

SUMMARY

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 invest 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 invest in the [REDACTED].

OVERVIEW

We are China’s largest used vehicle transaction platform 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 platforms. We also have the largest number of offline auction sites and broadest offline service geographic coverage among China’s used vehicle transaction platforms, according to CIC. As of December 31, 2022, we had 78 auction sites strategically located in 73 cities and offered offline services in 238 cities across China.

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. 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, 2022, over 4,900 4S dealership stores had disposed of used vehicles through our platform, the largest among China’s used vehicle transaction platforms, according to CIC. During the Track Record Period, approximately 14,000 buyers purchased three or more used vehicles in any given year on our transaction platform, the highest among China’s used vehicle transaction platforms, according to CIC.

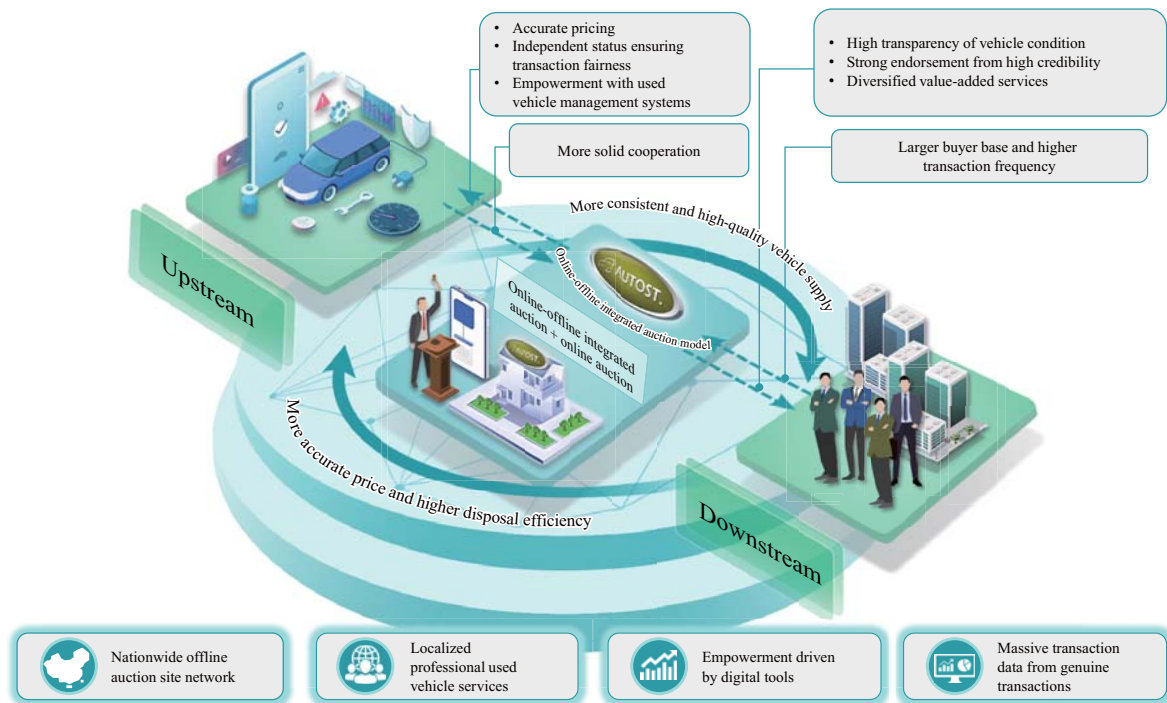
As a one-stop solution provider for used vehicle sellers and buyers, we complement our online-offline integrated auction services with a full suite of value-added services and other services throughout the entire used vehicle transaction cycle for our used vehicles sellers and buyers. From vehicle sourcing and acquisition, inspection and appraisal, auction and title transfer to logistics, we connect sellers with buyers in a highly efficient manner and offer them a more streamlined, simple and consistent transaction experience through more comprehensive and efficient services.

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Our robust operating and financial performance has further reinforced our industry leadership position. Our transaction volume rose from approximately 114,000 units in 2020 to approximately 160,000 units in 2022, representing a CAGR of 18.3%. The number of vehicles put up for auctions (eliminated for repetition) on our transaction platform increased from approximately 172,000 units in 2020 to approximately 315,000 units in 2022, representing a CAGR of 35.3%. Our average revenue per vehicle under our used vehicle auction business increased from RMB1,296 in 2020 to RMB1,505 in 2022, representing a CAGR of 7.8%. Our gross margin remained at relatively high levels at 64.6%, 62.8% and 60.9% in 2020, 2021 and 2022, respectively. Our profit for the year was RMB69.0 million in 2022, demonstrating our robust profit-making capabilities.

OUR SERVICE OFFERINGS

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:



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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 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.*** As a one-stop platform, 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, provision of our ADMS system and other used vehicle management systems, 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 acquire (although we do not take inventory of) consumer trade-in vehicles at their 4S dealership stores and subsequently dispose of these used vehicles mainly through 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 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.

Used Vehicle Auction Business

Our product and service offerings are made possible through our robust used vehicle transaction platform, which integrates innovative online and offline auction formats to facilitate instant, transparent and efficient transactions of used vehicles, connecting buyers and sellers across China. We pioneered a two-pronged, online-offline integrated auction model, comprising online-offline integrated auction and online auction:

- ***Online-offline integrated auction:*** 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.
- ***Online auction:*** Leveraging our advanced 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.

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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.

The online-offline integrated auction model adopted by our transaction platform is supported by our extensive offline auction site network nationwide. We have the largest offline geographic coverage among all used vehicle transaction platforms in China, according to CIC. As of December 31, 2022, we had 78 auction sites strategically located in 73 cities in China, comprising 46 auction centers and 32 auction hubs, which allowed us to offer offline services in 238 cities across China.

OUR COMPETITIVE STRENGTHS

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

- Largest Used Vehicle Transaction Platform 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 Comprehensive Service Offering Provide Us with A Large Base of Professional Buyers;
- Innovative Digital Tools and Massive Transaction Data Facilitate More Efficient Transactions and Enhance User Satisfaction; and
- Experienced and Visionary Senior Management Team Backed by Prominent Investors Both in China and Overseas.

OUR GROWTH STRATEGIES

We intend to pursue the following strategies to achieve our mission of establishing an online-offline integrated, full life cycle service ecosystem for wholesale used vehicles and promoting the standardization of China’s used vehicle industry.

- 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.

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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 were RMB111.6 million, RMB172.5 million, and RMB120.2 million in 2020, 2021 and 2022, respectively, accounting for 24.6%, 25.5% and 25.7% of our total revenue in the respective periods; and our revenue from our largest customer were RMB54.8 million, RMB71.0 million, and RMB65.1 million, respectively, representing 12.1%, 10.5% and 13.9% 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 attributable to our five largest suppliers were RMB61.6 million, RMB77.2 million, and RMB35.4 million in 2020, 2021 and 2022, respectively, accounting for 38.6%, 30.6% and 19.6% of our total purchases in the respective periods; and purchases from our largest supplier were RMB25.6 million, RMB29.9 million, and RMB9.6 million, respectively, representing 16.0%, 11.9% and 5.3% 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 2020, 2021 and 2022, (i) our commission and service fees generated from transactions involving Third-party Settlement Practice represented 34.8%, 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 30.0%, 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 15.1%, 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.”

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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.

	Year ended December 31,		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	452,732	677,687	467,631
Cost of sales	<u>(160,308)</u>	<u>(252,120)</u>	<u>(182,810)</u>
Gross profit	<u>292,424</u>	<u>425,567</u>	<u>284,821</u>
Other income and gains	21,086	40,797	54,695
Selling and distribution expenses	(48,625)	(79,769)	(88,886)
Administrative expenses	(91,966)	(121,020)	(125,831)
Other expenses	(5,595)	(6,632)	(5,659)
Finance costs	(3,266)	(4,922)	(5,716)
Share of profits and losses of associates	977	548	796
Fair value change of financial assets and liabilities at fair value through profit or loss	<u>(19,141)</u>	<u>(26,688)</u>	<u>(13,989)</u>
PROFIT BEFORE TAX	145,894	227,881	100,231
Income tax expenses	<u>(55,893)</u>	<u>(62,795)</u>	<u>(31,251)</u>
PROFIT FOR THE YEAR	<u>90,001</u>	<u>165,086</u>	<u>68,980</u>
Profit attributable to:			
Owners of the parent	18,997	47,968	45,237
Non-controlling interests	<u>71,004</u>	<u>117,118</u>	<u>23,743</u>
	<u>90,001</u>	<u>165,086</u>	<u>68,980</u>

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Summary of Consolidated Statements of Financial Positions

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

	As of December 31,		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total non-current assets	93,396	112,812	91,988
Total current assets	569,229	727,737	933,988
Total current liabilities	314,425	312,866	511,640
Total non-current liabilities	206,081	253,025	344,335
Net current assets	254,804	414,871	422,348
Net assets	142,119	274,658	170,001
Non-controlling interests	113,999	197,119	37,302

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,		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net cash from operating activities	205,480	188,705	95,332
Net cash (used in) investing activities	(67,450)	(47,493)	(43,889)
Net cash (used in) financing activities	<u>(6,363)</u>	<u>(49,202)</u>	<u>(15,955)</u>
Net increase in cash and cash equivalents	131,667	92,010	35,488
Cash and cash equivalents at beginning of year	129,482	260,401	352,402
Effect of foreign exchange rate change, net	<u>(748)</u>	<u>(9)</u>	<u>1,408</u>
Cash and cash equivalents at the end of year	<u><u>260,401</u></u>	<u><u>352,402</u></u>	<u><u>389,298</u></u>

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KEY FINANCIAL RATIOS

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

	Years Ended December 31,		
	2020	2021	2022
Gross profit margin ⁽¹⁾	64.6%	62.8%	60.9%
Net profit margin ⁽²⁾	19.9%	24.4%	14.8%
Return on average assets ⁽³⁾	15.6%	22.0%	7.4%
Return on average equity ⁽⁴⁾	86.0%	79.2%	31.0%
Current ratio ⁽⁵⁾	1.8	2.3	1.8

Notes:

1. Gross profit margin equals gross profit divided by total revenue during the year/period, multiplied by 100%.
2. Net profit margin equals net profit divided by total revenue during the year/period, multiplied by 100%.
3. Return on average assets ratio equals net profit divided by average assets during the year/period, multiplied by 100%.
4. Return on average equity ratio equals net profit divided by average equity during the year/period, multiplied by 100%.
5. Current ratio equals total current assets divided by total current liabilities.

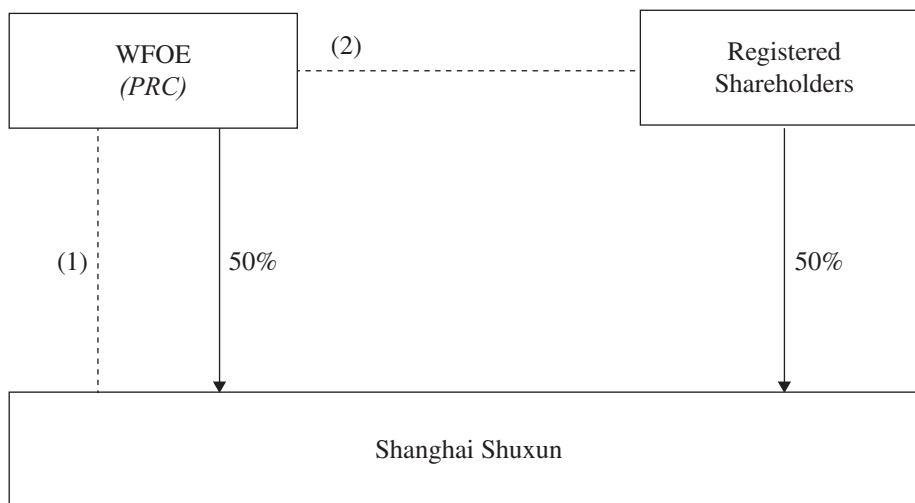
See “Financial Information — Key Financial Ratios” for more information.

CONTRACTUAL ARRANGEMENTS

Due to regulatory restrictions on foreign ownership in the provision of value-added telecommunication service (except for e-commerce, domestic multi-party communications, storage-forwarding and call centers), we cannot directly or indirectly, hold more than 50% of the equity interest in our Consolidated Affiliated Entity, which holds certain license and permit required for operation of our business. As a result, our Group entered into the Contractual Arrangements with Shanghai Shuxun and the Registered Shareholders so that we can conduct our business operations indirectly in the PRC through our Consolidated Affiliated Entity while complying with applicable PRC laws and regulations. The Contractual Arrangements enable us to gain effective control over and receive all the economic benefits generated by the businesses currently operated by our Consolidated Affiliated Entity. Such Contractual Arrangements are commonly adopted by the industries in the PRC which are subject to foreign investment restrictions and prohibitions. The Contractual Arrangements allow the results of operations and assets and liabilities of our Consolidated Affiliated Entity to be consolidated into our results of operations and assets and liabilities under the IFRS as if it was a subsidiary of our Group. For details of the Contractual Arrangements, please see the section headed “Contractual Arrangements” in this document.

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The following simplified diagram illustrates the flow of economic benefits from Shanghai Shuxun to WFOE as stipulated under the Contractual Arrangements.



“_____” denotes legal and beneficial ownership in the equity interest

“-----” denotes the Contractual Arrangements

- (1) WFOE provides complete business support and technical, business consulting and other services in exchange for service fees from Shanghai Shuxun. See “Contractual Arrangements — Our Contractual Arrangements — Exclusive Business Cooperation Agreement” in this document.
- (2) The Registered Shareholders executed an exclusive call option agreement in favor of WFOE, for the acquisition of all or part of the equity interests and/or assets in Shanghai Shuxun. See “Contractual Arrangements — Our Contractual Arrangements-Exclusive Call Option Agreement”.

The Registered Shareholders granted security interests in favor of WFOE, over the equity interests in Shanghai Shuxun held by the Registered Shareholders. See “Contractual Arrangements — Our Contractual Arrangements-Equity Pledge Agreement” in this document.

The Registered Shareholders executed the Powers of Attorney in favor of WFOE, for the exercise of all shareholders’ rights in Shanghai Shuxun. See “Contractual Arrangements — Our Contractual Arrangements — Powers of Attorney” in this document.

The spouse of each of the Registered Shareholders executed an undertaking in favor of WFOE, see “Contractual Arrangements — Our Contractual Arrangements — Spouse Undertakings” in this document.

Given that the Contractual Arrangements constitute non-exempt continuing connected transactions of our Company and they are for a term of more than three years, we have applied for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirement of, among others, limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules. For details, please see the section headed “Connected Transactions — Waivers from the Stock Exchange — The Contractual Arrangements” in this document.

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[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, partially exempt continuing connected transaction and non-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.

RISK FACTORS

Our business faces risks including those set out in the section headed “Risk Factors”. As different investors 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 invest 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.
- 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.

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- 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.

[REDACTED]

The [REDACTED] by us consists of:

- [REDACTED]
- [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Notes:

* All statistics in this table are on the assumption that [REDACTED].

(1) The calculation of [REDACTED].

(2) [REDACTED]

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[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] million, accounting for approximately of [REDACTED] of our [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 [REDACTED], was or is expected to be expensed through the statement of profit or loss and the remaining amount of [REDACTED] million is expected to be recognized directly as a deduction from equity upon the [REDACTED]. We did not recognize any [REDACTED] in 2020 and 2021. We recognized [REDACTED] of [REDACTED] in 2022 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 [REDACTED] 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, including through both hiring additional R&D personnel for in-house development and outsourcing, 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

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- 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 2020, 2021 and 2022, certain subsidiaries of our Group declared dividends to their respective non-controlling shareholders in the aggregate amount of RMB12.0 million (which has been fully paid), RMB14.7 million (which has been fully paid), and RMB271.3 million (RMB149.4 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, 2022 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 the second half of 2020 and 2021, sporadic COVID-19

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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, our used vehicle transaction volume and transaction efficiency were adversely affected during the Track Record Period, especially 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: (1) our auction sites operation was adversely affected, resulting in cancelation of scheduled auction sessions and temporary closure of auction sites; (2) our upstream sellers’ abilities to carry out their used vehicle businesses were adversely affected; (3) the business operations of our downstream buyers were adversely affected; and (4) our logistics network, including both the cross-regional and inner-city transportation, was disrupted from time to time. 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.

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 application for [REDACTED] to competent overseas regulators, such issuer must file with the CSRC within three business days after such application 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.

SUMMARY

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.

As of 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 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.”

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, 2022, 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, 2022 which would materially affect the information shown in our consolidated financial statements included in the Accountants’ Report in Appendix I to this document.