Matrix Limited	15,152,715	Series B Preferred Shares

- On August 12, 2022, Runwin (China) Investment Limited transfered 30,000,000 Ordinary Shares to NEW PLUS LIMITED.

- On May 12, 2023, our Company allotted and issued 37,500,000 Shares to Grand Zhang YQ Holding Limited.

- On May 17, 2023, our Company allotted and issued an aggregate of 194,136,592 Shares to the following persons.

Name	Number of Shares	Class of Shares
Unity Delight Development Limited	1,000,000	Ordinary Shares
Powermark Commerce Limited	1,500,000	Ordinary Shares
Sun Win Business Management Limited	3,500,000	Ordinary Shares
My Splendid Limited	4,000,000	Ordinary Shares
Huatong Auto International Development Ltd	5,000,000	Ordinary Shares
Super May Limited	5,000,000	Ordinary Shares
Mingchang Investment Development Limited	7,000,000	Ordinary Shares
Hongrun Investment Development Limited	8,000,000	Ordinary Shares
Oak Business Management Limited	10,000,000	Ordinary Shares
Xiangyu Investment Development Limited	10,000,000	Ordinary Shares
Jumbo Create Investment Development Limited	10,000,000	Ordinary Shares
Future Optimal Limited	15,000,000	Ordinary Shares
Vision Now Limited	15,000,000	Ordinary Shares
Zeal Auto Ltd.	19,136,592	Ordinary Shares
Longkun Investment Development Limited	25,000,000	Ordinary Shares
Sunrise Spark Limited	25,000,000	Ordinary Shares
Zhuoheng Holding Limited	30,000,000	Ordinary Shares

- On May 17, 2023, our Company forfeited an aggregate of 194,136,592 Shares from the following Shareholders.

Name	Number of Shares	Class of Shares
Zeal International Investment Holding Limited.	19,136,592	Ordinary Shares
Peng Kang	5,000,000	Ordinary Shares
Jian Shen Diao and Bao Shuang Han	30,000,000	Ordinary Shares
MIGHTY NATION INVESTMENT DEVELOPMENT LIMITED	25,000,000	Ordinary Shares
Hongtai Investment Development Limited	20,000,000	Ordinary Shares
Fenghong Investment Development Limited	25,000,000	Ordinary Shares
Runda Investment Development Limited	15,000,000	Ordinary Shares
Furui Investment Development Limited	10,000,000	Ordinary Shares
Xiangfeng Investment Development Limited	15,000,000	Ordinary Shares
Ruibo Investment Development Limited	10,000,000	Ordinary Shares
Yunchang Investment Development Limited	20,000,000	Ordinary Shares

- On June 27, 2023, the authorized share capital of the Company has changed to US$50,000 divided into 5,000,000,000 Shares, of which (i) 4,944,330,282 Shares are designated as Ordinary Shares of par value of US$0.00001 each, (ii) 38,185,637 Shares are designated as Series A Preferred Shares of par value of US$0.00001 each, and (iii) 17,484,081 Shares are designated as Series B Preferred Shares of US$0.00001 each.

- On June 27, 2023, our Company allotted and issued shares with a par value of US$0.00001 each to the following shareholders, and the Company has repurchased the same number of shares with a par value of US$0.1639 from these shareholders.

Name	Number of Shares	Class of Shares
Extensive Prosperous Investment Limited	100,000,000	Ordinary Shares
Manheim Investment, Inc	90,000,000	Ordinary Shares
World Key Investment Trading Limited	50,000,000	Ordinary Shares
Baoxin Auto Finance I Limited	41,500,000	Ordinary Shares
Grand ZhangYQ Holding Limited	37,500,000	Ordinary Shares
Jumbo Create Investment Development Limited	35,000,000	Ordinary Shares
Zhuoheng Holding Limited	30,000,000	Ordinary Shares
New Plus Limited	30,000,000	Ordinary Shares
Sunrise Spark Limited	25,000,000	Ordinary Shares
Longkun Investment Development Limited	25,000,000	Ordinary Shares
Grand Baoxin Auto Group Limited	21,000,000	Ordinary Shares
Zeal Auto Ltd.	19,136,592	Ordinary Shares
Future Optimal Limited	15,000,000	Ordinary Shares
Vision Now Limited	15,000,000	Ordinary Shares
Lei Shing Hong Automobile Limited	10,000,000	Ordinary Shares
Jinyi Investment Development Limited	10,000,000	Ordinary Shares
Oak Business Management Limited	10,000,000	Ordinary Shares
Xiangyu Investment Development	10,000,000	Ordinary Shares
Hongrun Investment Development	8,000,000	Ordinary Shares
Mingchang Investment Development Limited	7,000,000	Ordinary Shares
Huatong Auto International Development Ltd	5,000,000	Ordinary Shares
Super May Limited	5,000,000	Ordinary Shares
My Splendid Limited	4,000,000	Ordinary Shares
Sun Win Business Management Limited	3,500,000	Ordinary Shares
Triton Venture Limited	3,320,000	Ordinary Shares
Wise Axis Limited	1,660,000	Ordinary Shares
Powermark Commerce Limited	1,500,000	Ordinary Shares
Unity Delight Development Limited	1,000,000	Ordinary Shares
Image Frame Investment (HK) Limited	22,062,586	Series A Preferred Shares
Dazzling Calcite Limited	11,031,293	Series A Preferred Shares
CR Matrix Limited	15,152,715	Series B Preferred Shares

- On June 27, 2023, our Company allotted and issued an additional of 147,876,118 ordinary shares of par value US$0.00001 each to the following shareholders.

Name	Number of Shares	Class of Shares
Zhuoheng Holding Limited	40,115,754	Ordinary Shares
Paddy investment Holding Limited	28,000,000	Ordinary Shares
Tongyuan Group Development Limited	24,182,028	Ordinary Shares
JYS Family Limited	15,000,000	Ordinary Shares
Valensky Holding Limited	9,656,845	Ordinary Shares
Yuebao Holding Limited	6,962,846	Ordinary Shares
Xiangyun International Development Ltd	5,622,220	Ordinary Shares
Delicacy-auto Ltd	5,142,913	Ordinary Shares
JUNRONG Holding Limited	5,193,512	Ordinary Shares
HCH Company Limited	5,000,000	Ordinary Shares
Huatong Auto International Development Ltd	3,000,000	Ordinary Shares

- On June 27, 2023, our Company alloted and issued additional Preferred Shares to the Preferred Shareholders as set out below.

Name	Number of Shares	Class of Shares
Image Frame Investment (HK) Limited	3,394,505	Series A Preferred Shares
Dazzling Calcite Limited	1,697,253	Series A Preferred Shares
CR Matrix Limited	2,331,366	Series B Preferred Shares

- Immediately before the [REDACTED], the authorized share capital of our Company will be US$50,000 divided into 5,000,000,000 Shares of a par value of US$0.00001 each, all fully paid or credited as fully paid and 4,182,337,572 Shares of a par value of US$0.00001 each will remain unissued.

Save as disclosed above and as mentioned in the paragraph headed "4. Resolutions in writing of our Shareholders" below, there has been no alteration in our share capital within the two years immediately preceding the date of this document.

3. Changes in the share capital of our subsidiaries

A summary of the corporate information and particulars of our subsidiaries are set out in the Accountants' Report set out in Appendix I to this document.

The following sets out the changes in the share capital of our subsidiaries during the two years immediately preceding the date of this document:

- On July 20, 2022, the registered capital of Shanghai Shaoxun Intelligent Technical Co., Ltd.* (上海劭勛智能科技有限公司) was increased from RMB2,000,000 to RMB50,000,000;

- On July 27, 2022, the registered capital of Shanghai Changxin Auction Co., Ltd.* (上海常信拍賣有限公司) was increased from RMB50,000,000 to RMB100,000,000;

- On December 8, 2022, the registered capital of Shanghai Shuxun Electric Commercial Co., Ltd.* (上海澍勛電子商務有限公司) was increased from RMB50,000,000 to RMB100,000,000, subscribed by Beijing Jiesheng Consulting Management Co., Ltd* (北京捷昇諮詢管理有限公司);

- On May 16, 2023, the registered capital of Wuhan Botong Auction Co., Ltd.* (武漢市博通拍賣有限公司) was increased from RMB2,000,000 to RMB30,000,000;

- On May 16, 2023, the registered capital of Shanghai Changxin Auction Co., Ltd.* (上海常信拍賣有限公司) was increased from RMB100,000,000 to RMB400,000,000;

- On May 16, 2023, the registered capital of Shanghai Shengchuang Used Vehicle Agent Co., Ltd.* (上海晟創二手車經銷有限公司) was increased from RMB30,000,000 to RMB50,000,000;

- On May 16, 2023, the registered capital of Shanghai Ousheng Used Vehicle Agent Co., Ltd.* (上海歐晟二手車經營有限公司) was increased from RMB10,000,000 to RMB50,000,000; and

- On May 26, 2023, the registered capital of Beijing Kaokesi Auto Technical Co., Ltd.* (北京考科斯汽車科技有限公司) was increased from RMB10,000,000 to RMB30,000,000.

The following subsidiaries have been established/incorporated within two years immediately preceding the date of this document:

Name of subsidiary	Place of establishment/ incorporation	Date of establishment/ incorporation	Issued and paid in capital/ registered capital
Fujian Huachuang Auction Co., Ltd* (福建華創拍賣有限公司)	The People's Republic of China	September 2, 2022	RMB10,000,000
Tianjin Jiexin Vehicle Service Co., Ltd* (天津捷信車務服務有限公司)	The People's Republic of China	March 30, 2022	RMB100,000
Changzhou Changxin Bidding Co. Ltd.* (常州常信拍賣有限公司)	The People's Republic of China	December 7, 2022	RMB2,000,000
Hangzhou Changxin Bidding Co. Ltd.* (杭州常信拍賣有限公司)	The People's Republic of China	March 17, 2023	RMB50,000,000

4. Resolutions in writing of our Shareholders

Written resolutions of our Shareholders were passed on [●], pursuant to which, among others:

(a) [the Memorandum and Articles were approved and adopted conditional upon [REDACTED];

(b) all of the Preferred Shares (whether issued or unissued) be re-designated and re-classified as Shares of US$0.00001 each on a one-for-one basis (the "**Re-designation and Re-classification**");

(c) conditional upon all the conditions set out in "[REDACTED]" in this document being fulfilled:

A. the [REDACTED] were approved and the Board (or any committee thereof established by the Board pursuant to the Articles) was authorized to make or effect such modifications as it thinks fit;

B. the Board (or any committee thereof established by the Board pursuant to the Articles) was authorized to allot, issue and approve the transfer of such number of Shares in connection with the [REDACTED]; and

C. the Board (or any committee thereof established by the Board pursuant to the Articles) was authorized to agree to the [REDACTED] with the [REDACTED]; and

(d) a general unconditional mandate [was given] to our Directors to exercise all the powers of our Company to allot, issue and deal with Shares or securities convertible into Shares and to make or grant offers or agreements or options (including any warrants, bonds, notes and debentures conferring any rights to subscribe for or otherwise receive Shares) which might require Shares to be allotted, issued or dealt with, otherwise than pursuant to the [REDACTED], a right issue or pursuant to the exercise of any subscription rights attaching to any warrants which may be allotted and issued by our Company from time to time on a specific authority granted by the Shareholders in general meeting or, pursuant to the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles, Shares not exceed 20% of the aggregate nominal value of the Shares in issue immediately following completion of the [REDACTED], excluding any Shares to be issued pursuant to [REDACTED], such mandate to remain in effect until (i) the conclusion of the next annual general meeting of our Company unless renewed by an ordinary resolution of the Shareholders in general meeting either unconditionally or subject to condition, or (ii) the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles or any applicable laws or (iii) when revoked or varied by an ordinary resolution of Shareholders in general meeting of the Company, whichever is the earliest;

(e) a general unconditional mandate [was given] to the Directors authorizing them to exercise all the powers of our Company to repurchase its own Shares on the Stock Exchange or on any other approved stock exchange on which the securities of our Company may be [REDACTED] and which is recognized by the SFC and the Stock Exchange for this purpose, such number of Shares will represent up to 10% of the aggregate nominal value of the Shares in issue immediately following the completion of the [REDACTED], such mandate to remain in effect until whichever is the earliest of (i) the conclusion of the next annual general meeting of our Company unless renewed by an ordinary resolution of the Shareholders in general meeting either unconditionally or subject to condition, or (ii) the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles or any applicable laws, or (iii) when revoked or varied by an ordinary resolution of Shareholders in general meeting of the Company; and

(f) the general mandate mentioned in paragraph (e) above be extended by the addition to the aggregate nominal value of the Shares which may be allotted, or agreed conditionally or unconditionally to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the Shares repurchased by our Company pursuant to the mandate to purchase shares referred to in paragraph (f) above.]

5. Repurchases of our own securities

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the more important of which are summarized below:

(i) Shareholders' approval

All proposed repurchases of Shares (which must be fully paid up) by a company with a [REDACTED] on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a written resolution passed by our then Shareholders on [●], a general unconditional mandate (the "**Repurchase Mandate**") [was given] to the Directors authorizing any repurchase by us of Shares on the [REDACTED] or on any other [REDACTED] on which the securities of our Company may be [REDACTED] and which is recognized by the SFC and the Stock Exchange for this purpose, of not more than 10% of the aggregate nominal value of our share capital in issue immediately following the completion of the [REDACTED] (assuming each Preferred Share is converted into one Share) but excluding any Shares to be issued pursuant to [REDACTED], such mandate to expire at the earliest of (i) the conclusion of the next annual general meeting of our Company unless renewed by an ordinary resolution of the Shareholders in general meeting either unconditionally or subject to condition, or (ii) the expiration of the period within which the next annual general meeting of our Company is required to be held by our Articles or any other applicable laws, or (iii) when revoked or varied by an ordinary resolution of Shareholders in general meeting of the Company.

(ii) Source of funds

Repurchases must be funded out of funds legally available for such purpose in accordance with our Memorandum and Articles, the Listing Rules and the applicable laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. Under the Cayman Companies Act, the par value of any Shares repurchased by us may be provided for out of our profits, out of share premium, or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if so authorized by the Articles and subject to the provisions of the Cayman Companies Act, out of capital. Any premium payable on a repurchase over the par value of the Shares to be repurchased must be provided for out of our profits or from sums standing to the credit of our share premium account or, if authorized by the Articles and subject to the provisions of the Cayman Companies Act, out of capital.

(iii) Trading restrictions

The total number of Shares which we may repurchase is up to 10% of the total number of our Shares in issue immediately after the completion of the [REDACTED] (excluding any Shares to be issued pursuant to [REDACTED]). We may not issue or announce a proposed issue of Shares for a period of 30 days immediately following a repurchase of Shares, whether on the [REDACTED] or otherwise, without the prior approval of the [REDACTED]. We are also prohibited from repurchasing Shares on the [REDACTED] if the repurchase would result in the number of [REDACTED] Shares which are in the hands of the [REDACTED] falling below the relevant prescribed minimum percentage as required by the [REDACTED]. We are required to procure that the broker appointed by us to effect a repurchase of Shares discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require. [REDACTED] shall not purchase its shares on the Stock Exchange if the purchase price is higher by 5% or more than the [REDACTED].

(iv) Status of repurchased Shares

All repurchased Shares (whether effected on the [REDACTED] or otherwise) will be automatically [REDACTED] and the certificates for those Shares must be cancelled and destroyed. Under Cayman Companies Act, a company's repurchased shares shall be treated as cancelled and the amount of the company's issued share capital shall be reduced by the aggregate value of the repurchased shares accordingly although the authorized share capital of the company will not be reduced.

(v) Suspension of repurchase

Pursuant to the Listing Rules, we may not make any repurchases of Shares at any time after inside information has come to our knowledge until the information is made publicly available. In particular, under the requirements of the Listing Rules in force as of the date hereof, during the period of one month immediately preceding the earlier of (a) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our results for any year, half year, quarterly or any other interim period (whether or not required under the Listing Rules); and (b) the deadline for us to publish an announcement of our results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and in each case ending on the date of the results announcement, we may not repurchase Shares on the [REDACTED] unless the circumstances are exceptional. In addition, the Stock Exchange may prohibit a repurchase of securities on the [REDACTED] if we have breached the Listing Rules.

(vi) Procedural and reporting requirements

As required by the Listing Rules, repurchases of Shares on the [REDACTED] or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the Stock Exchange business day following any day on which we may make a purchase of Shares. The report must state the total number of Shares purchased the previous day, the purchase price per Share or the highest and lowest prices paid for such purchases. In addition, our annual report is required to disclose details regarding repurchases of Shares made during the year, including a monthly analysis of the number of shares repurchased, the purchase price per Share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate prices paid.

(vii) Connected parties

A company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "core connected person", that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or any of their respective close associates (as defined in the Listing Rules) and a core connected person shall not knowingly sell its securities to the company on the Stock Exchange.

(b) Reasons for repurchases

The Directors believe that it is in the best interests of our Company and the Shareholders for the Directors to have general authority from the Shareholders to enable the Directors to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or [REDACTED] and will only be made where the Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) Funding of repurchases

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

On the basis of the current financial position as disclosed in this document and taking into account the current working capital position, the Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on our working capital and/or gearing position as compared with the position disclosed in this document. The Directors, however, do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirements or gearing levels which in the opinion of the Directors are from time to time appropriate for us.

The exercise in full of the Repurchase Mandate, on the basis of [REDACTED] Shares in [REDACTED] immediately following the completion of the [REDACTED] (excluding any Shares to be [REDACTED] pursuant to the exercise of the [REDACTED]), could accordingly result in [REDACTED] Shares being repurchased by us during the period prior to the earliest of (i) the conclusion of the next annual general meeting of our Company unless renewed by an ordinary resolution of the Shareholders in general meeting either unconditionally or subject to condition; (ii) the expiration of the period within which we are required by any applicable laws or our Articles to hold our next annual general meeting; or (iii) the revocation or variation of the mandate by an ordinary resolution of the Shareholders in general meeting of the Company.

(d) General

None of the Directors or, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to us or our subsidiaries.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If, as a result of any repurchase of Shares, a shareholder's proportionate interest in our voting rights is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a shareholder or a group of shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate. Any repurchase of Shares which results in the number of Shares held by the [REDACTED] being reduced to less than 25% of our Shares in [REDACTED] could only be implemented with the approval of the [REDACTED] to waive the Listing Rules requirements regarding [REDACTED] referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

No connected person has notified us that he or she has a present intention to sell Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this document that are or may be material:

(a) a shareholders' agreement dated August 4, 2022 entered into among (i) the Company, (ii) CR Matrix Limited, (iii) Image Frame Investment (HK) Limited, (iv) Dazzling Calcite Limited, (v) the founder parties, which include Yang Aihua (楊愛華), Orient Rich Investment Development Limited, Extensive Prosperous Investments Limited, (vi) major subsidiaries of the Company, including Chengshunhang Company Limited, On Top Capital Resources Limited, Shanghai Xinbao Botong E-commerce Co., Ltd* (上海信寶博通電子商務有限公司), Shanghai Shuxun E-commerce Co., Ltd* (上海澍勛電子商務有限公司), Shanghai Changxin Auction Co., Ltd.* (上海常信拍賣有限公司), Xinjiang Huihan Automobile Auction Service Co., Ltd* (新疆匯瀚機動車拍賣服務有限公司) and Xinjiang Baoqian Automobile Auction Service Co., Ltd* (新疆寶乾機動車拍賣服務有限公司), and (vii) Shareholders including Manheim Investments, Inc., World Key Investment Trading Limited, Diao Jianshen (刁建申), Han Baoshuang (韓葆霜), Yunchang Investment Development Limited, Lei Shing Hong Automobile Limited, Zeal International Investment Holding Limited, Kang Peng (康鵬), Mighty Nation Investment Development Limited, New Plus Limited, Jumbo Create Investment Development Limited, Hongtai Investment Development Limited, Jinyi Investment Development Limited, Fenghong Investment Development Limited, Runda Investment Development Limited, Furui Investment Development Limited, Xiangfeng Investment Development Limited, Ruibo Investment Development Limited, Baoxin Auto Finance I Limited, Grand Baoxin Auto Group Limited, WISE AXIS LIMITED and Triton Venture Limited;

(b) a supplementary agreement to the Series B Share Purchase Agreement dated August 4, 2022 entered into among (i) the Company, (ii) CR Matrix Limited, (iii) the founder parties, which include Yang Aihua (楊愛華), Orient Rich Investment Development Limited, and Extensive Prosperous Investments Limited, and (iv) major subsidiaries of the Company, including, Chengshunhang Company Limited, On Top Capital Resources Limited, Shanghai Xinbao Botong E-commerce Co., Ltd* (上海信寶博通電子商務有限公司), Shanghai Shuxun E-commerce Co., Ltd* (上海澍勛電子商務有限公司), Shanghai Changxin Auction Co., Ltd* (上海常信拍賣有限公司), Xinjiang Huihan Automobile Auction Service Co., Ltd* (新疆匯瀚機動車拍賣服務有限公司) and Xinjiang Baoqian Automobile Auction Service Co., Ltd* (新疆寶乾機動車拍賣服務有

限公司), pursuant to which CR Matrix Limited has agreed to purchase and the Company has agreed to sell 15,152,715 of Series B Preferred Shares at the consideration of US$15,000,000;

(c) a share subscription agreement dated April 18, 2023 entered into between the Company and Valensky Holding Limited, pursuant to which Valensky Holding Limited has agreed to subscribe and the Company has agreed to issue and sell 9,656,845 Shares at par value of US$0.1639 each;

(d) a share subscription agreement dated April 21, 2023 entered into between the Company and JUNRONG Holding Limited, pursuant to which JUNRONG Holding Limited has agreed to subscribe and the Company has agreed to issue and sell 5,193,512 Shares at par value of US$0.1639 each;

(e) a share subscription agreement dated April 16, 2023 entered into between the Company and HCH Company Limited, pursuant to which HCH Company Limited has agreed to subscribe and the Company has agreed to issue and sell 5,000,000 Shares at par value of US$0.1639 each;

(f) a share subscription agreement dated April 16, 2023 entered into between the Company and JYS Family Limited, pursuant to which JYS Family Limited has agreed to subscribe and the Company has agreed to issue and sell 15,000,000 Shares at par value of US$0.1639 each;

(g) a share subscription agreement dated May 25, 2023 entered into between the Company and Yuebao Holding Limited, pursuant to which Yuebao Holding Limited has agreed to subscribe and the Company has agreed to issue and sell 6,962,846 Shares at par value of US$0.1639 each;

(h) [REDACTED].

2. Intellectual Property Rights of our Group

As of the Latest Practicable Date, we have registered the following intellectual property rights which, in the opinion of our Directors, are material to our business.

(a) Trademarks

As of the Latest Practicable Date, we have registered or applied for registration of the following trademarks which we consider to be material to the business of our Group:

No.	Trademark	Registration Number	Name of Registered Proprietor	Class	Place of Registration	Date of Registration	Expiry Date
1.	AUTOSTREETS.COM	14897115	Shanghai Shuxun	12	PRC	September 14, 2015	September 13, 2025
2.	AUTOSTREETS.COM	14897115	Shanghai Shuxun	35	PRC	September 14, 2015	September 13, 2025
3.	AUTOSTREETS.COM	14897115	Shanghai Shuxun	36	PRC	September 14, 2015	September 13, 2025
4.	AUTOSTREETS.COM	14897115	Shanghai Shuxun	37	PRC	September 14, 2015	September 13, 2025
5.	AUTOSTREETS.COM	14897115	Shanghai Shuxun	38	PRC	September 14, 2015	September 13, 2025
6.	AUTOSTREETS.COM	14897115	Shanghai Shuxun	39	PRC	September 14, 2015	September 13, 2025
7.	AUTOSTREETS.COM	14897115	Shanghai Shuxun	41	PRC	September 14, 2015	September 13, 2025
8.	AUTOSTREETS.COM	14897115	Shanghai Shuxun	42	PRC	September 14, 2015	September 13, 2025
9.	汽车街	14897114A	Shanghai Shuxun	35	PRC	October 28, 2015	October 27, 2025
10.	汽车街	14897114A	Shanghai Shuxun	41	PRC	October 28, 2015	October 27, 2025
11.	AUTOST 汽车街 AUTOSTREETS.COM	14897113A	Shanghai Shuxun	12	PRC	September 28, 2015	September 27, 2025
12.	AUTOST 汽车街 AUTOSTREETS.COM	14897113A	Shanghai Shuxun	35	PRC	September 28, 2015	September 27, 2025
13.	AUTOST 汽车街 AUTOSTREETS.COM	14897113A	Shanghai Shuxun	36	PRC	September 28, 2015	September 27, 2025

No.	Trademark	Registration Number	Name of Registered Proprietor	Class	Place of Registration	Date of Registration	Expiry Date
14.		14897113A	Shanghai Shuxun	37	PRC	September 28, 2015	September 27, 2025
15.		14897113A	Shanghai Shuxun	38	PRC	September 28, 2015	September 27, 2025
16.		14897113A	Shanghai Shuxun	39	PRC	September 28, 2015	September 27, 2025
17.		14897113A	Shanghai Shuxun	41	PRC	September 28, 2015	September 27, 2025
18.		14897113A	Shanghai Shuxun	42	PRC	September 28, 2015	September 27, 2025
19.		14897112A	Shanghai Shuxun	12	PRC	September 21, 2015	September 20, 2025
20.		14897112A	Shanghai Shuxun	35	PRC	September 21, 2015	September 20, 2025
21.		14897112A	Shanghai Shuxun	36	PRC	September 21, 2015	September 20, 2025
22.		14897112A	Shanghai Shuxun	37	PRC	September 21, 2015	September 20, 2025
23.	汽车街	14366079	Shanghai Shuxun	35	PRC	May 28, 2015	May 27, 2025
24.	汽车街	14367332	Shanghai Shuxun	41	PRC	May 28, 2015	May 27, 2025
25.	AutoStreets	14366074	Shanghai Shuxun	12	PRC	May 28, 2015	May 27, 2025
26.	AutoStreets	14366073	Shanghai Shuxun	35	PRC	May 28, 2015	May 27, 2025
27.	AutoStreets	14366071	Shanghai Shuxun	38	PRC	May 28, 2015	May 27, 2025
28.	AutoStreets	14366072	Shanghai Shuxun	39	PRC	May 28, 2015	May 27, 2025
29.	AutoStreets	14366076	Shanghai Shuxun	41	PRC	May 28, 2015	May 27, 2025
30.	AutoStreets	14366075	Shanghai Shuxun	42	PRC	May 28, 2015	May 27, 2025
31.		306102783	Autostreets Development Limited	12	Hong Kong	November 9, 2022	November 8, 2032
32.		306102783	Autostreets Development Limited	16	Hong Kong	November 9, 2022	November 8, 2032
33.		306102783	Autostreets Development Limited	35	Hong Kong	November 9, 2022	November 8, 2032
34.		306102783	Autostreets Development Limited	42	Hong Kong	November 9, 2022	November 8, 2032

(b) Patents

As of the Latest Practicable Date, we have registered the following patents which we consider to be material to the business of our Group:

No.	Name of Patent Holder	Description	Type of Patent	Registration Number	Registration Date
1	Shanghai Xinbao Botong	Front-end data storage method, installation and storage media (前端資料存儲方法、裝置及存儲介)	Invention	202111170291.5	June 14, 2022
2	Shanghai Xinbao Botong	Vehicle auction management method and system (適用於拍賣車輛的管理方法及系統)	Invention	202111142191.1	September 9, 2022
3	Shanghai Xinbao Botong	Method, installation and storage for rapid deployment of application (快速部署應用的方法、裝置及存儲介質)	Invention	202110588461.5	September 23, 2022
4	Changchun Baorui	A rotatable display device for electric vehicles (一種電動汽車可轉動式展示裝置)	Invention	201710618719.5	July 12, 2019
5	Shanghai Xinbao Botong	Display method, device and computer-readable medium for vehicle damage points (針對車輛損傷點位的顯示方法、裝置及計算機可讀介質)	Invention	202211268076.3	July 28, 2023

As of the Latest Practicable Date, we have applied for registration of the following patents which we consider material to the business of our Group:

No.	Name of Applicant	Description	Type of Patent	Application Number	Application Date
1	Shanghai Xinbao Botong	Auction item recommendation method and device, and computer-readable storage medium (拍品推薦方法及裝置以及計算機可讀存儲介質)	Invention	202111177299.4	October 9, 2021
2	Shanghai Xinbao Botong	A method, device and computer readable medium for determining the price of auction item (一種確定拍品價格的方法、裝置及計算機可讀介質)	Invention	202211615597.1	December 15, 2022
3	Shanghai Xinbao Botong	Image processing method and device based on used vehicle evaluation system (一種基於二手車評估系統的圖像處理方法及裝置)	Invention	202211643492.7	December 20, 2022
4	Shanghai Xinbao Botong	Auction information real-time synchronization method, system, device, equipment and storage medium (拍賣信息實時同步方法、系統、裝置、設備和存儲介質)	Invention	202310148286.7	February 22, 2023
5	Shanghai Xinbao Botong	Data processing method and device for reconciliation management (用於對賬管理的數據處理方法和裝置)	Invention	202310153712.6	February 22, 2023
6	Shanghai Xinbao Botong	Data processing method and device for vehicle transaction management (用於車輛交易管理的資料處理方法和裝置)	Invention	202310154770.0	February 22, 2023
7	Shanghai Xinbao Botong	A fast pricing method and system for used vehicle based on LightGBM modeling (一種基於LightGBM模型的二手車快速定價方法及系統)	Invention	202310373660.3	April 10, 2023
8	Shanghai Xinbao Botong	A valuation method, apparatus, device and medium for object (一種對象估值方法、裝置、設備及介質)	Invention	202310863647.6	July 13, 2023

(c) Copyrights

As of the Latest Practicable Date, we have registered the following copyrights which we consider to be material to the business of our Group:

No.	Copyright	Version	Registered Owner	Registration Number	Registration Date
1.	Autostreets PC version website software (汽車街PC版網站軟體)	V3.0	Shanghai Shuxun	2017SR600185	November 2, 2017
2.	Autostreets IOS Client (汽車街IOS客戶端)	V2.1.0	Shanghai Shuxun	2017SR600180	November 2, 2017
3.	Autostreets Andriod Client (汽車街Andriod客戶端)	V2.1.0	Shanghai Shuxun	2017SR600265	November 2, 2017
4.	Autostreets Used Vehicle Evaluation System IOS Client (汽車街二手車評估系統EQS IOS客戶端)	V4.0.1	Shanghai Shuxun	2019SR0465703	May 15, 2019
5.	Autostreets Used Vehicle Evaluation System EQS Andriod Client (汽車街二手車評估系統EQS Andriod客戶端)	V4.0.1	Shanghai Shuxun	2019SR0465394	May 15, 2019
6.	Autostreets Used Vehicle Sales System ADMS IOS Client (汽車街二手車收銷系統ADMS IOS客戶端)	V1.0.7	Shanghai Shuxun	2019SR0243509	March 13, 2019
7.	Autostreets Used Vehicle Sales System ADMS Andriod Client (汽車街二手車收銷系統ADMS Andriod客戶端)	V1.0.7	Shanghai Shuxun	2019SR0243583	March 13, 2019
8.	Autostreets Business Operation System BOS IOS Client (汽車街業務運營系統BOS IOS客戶端)	V2.0.1	Shanghai Shuxun	2019SR0949485	September 12, 2019
9.	Autostreets Business Operation System BOS Andriod Client (汽車街業務運營系統BOS Andriod客戶端)	V2.0.1	Shanghai Shuxun	2019SR0949477	September 12, 2019
10.	Autostreets PC End Auction Management System (汽車街PC端拍賣管理系統)	V2.0	Shanghai Shuxun	2020SR1726011	December 3, 2020
11.	Autostreets ASMS PC End Backend Management System for Used Vehicle Sales System (汽車街二手車收銷系統ADMS PC端後台管理系統)	V3.6	Shanghai Shuxun	2020SR1604516	November 18, 2020

No.	Copyright	Version	Registered Owner	Registration Number	Registration Date
12.	Autostreets Auction Assistant WeChat Mini Program (汽車街拍賣助手微信小程式)	V1.5	Shanghai Shuxun	2020SR1913801	December 30, 2020
13.	Baorui Auto Market Network Apple APP Platform (寶瑞車市網蘋果端APP平台)	V1.0	Changchun Baorui	2019SR1297189	December 6, 2019
14.	Baorui Exhibition Guest Management System (寶瑞展會嘉賓管理系統)	V1.0	Changchun Baorui	2019SR1298325	December 6, 2019
15.	Baorui Exhibition and Exhibitor Management System (寶瑞展會展商管理系統)	V1.0	Changchun Baorui	2019SR1298151	December 6, 2019
16.	Baorui Auto Market Android APP Platform (寶瑞車市網安卓端APP平台)	V1.0	Changchun Baorui	2019SR1303069	December 6, 2019
17.	Baorui Auto Market Network Platform (寶瑞車市網平台)	V1.0	Changchun Baorui	2019SR0810631	August 5, 2019
18.	Baorui Car Mall Platform (寶瑞車商城平台)	V1.0	Changchun Baorui	2019SR0787469	July 30, 2019
19.	Logistics Warehouse Management System WTS Android Customer-end (物流倉儲管理系統WTS Android客戶端)	V1.1	Shanghai Xinbao Botong	2023SR1691513	December 20, 2023
20.	Logistics Warehouse Management System WTS IOS Customer-end (物流倉儲管理系統WTS IOS客戶端)	V1.1	Shanghai Xinbao Botong	2023SR1691655	December 20, 2023
21.	Changxin Auction Used Vehicle Evaluation System ES Android Customer-end (常信拍賣二手車評估系統ES Android客戶端)	V6.2.1	Shanghai Changxin	2023SR1764531	December 26, 2023
22.	Changxin Auction Used Vehicle Evaluation System ES IOS Customer-end (常信拍賣二手車評估系統ES IOS客戶端)	V6.2.1	Shanghai Changxin	2023SR1762815	December 26, 2023

(d) Domain Names

As of the Latest Practicable Date, we have registered the following domain names which we consider to be material to the business of our Group:

No.	Domain Name	Registered Owner	Date of Registration	Expiry Date
1.	autostreets.com.cn	Shanghai Shuxun	March 6, 2014	March 6, 2024
2.	汽车街.net	Shanghai Shuxun	March 6, 2014	March 6, 2024
3.	autostreets.cn	Shanghai Shuxun	March 6, 2014	March 6, 2024
4.	汽车街.com	Shanghai Shuxun	March 6, 2014	March 6, 2024
5.	汽车街.中国	Shanghai Shuxun	March 6, 2014	March 6, 2024
6.	autostreets.com	Shanghai Shuxun	March 6, 2014	March 6, 2024

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) Interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations

Immediately following the completion of the [REDACTED] (without taking into account any Shares to be [REDACTED] pursuant to the exercise of the [REDACTED]), so far as our Directors are aware, the interests or short positions of our Directors or chief executives in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, under Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, under the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules ("**Model Code**"), will be as follows:

Interest in Shares of our Company

		Shares held as of the Latest Practicable Date		Shares held immediately following the completion of the [REDACTED]	
Name of Director	**Nature of interest**	*Number of Shares*	*Approximate percentage of shareholding*	*Number of Shares*[(1)]	*Approximate percentage of shareholding*
Yang Aihua	Interest in a controlled corporation[(2)]	100,000,000	12.23%	[REDACTED]	[REDACTED]
Yang Hansong	Interest in a controlled corporation[(3)]	50,000,000	6.11%	[REDACTED]	[REDACTED]
Gao Kun	Interest in a controlled corporation[(4)]	25,000,000	3.06%	[REDACTED]	[REDACTED]
Zhao Hongliang	Interest in a controlled corporation[(5)]	8,000,000	0.98%	[REDACTED]	[REDACTED]

Notes:

(1) The table above assumes (i) [REDACTED] is not exercised; and (ii) each Preferred Share is converted into one Share.

(2) Extensive Prosperous Investments Limited is wholly owned by Orient Rich Investment Development Limited, which is held by Extensive Success Holding Limited. TMF (Cayman) Ltd., as the trustee of Yang's Family Trust, directly holds all the interests in Extensive Success Holding Limited. Mr. Yang Aihua is the settlor and the beneficiaries of the trust are the family members of Mr. Yang Aihua.

As such, Mr. Yang Aihua is deemed to be interested in the 100,000,000 Shares held by Extensive Prosperous Investments Limited.

(3) World Key Investment Trading Limited is held as to 80% by Mr. Yang Hansong. By virtue of the SFO, Mr. Yang Hansong is deemed to be interested in the Shares in which World Key Investment Trading Limited is interested in.

(4) Longkun Investment Development Limited is wholly owned by Ms. Gao Kun. By virtue of the SFO, Ms. Gao Kun is deemed to be interested in the Shares in which Longkun Investment Development Limited is interested in.

(5) Hongrun Investment Development Limited is wholly owned by Mr. Zhao Hongliang. By virtue of the SFO, Mr. Zhao Hongliang is deemed to be interested in the Shares in which Hongrun Investment Development Limited is interested in.

(b) Interests and short positions of the Substantial Shareholders in the Shares and underlying Shares of the Company

Save as disclosed in the section headed "Substantial Shareholders" in this document, our Directors or chief executive are not aware of any other person, not being a Director or chief executive of our Company, who has any an interest or short position in the Shares and underlying Shares of our Company which, once the Shares are [REDACTED], would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

(c) Interests of the Substantial Shareholders of Any Member of Our Group (Other than Our Company)

Save as disclosed in the sections headed "Substantial Shareholders" and "History, Reorganization and Corporate Structure — Simplified Group Structure of our Group Immediately upon Completion of the Reorganization" in this document, so far as the Directors are aware, immediately following the completion of the [REDACTED], no persons will, directly or indirectly, be interested in 10% or more of the nominal value of the share capital carrying rights to vote in all circumstances at general meetings of any member of the Group (other than us).

2. Particulars of Service Contracts

(a) Executive Directors

Each of our executive Directors [has entered] into a service contract with us under which they agreed to act as executive Directors for an initial term of three years or until the third annual general meeting of our Company since the [REDACTED], subject to the Articles and the Listing Rules (whichever is sooner), which may be terminated by not less than [●] months' notice in writing served by either the executive Directors or us.

The appointment of the executive Directors is subject to the provisions of retirement and rotation of Directors under the Articles.

(b) Non-executive Director and Independent Non-executive Directors

Each of our non-executive Directors and the independent non-executive Directors has [signed] an appointment letter with us for an initial term of three years or until the third annual general meeting of our Company since the [REDACTED], subject to the Articles and the Listing Rules (whichever is sooner). Under their respective appointment letters, each of the independent non-executive Directors is entitled to a fixed Director's fee while the non-executive directors are not entitled to any remuneration. The appointments are subject to the provisions of retirement and rotation of Directors under the Articles.

(c) Others

(i) Save as disclosed above, none of the Directors has entered into any service contract with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

(ii) The remuneration of our Directors are paid in the form of salaries, allowances, employee benefits, and contributions to pension schemes. In the years ended December 31, 2021, 2022 and 2023, the aggregate of the remuneration and benefits in kind payable to the Directors were approximately RMB4.5 million, RMB4.2 million and RMB2.4 million respectively. Details of the Directors' remuneration are also set out in note 10 of the Accountants' Report set out in Appendix I to this document. Save as disclosed in the sections headed "Directors and Senior Management — Remuneration" and "Appendix I — Accountants' Report" in this document, no other emoluments have been paid or are payable, in respect of the year ended December 31, 2023 by us to the Directors.

(iii) Under the arrangement currently in force, the aggregate of the remuneration and benefits in kind payable to the Directors for the year ending December 31, 2024 is estimated to be approximately RMB2.4 million.

(iv) None of the Directors or any past Directors of any members of our Group has been paid any sum of money for the Track Record Period (i) as an inducement to join or upon joining us or (ii) for loss of office as a Director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

(v) There has been no arrangement under which a Director has waived or agreed to waive any remuneration or benefits in kind during the Track Record Period.

(vi) None of the Directors has been or is interested in the promotion of, or in the property proposed to be acquired by, us, and no sum has been paid or agreed to be paid to any of them in cash or shares or otherwise by any person either to induce him to become, or to qualify him as, a Director, or otherwise for services rendered by him in connection with the promotion or formation of the Company.

3. Substantial Shareholders

For information on the persons who will, immediately following the completion of the [REDACTED], (without taking into account any Shares which may be [REDACTED] upon the exercise of the [REDACTED]), have or deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFC, please refer to "Substantial Shareholders" of this document.

Save as set out in the section headed "Substantial Shareholders" in this document, as of the Latest Practicable Date, our Directors are not aware of any person who will, immediately following the completion of the [REDACTED], be interested, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group or had option in respect of such capital.

4. [REDACTED] or [REDACTED] received

Save in connection with the [REDACTED], none of the Directors or any of the persons whose names are listed under the paragraph headed "E. Other Information — 8. Consents of Experts" below had received any commissions, discounts, agency [REDACTED] or other special terms in connection with the [REDACTED] of any capital of any member of our Group within the two years immediately preceding the date of this document.

5. Disclaimers

Save as disclosed in the sections headed "Substantial Shareholders" and "Appendix IV — Statutory and General Information — C. Further Information about our Directors and Substantial Shareholders — 1. Disclosure of Interests" in this document:

(a) none of our Directors or chief executives has any interests and short positions in the Shares, underlying Shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors and Listed Companies to be notified to us and the Stock Exchange, in each case once our Shares are [REDACTED] on the [REDACTED];

(b) so far as is known to any of our Directors or chief executives, no person has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group;

(c) none of our Directors nor any of the parties listed in the paragraph headed "E. Other Information — 7. Qualification of Experts" below is interested in our promotion, or in any assets which have, within the two years immediately preceding the issue of this document, been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to us;

(d) save in connection with the [REDACTED], none of our Directors nor any of the parties listed in the paragraph headed "E. Other Information — 7. Qualification of Experts" below is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group;

(e) save in connection with the [REDACTED], none of the parties listed in the paragraph headed "E. Other Information — 7. Qualification of Experts" below: (i) is interested legally or beneficially in any of our Shares or any shares in any of our subsidiaries; or (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and

(f) none of our Directors or their respective associates (as defined under the Listing Rules) or any of our Shareholders (who to the knowledge of our Directors owns more than 5% of our issued share capital) has any interest in our five largest suppliers or our five largest customers.

E. OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries under the laws of Hong Kong, the Cayman Islands and the PRC.

2. Litigation

As of the Latest Practicable Date, we are not aware of any other litigation or arbitration proceedings of material importance pending or threatened against us or any of our Directors that could have a material adverse effect on our financial condition or results of operations.

3. [REDACTED]

The Joint Sponsors have made an [REDACTED] on behalf of our Company to the [REDACTED] for the [REDACTED], the Shares in [REDACTED] and to be [REDACTED] as mentioned in this document. No part of our Company's share or loan capital is [REDACTED] on any other stock exchange and no such [REDACTED] is being or proposed to be sought in the near future.

All necessary arrangements have been made for the Shares to be admitted into [REDACTED]. If the Stock Exchange grants the [REDACTED] of, and permission to [REDACTED], the Shares and our Company complies with the [REDACTED], the Shares will be accepted as [REDACTED] with effect from the date of commencement of [REDACTED]. Settlement of transactions between participants of the Stock Exchange is required to take place in [REDACTED] on the second settlement day after any trading day.

All activities under [REDACTED] are subject to the [REDACTED] and [REDACTED] in effect from time to time.

4. Joint Sponsors

The Joint Sponsors satisfy the independence criteria applicable to sponsor set out in Rule 3A.07 of the Listing Rules. The [REDACTED] payable to the Joint Sponsors in respect of their services as sponsors for the [REDACTED] is US$1,000,000 in total, and payable by us.

5. Preliminary Expenses

We did not incur any material preliminary expenses in relation to the incorporation of our Company.

6. Promoter

We have no promoter for the purpose of the Listing Rules. No cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the [REDACTED] and the related transactions described in this document within the two years immediately preceding the date of this document.

7. Qualification of Experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this document:

CITIC Securities (Hong Kong) Limited	Licensed corporation under the SFO to conduct type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO
Haitong International Capital Limited	Licensed corporation under the SFO to conduct type 6 (advising on corporate finance) of the regulated activities as defined under the SFO as defined under the SFO
Ernst & Young	Certified Public Accountants under Professional Accountants Ordinance (Cap. 50) Registered Public Interest Entity Auditor under Financial Reporting Council Ordinance (Cap. 588)
Zhong Lun Law Firm	PRC Legal Adviser
Maples and Calder (Hong Kong) LLP	Cayman Islands legal adviser
China Insights Industry Consultancy Limited	Independent industry consultant

As at the Latest Practicable Date, none of the experts named above has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

8. Consents of Experts

Each of the persons named in "— 7. Qualification of Experts" has given and has not withdrawn its respective written consent to the issue of this document with the inclusion of its report and/or letter and/or opinion and/or the references to its name included in this document in the form and context in which it is respectively included.

9. Binding Effect

This document shall have the effect, if an application is made in pursuance of this document, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

10. Reserves available for distribution

As at December 31, 2023, we did not have any distributable reserves.

11. Miscellaneous

(a) Save as disclosed in the sections headed "History, Reorganization and Corporate Structure" and "Financial Information" and Appendix I in this document, within the two years immediately preceding the date of this document:

(i) no share or loan capital of the Company or any of its subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;

(ii) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) no founders or management or deferred shares of the Company or any of its subsidiaries have been issued or agreed to be issued;

(iv) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of the Company or any of its subsidiaries; and

(v) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in the Company or any of its subsidiaries.

(b) Our Group had not issued any debentures nor did it have any outstanding debentures nor any convertible debt securities.

(c) Our Directors confirm that:

(i) there has been no material adverse change in the financial or trading position or prospects of the Group since December 31, 2023 (being the date to which the latest audited consolidated financial statements of the Group were prepared); and

(ii) there is no arrangement under which future dividends are waived or agreed to be waived; and

(iii) there has not been any interruption in the business of the Group which may have or has had a significant effect on the financial position of the Group in the 12 months preceding the date of this document.

(d) There are no restrictions affecting the remittance of profits or repatriation of capital by us into Hong Kong from outside Hong Kong.

(e) Our principal register of members will be maintained by our [REDACTED], [REDACTED], in the Cayman Islands and our Hong Kong register of members will be maintained by our [REDACTED], in Hong Kong. Unless the Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our [REDACTED] and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the [REDACTED].

(f) All necessary arrangements have been made to enable our [REDACTED].

(g) No company within our Group is presently listed on any stock exchange or traded on any trading system.

(h) The English and Chinese language versions of this document are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English language version and the Chinese language version of this document, the English language version shall prevail.

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this document and delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of each of the material contracts referred to the section headed "Statutory and General Information — B. Further Information About Our Business — 1. Summary of Material Contracts" in Appendix IV to this document; and

(b) the written consents referred to in the section headed "Statutory and General Information — E. Other Information — 8. Consents of Experts" in Appendix IV to this document.

2. DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be published on the website of the Stock Exchange at **www.hkexnews.hk** and our Company's website **www.autostreets.com** up to and including the date which is 14 days from the date of this document:

(a) our Memorandum and Articles;

(b) the Accountants' Report for the three years ended December 31, 2023 from Ernst & Young, the text of which is set out in Appendix I to this document;

(c) the audited consolidated financial statements of our Company for the three years ended December 31, 2023;

(d) the report on the [REDACTED] financial information from Ernst & Young, the text of which is set out in Appendix II to this document;

(e) the legal opinions issued by Zhong Lun Law Firm, our PRC Legal Adviser, dated [●] in respect of certain aspects of the Group and the property interests of the Group in the PRC;

(f) the letter of advice issued by Maples and Calder (Hong Kong) LLP, our Cayman Islands legal adviser, in respect of certain aspects of the Cayman Islands Company Law referred to in Appendix III to this document;

(g) the Cayman Companies Act;

(h) the industry report prepared by China Insights Industry Consultancy Limited;

(i) the material contracts referred to the section headed "Statutory and General Information — B. Further Information About Our Business — 1. Summary of Material Contracts" in Appendix IV to this document;

(j) the written consents referred to in the section headed "Statutory and General Information — E. Other Information — 8. Consents of Experts" in Appendix IV to this document; and

(k) service contracts and letters of appointment entered into between the Company and each of the Directors.