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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. According to CIC, 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. We cannot assure you that this industry will recover promptly in 2023 or 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) relatively 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;

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- 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 title 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, including the removal of some commercially impracticable registration requirements of used vehicle transactions, the streamlining of used vehicle business registration and certain requirements on the transfer registration procedures that effectively limit the abilities of natural persons to transfer the title of three or more used vehicles that have been held for less than one year within a calendar year. 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.

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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; 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.

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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.

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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, particularly in 2020 and 2022, as a result of temporary closures of 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 2020, 2021 and 2022, we cancelled a total of 443, 369 and 1,193 scheduled auction sessions, respectively, accounting for 11.9%, 5.3% and 12.4% of total auction sessions that were originally scheduled. As a result of more severe outbreak and resurgences of COVID-19 in 2020 and 2022, 40 and 73 of our auction sites across China (including our auction center in Shanghai, an auction site with significant transaction volume), respectively, experienced complete shutdown or had at least one scheduled auction session cancelled due to the local COVID-19 policies. As such, in 2020 and 2022, there were 76 and 315 days during which at least one of our auction sites experienced either operation suspension or cancelled auction sessions, respectively. 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

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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. 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.

The COVID-19 pandemic has continued for a few years and likely will continue for a period of time, particularly due to the increased infection rate or severity of certain variants and subvariants. While the vaccines and drugs to treat the disease have been developed, it remains uncertain whether and when these efforts will successfully control the pandemic. Concerns about the COVID-19 pandemic and its potential impact on the Chinese and global economies have created uncertainty about the overall demand for automobile, including used vehicles. If the COVID-19 pandemic continues to exacerbate, it could materially and adversely impact many aspects of our operations. We currently cannot accurately predict the full extent of impact the pandemic will have on our business operations or financial performance or how long such impact may still continue, which will depend on factors including the duration of the pandemic and the corresponding travel restrictions, business closures or other measures imposed by governmental authorities.

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;

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- 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 platform;
- 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;

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- 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

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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 in order to expand our business and attract new sellers and buyers in such new markets.

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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

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our business models for these business segments. For instance, for arrangement for sale of used vehicles, we acquire (although we do not take inventory of) consumer trade-in vehicles at the 4S dealership stores of certain dealership groups we collaborate with, and generally dispose of such used vehicles through our transaction platform. There is no assurance that we can successfully dispose of the acquired 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 the acquired 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 assure 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. 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 platforms targeting the used vehicle wholesale market of China’s used vehicle industry. We also face indirect competition from other

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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.

As a provider of a used vehicle transaction platform for buyers and sellers to trade used vehicles, we are exposed to dispute resolution risks in connection with unsuccessful transactions of used vehicles on our transaction platform. Complaints 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 transaction platform of used vehicles 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

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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. We have adopted systems and measures to reduce the likelihood of, and our exposure to liabilities arising from, this type of disputes and complaints. We require our upstream used vehicle sellers to disclose all material defects of the vehicle, and compensate us in certain specific circumstances, and we have also implemented standardized inspection and appraisal procedure to identify defects in the used vehicle and requiring our condition inspectors to strictly follow this procedure through regular training and our close supervision. However, there is no assurance that these systems and measures 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, and 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. As an online service provider charging commissions and services fees for value-added telecommunications services, we also need to obtain an ICP License pursuant to the Telecommunications Regulations of the PRC (《中華人民共和國電信條例》)

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and Measures for the Administrative Administration on Internet Information Services (《互聯網信息服務管理辦法》) issued by the State Council of the PRC. 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 rapidly, the interpretation and implementation of existing and future laws and regulations governing our business activities may contain uncertainty. The PRC government authorities may further enact new laws and regulations and impose more stringent standards for us to comply with in order to obtain or renew relevant 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 2020, 2021 and 2022, (i) our commission and service fees generated from transactions involving Third-party Settlement Practice were RMB51.3 million, RMB92.2 million and RMB35.5 million, respectively, representing 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 was RMB1,732.9 million, RMB3,631.0 million and RMB1,243.3 million, respectively, representing 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 was RMB68.3 million, RMB100.1 million and RMB36.3 million, respectively, representing 15.1%, 14.8% and 7.8% of our total revenue, respectively. We have implemented various internal control measures to reduce the proportion of payments received from third-party payors and to mitigate the relevant risks as detailed in “Business — Third-party Settlement Practice.” Since June 2022, we have implemented a variety of measures to gradually cease transactions involving Third-party Settlement Practice. Upon the completion of the system upgrade by the end of September 2022, the Third-party Settlement Practice has ceased. Since October 1, 2022 and up to the Latest Practicable Date, we have not been involved in any transactions involving Third-party Settlement Practice.

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

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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 2020, 2021 and 2022, our selling and distribution expenses were RMB48.6 million, RMB79.8 million and RMB88.9 million, respectively, accounting for 10.7%, 11.8%, and 19.0% 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 platforms 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

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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, mileage, age and transaction price) to the extent that is required for our used vehicle transactions and in compliance with the relevant laws and regulations. Ensuring secured transmission of confidential information through public networks is essential to maintaining the confidence of our users. 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

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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.”

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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

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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

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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

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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. For 2020, 2021 and 2022, our purchases from our five largest suppliers accounted for approximately 38.6%, 30.6% and 19.6% of our total purchases, respectively. 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. For 2020, 2021 and 2022, revenue from our five largest customers in each period accounted for approximately 24.6%, 25.5% and 25.7% of our total revenue, respectively.

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,

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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 one-stop transaction platform that can provide comprehensive 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 52 lease concerning property located in China, with a total of approximately 114,641.11 sq.m. of office space and auction sites for daily operation, that have not been registered with the relevant PRC government authorities. The penalty ranges 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 52 leases is RMB520,000. In the event that any fine is imposed on us for our failure to register our lease agreements, 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 19 leased properties with a gross floor area of approximately 22,910.12 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. 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 such risks 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

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4,546 sq.m. 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. 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 17 of our leased properties with a total gross floor area of approximately 38,587.94 sq.m in a way that may be considered to fall outside the scope of the approved use of the property. 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, which 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. Although we provide periodic trainings to all our employees, 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

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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, 2020, 2021 and 2022, our outstanding balance of assistant funds to these business partners amounted to RMB180.6 million, RMB299.0 million and RMB294.8 million, respectively. In 2020, 2021 and 2022, interest income from assistant funds to business partners amounted to RMB8.5 million, RMB20.8 million and RMB14.3 million, respectively. As of the Latest Practicable Date, our outstanding balance of assistant funds to business partners amounted to RMB171.8 million. The interest rates of the outstanding balance of assistant funds as of the Latest Practicable Date were between 1.5% and 8.6%. We plan to continue to reduce our outstanding balance of assistant funds to business partners. See “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 loans between companies that are not financial institutions are prohibited. 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) lending is not our primary business and we did not conduct such lending with the intention 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

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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. In addition, based on the interview conducted with the the PBOC Shanghai Head Office, the PBOC only regulates the loans extended by financial institutions and it does not regulate nor impose penalties on entities other than financial institution; the nature and the validity of such assistant funds shall be determined by relevant authorities according to relevant laws and regulations, such as those of the Supreme People’s Court.

Based on the above, our PRC Legal Adviser is of the view that if we claim that these private lending contracts are valid, the people’s court shall support, in which case the risk of us being penalized in respect of the corresponding assistant funds is remote and such assistant funds do not constitute material non-compliance of the above laws and regulations.

Nevertheless, 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 in China. Monitoring and preventing unauthorized use is difficult. Furthermore, the application of laws governing intellectual property rights in China is uncertain and evolving, and could involve substantial risks to us. 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

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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.

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Given that the internet business is highly regulated in China, we, as an online 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. 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

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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 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. 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 redeemable convertible 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 preferred shares in the future.

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 [REDACTED].

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 platforms or new industry consolidators for suitable acquisitions;

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- 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

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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

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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》) 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 and up to the Latest Practicable Date, 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 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 plan to make social insurance and housing provident fund contributions directly for such employees as the size of the auction site they are based at reaches a sufficiently large scale and plan to otherwise lower the total number of employees whose social insurance and housing provident fund contributions are made through third-party human resources agencies. However, we cannot assure you that we will not receive any complaint, penalty or enforcement action for our 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.

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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 as a one-stop platform, 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.

The sales of used vehicles on our platform are subject to seasonal fluctuations.

As a used vehicle transaction platform operator, the sales volume on our platform would correspond to the seasonal fluctuations in China’s used vehicle industry. Sales volume of used vehicle in China are typically higher in the first quarter (particularly before the Chinese New Year) and fourth quarter, traditionally the major selling seasons for used vehicles.

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.

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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. 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 price of our Shares could be materially and adversely effected.

Our operation is affected by non-recurring government grants.

During the Track Record Period, we received government grants of RMB3.2 million, RMB7.1 million and RMB13.1 million 2020, 2021 and 2022, respectively, accounting for 0.7%, 1.0% and 2.8% of our revenue for the respective periods. These government grants are non-recurring in nature and 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 PRC

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

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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 tremendous negative 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 China’s economic, political or social conditions or government policies 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 adverse changes in economic conditions in China, in the policies of the PRC government or in the applicable laws and regulations in the PRC could have a material adverse effect on the overall economic growth of China. Such changes could also adversely affect our business and operating results, lead to reduction in demand for our services and adversely affect our competitive position. While the PRC economy has experienced significant growth over the past decades, growth has been uneven, both geographically and among various sectors of the economy. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may benefit the overall Chinese economy, but may have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations. In addition, in the past the PRC government has implemented certain measures, including interest rate adjustment, to control the pace of economic growth. These measures may cause decreased economic activity in the PRC, which may adversely affect our business and operating results. The growth rate of the Chinese economy has gradually slowed since 2010, and the impact of COVID-19 on the global and Chinese economy since 2020 is severe. 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.

The uncertainties with respect to the PRC legal system could adversely affect us.

We conduct our business primarily through our subsidiaries and Consolidated Affiliated Entity 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.

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Our PRC subsidiaries and Consolidated Affiliated Entity are subject to laws and regulations applicable to foreign invested enterprises as well as various Chinese laws and regulations generally applicable to companies incorporated in China, which has significantly enhanced the protections afforded to various forms of foreign investments in China. However, the interpretation and enforcement of recently enacted laws and regulations involve uncertainties.

In addition, administrative and court proceedings in China may be protracted, which could result in substantial costs and diversion of resources and management attention. From time to time, we may have to resort to administrative and court proceedings to enforce our legal rights. Since PRC administrative and court authorities have discretion in interpreting and implementing statutory and contractual terms, it may be difficult to evaluate the outcome of administrative and court proceedings. These uncertainties may affect our ability to enforce the contracts we have entered into and/or our intellectual property rights and could adversely affect our business, financial condition and results of operations.

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] and trading of our Shares.

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] and trading 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

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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] from this [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

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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

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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 issued regulations and implementation rules in order to control urban traffic and the number of automobiles within particular urban areas. For example, Beijing municipal authorities adopted regulations and implementing rules in December 2010 to limit the total number of license plates issued to new automobile purchases in Beijing each year. Guangzhou municipal authorities also announced similar regulations, which came into effect 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 regulatory developments, as well as other uncertainties, may adversely affect the growth prospects of China’s automobile industry, which in turn may have a material adverse impact on our business.

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

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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.

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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.

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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 and making loans to our Consolidated Affiliated Entity, 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 and our Consolidated Affiliated Entity. We may make loans to our PRC subsidiaries and Consolidated Affiliated Entity 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

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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 Consolidated Affiliated Entity 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 or Consolidated Affiliated Entity 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

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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.

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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.

Governmental control of currency conversion may limit our foreign exchange transactions, including dividend payments on our Shares.

The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies, including Hong Kong dollars and the U.S. dollars, and, in certain cases, the remittance of currency out of 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 and Consolidated Affiliated Entity 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. The PRC government may at its discretion restrict access to foreign currencies for current account transactions in the future. If the foreign exchange control system 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

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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 Second Hand Car 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

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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 or bringing actions in China 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. Therefore, recognition and enforcement in China of judgments of a court in any of these non-PRC jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or impossible.

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.

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Shareholder claims that are common in the United States and other jurisdictions, including securities law class actions and fraud claims, generally are difficult to pursue as a matter of law or practicality in China. For example, in China, there are significant legal and other obstacles to obtaining information needed for shareholder investigations or litigation outside China or otherwise with respect to foreign entities. Although the local authorities in China may establish a regulatory cooperation mechanism with the securities regulatory authorities of another country or region to implement cross-border supervision and administration, such regulatory cooperation with the securities regulatory authorities in the United States have not been efficient in the absence of mutual and practical cooperation mechanism. According to Article 177 of the PRC Securities Law which became effective in March 2020, no overseas securities regulator is allowed to directly conduct investigation or evidence collection activities within the territory of the PRC. Accordingly, without the consent of the competent PRC securities regulators and relevant authorities, no organization or individual may provide the documents and materials relating to securities business activities to overseas parties. See also “— Risks Related to the [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” for risks associated with [REDACTED] in us as a Cayman Islands company.

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 2008, 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.

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RISKS RELATED TO OUR CORPORATE STRUCTURE AND CONTRACTUAL ARRANGEMENTS

If the PRC government finds that the agreements that establish the structure for operating some of our businesses in China do not comply with PRC regulations relating to the relevant industries, or if these regulations or their interpretations change in the future, we could be subject to penalties or be forced to relinquish our interests in those operations, and we may face disruption to our business operations.

Current PRC laws and regulations place certain restrictions on foreign ownership of companies that provide value-added telecommunications services and internet content services in China. Pursuant to the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2021 Version) (《外商投資准入特別管理措施(負面清單) (2021年版)》) (the “**Negative List**”) that became effective on January 1, 2022, and the Provisions on the Administration of Foreign-invested Telecommunications Enterprises (《外商投資電信企業管理規定》) (the “**FITE Regulations**”), foreign investors are not allowed to hold more than 50% of the equity interests in a company providing value-added telecommunications services (except for e-commerce, domestic multi-party communications, storage-forwarding and call centers). In addition, the main foreign investor who invests in a value-added telecommunications business in the PRC must possess prior experience in operating value-added telecommunications businesses and a proven track record (the “**Qualification Requirements**”). On March 29, 2022, the State Council promulgated the Decision of the State Council on Revising or Abolishing Some Administrative Regulations (國務院關於修改和廢止部分行政法規的決定) (the “**2022 Amendment Decision**”) which took effect on May 1, 2022. Among others, the 2022 Amendment Decision repealed the Qualification Requirements under the FITE Regulations.

We are a Cayman Islands exempt company and foreign legal person under PRC laws and our PRC subsidiaries are currently considered foreign-invested enterprises. Accordingly, neither we nor our wholly foreign-invested PRC subsidiaries are currently eligible to apply for the required licenses for providing internet content services or certain other value-added telecommunication services or conduct other businesses which foreign-owned companies are prohibited or restricted from conducting in China. Currently, our main business are run by our wholly-foreign-owned enterprise, or WFOE, while our Consolidated Affiliated Entity holds the ICP License and is responsible for the operation of IT system and our mobile applications. Our WFOE has entered into a series of contractual arrangements with our Consolidated Affiliated Entity and its shareholders, which enable us to (i) exercise effective control over our Consolidated Affiliated Entity, (ii) receive substantially all of the economic benefits of our Consolidated Affiliated Entity, (iii) have the pledge right over the equity interests in our Consolidated Affiliated Entity as the pledgee; and (iv) have an exclusive option to purchase all or part of the equity interests and assets in our Consolidated Affiliated Entity when and to the extent permitted by PRC law. As a result of these contractual arrangements, we have control over and are the primary beneficiary of our Consolidated Affiliated Entity and hence consolidate its financial results under IFRS. See “Contractual Arrangements” for further details.

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Our PRC Legal Adviser has advised us that there is substantial uncertainty regarding the interpretation and application of current and future PRC laws, regulations and rules; accordingly, the PRC regulatory authorities may take a view that is contrary to the opinion of our PRC Legal Adviser. It is uncertain whether any new PRC laws or regulations relating to Consolidated Affiliated Entity structures will be adopted or if adopted, what they would provide. If the PRC government finds that our contractual arrangements do not comply with its restrictions on foreign investment in business, or if the PRC government otherwise finds that we, our Consolidated Affiliated Entity or any of its subsidiaries are in violation of any existing or future PRC laws or regulations, or fail to obtain or maintain any of the required permits, approvals or licenses, the relevant PRC regulatory authorities would have broad discretion to take action in dealing with such violations or failures, including:

- revoking the our business licenses and other licenses and permits of or those of our Consolidated Affiliated Entity;
- requiring us to discontinue our business operations or those of our Consolidated Affiliated Entity and its subsidiaries, or placing restrictions or onerous conditions on our operation through any transactions between our WFOE and our Consolidated Affiliated Entity;
- imposing fines, confiscating the income from our WFOE or our Consolidated Affiliated Entity, or imposing other requirements with which we or our Consolidated Affiliated Entity may not be able to comply;
- requiring us to restructure our ownership structure or operations, including terminating the contractual arrangements with our Consolidated Affiliated Entity and deregistering the equity pledges of our Consolidated Affiliated Entity, which in turn would affect our ability to consolidate, derive economic interests from, or exert effective control over our Consolidated Affiliated Entity;
- restricting or prohibiting our use of the [REDACTED] of this [REDACTED] and our right to collect revenues; or
- taking other regulatory or enforcement actions that could be harmful to our business.

The imposition of any of these penalties would result in adverse effect on our ability to conduct certain part of our business. In addition, it is unclear what impact the PRC government actions would have on us and on our ability to consolidate the financial results of our Consolidated Affiliated Entity in our consolidated financial statements, if the PRC government authorities were to find our legal structure and contractual arrangements to be in violation of PRC laws and regulations. If the imposition of any of these government actions causes us to lose our right to direct the activities of our Consolidated Affiliated Entity or our right to receive substantially all the economic benefits and residual returns from our Consolidated Affiliated Entity and we are not able to restructure our ownership structure and operations in a satisfactory manner, we would no longer be able to consolidate the financial results of our Consolidated Affiliated Entity in our consolidated financial statements. Either of these results, or any other significant penalties that might be imposed on us in this event, would have an adverse effect on our financial condition and results of operations.

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We have entered into contractual arrangements with our Consolidated Affiliated Entity and its shareholders for a portion of our business operations, which may not be as effective as direct ownership in providing operational control.

We have entered into contractual arrangements with our Consolidated Affiliated Entity and its shareholders to conduct certain aspects of our businesses. These contractual arrangements may not be as effective as direct ownership in providing us with control over our Consolidated Affiliated Entity. For example, our Consolidated Affiliated Entity and its shareholders could breach their contractual arrangements with us by, among other things, failing to conduct its operations in an acceptable manner or taking other actions that are detrimental to our interests.

If we had direct ownership of our Consolidated Affiliated Entity, we would be able to exercise our rights as a shareholder to effect changes in the board of directors of our Consolidated Affiliated Entity, which in turn could implement changes, subject to any applicable fiduciary obligations, at the management and operational level. However, under the current contractual arrangements, we rely on the performance by our Consolidated Affiliated Entity and their respective shareholders of their obligations under the contracts to exercise control over our Consolidated Affiliated Entity. However, the shareholders of our consolidated Consolidated Affiliated Entity may not act in the best interests of our company or may not perform their obligations under these contracts. Such risks exist throughout the period in which we intend to operate certain portions of our business through the contractual arrangements with our Consolidated Affiliated Entity. If any disputes relating to these contracts remain unresolved, we will have to enforce our rights under these contracts through the operations of PRC law and arbitration, litigation and other legal proceedings and therefore may be subject to uncertainties with respect to the PRC legal system. See “— Any failure by our Consolidated Affiliated Entity or its shareholders to perform its obligations under our contractual arrangements with them would have an adverse effect on our business.” Therefore, our contractual arrangements with our Consolidated Affiliated Entity may not be as effective in ensuring our control over the relevant portion of our business operations as direct ownership would be.

Any failure by our Consolidated Affiliated Entity or its shareholders to perform its obligations under our contractual arrangements with them would have an adverse effect on our business.

We refer to the shareholders of our Consolidated Affiliated Entity as its nominee shareholders because although they remain the holders of equity interests on record in our Consolidated Affiliated Entity, pursuant to the terms of the relevant power of attorney, each such shareholder has irrevocably authorized our WFOE to exercise his, her or its rights as a shareholder of the Consolidated Affiliated Entity.

If our Consolidated Affiliated Entity or its shareholders fail to perform their respective obligations under the contractual arrangements, we may have to incur additional costs and expend additional resources to enforce such arrangements. We may also have to rely on legal remedies under PRC law, including seeking specific performance or injunctive relief, and claiming damages, which we cannot assure will be effective under PRC law. For example, if the shareholders of our Consolidated Affiliated Entity refuse to transfer their equity interest in our Consolidated Affiliated Entity to us or our designee if we exercise the purchase option pursuant to these contractual arrangements, or if they otherwise act in bad faith toward us, then we may have to take legal actions to compel them to perform their contractual obligations. In addition, if any third parties claim any interest in such shareholders’ equity interests in

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our Consolidated Affiliated Entity, our ability to exercise shareholders’ rights or foreclose the share pledge according to the contractual arrangements may be impaired. If these or other disputes between the shareholders of our Consolidated Affiliated Entity and third parties were to impair our control over our Consolidated Affiliated Entity, our ability to consolidate the financial results of our Consolidated Affiliated Entity would be affected, which would in turn result in an adverse effect on our business, operations and financial condition.

All of these contractual arrangements are governed by and interpreted in accordance with PRC law, and disputes arising from these contractual arrangements between us and our Consolidated Affiliated Entity will be resolved through arbitration in China. These disputes do not include claims arising under the United States federal securities law and thus the arbitration provisions do not prevent our shareholders from pursuing claims under the United States federal securities law. There remain significant uncertainties regarding the ultimate outcome of such arbitration should legal action become necessary. In addition, under PRC law, rulings by arbitrators are final, parties cannot appeal the arbitration results in courts, and if the losing parties fail to carry out the arbitration awards within a prescribed time limit, the prevailing parties may only enforce the arbitration awards in PRC courts through arbitration award recognition proceedings, which would require additional expenses and delay. In the event we are unable to enforce these contractual arrangements, or if we suffer significant delays or other obstacles in the process of enforcing these contractual arrangements, we may not be able to exert effective control over our Consolidated Affiliated Entity, and our ability to conduct our business may be negatively affected.

The shareholders of our Consolidated Affiliated Entity may have actual or potential conflicts of interest with us, which may adversely affect our business and financial condition.

The shareholders of our Consolidated Affiliated Entity may have actual or potential conflicts of interest with us. These shareholders may breach, or cause our Consolidated Affiliated Entity to breach, or refuse to renew, the existing contractual arrangements we have with them and our Consolidated Affiliated Entity, which would have an adverse effect on our ability to effectively control our Consolidated Affiliated Entity and receive economic benefits from it. For example, the shareholders may be able to cause our agreements with our Consolidated Affiliated Entity to be performed in a manner adverse to us by, among other things, failing to remit payments due under the contractual arrangements to us on a timely basis. We cannot assure you that when conflicts of interest arise, any or all of these shareholders will act in the best interests of our Company or such conflicts will be resolved in our favor.

Currently, we do not have any arrangements to address potential conflicts of interest between these shareholders and our company, except that we may invoke the right under the equity pledge agreements with the shareholders of the Consolidated Affiliated Entity to enforce the equity pledge in the case of the shareholders’ breach of the contractual arrangements. For individuals who are also our directors and officers, we rely on them to abide by the laws of the Cayman Islands, which provide that directors and officers owe a fiduciary duty to the company that requires them to act in good faith and in what they believe to be the best interests of the company and not to use their position for personal gains. The shareholders of our Consolidated Affiliated Entity have executed powers of attorney to appoint one of our WFOE or a person designated by one of our WFOE to vote on their behalf and exercise voting rights as shareholders of our Consolidated Affiliated Entity. If we cannot resolve any conflict of interest or

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dispute between us and the shareholders of our Consolidated Affiliated Entity, we would have to rely on legal proceedings, which could result in disruption of part of our business and may subject us to substantial uncertainty as to the outcome of any such legal proceedings.

The shareholders of our Consolidated Affiliated Entity may be involved in personal disputes with third parties or other incidents that may have an adverse effect on their respective equity interests in our Consolidated Affiliated Entity and the validity or enforceability of our contractual arrangements with our Consolidated Affiliated Entity and its shareholders. For example, in the event that any of the shareholders of our Consolidated Affiliated Entity divorces his or her spouse, the spouse may claim that the equity interest of the Consolidated Affiliated Entity held by such shareholder is part of their community property and should be divided between such shareholder and the spouse. If such claim is supported by the court, the relevant equity interest may be obtained by the shareholder’s spouse or another third party who is not subject to obligations under our contractual arrangements, which could result in a loss of the effective control over the Consolidated Affiliated Entity by us. Similarly, if any of the equity interests of our Consolidated Affiliated Entity is inherited by a third party with whom the current contractual arrangements are not binding, we could lose our control over the Consolidated Affiliated Entity or have to maintain such control by incurring unpredictable costs, which could cause disruption to part of our business and operations and harm our financial condition and results of operations.

Contractual arrangements among our WFOE and our Consolidated Affiliated Entity may be subject to scrutiny by the PRC tax authorities and they may determine that we or our PRC Consolidated Affiliated Entity owe additional taxes, which could negatively affect our financial condition and the value of your [REDACTED].

Under applicable PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. We could face adverse tax consequences if the PRC tax authorities determine that the Consolidated Affiliated Entity contractual arrangements among our WFOE and our Consolidated Affiliated Entity, and the shareholders of our Consolidated Affiliated Entity were not entered into on an arm’s length basis in such a way as to result in an impermissible reduction in taxes under applicable PRC laws, rules and regulations, and adjust the income of our WFOE and our Consolidated Affiliated Entity in the form of a transfer pricing adjustment. A transfer pricing adjustment could, among other things, result in a reduction of expense deductions recorded by our Consolidated Affiliated Entity for PRC tax purposes, which could in turn (i) increase its tax liabilities without reducing our WFOE’s tax expenses and (ii) limit the ability of our PRC subsidiaries to continue to enjoy preferential tax treatment and other financial incentives. In addition, the PRC tax authorities may impose late payment fees and other penalties on our WFOE and our Consolidated Affiliated Entity for the adjusted but unpaid taxes according to the applicable regulations. Such tax liabilities increase, payment fees or other penalties could adversely affect our consolidated net income. Although our Consolidated Affiliated Entity generates only a limited portion of our total income and incur limited costs and expenses among our PRC subsidiaries, our financial position could be adversely affected if our Consolidated Affiliated Entity’s tax liabilities increase or if it is required to pay late payment fees and other penalties.

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In addition, if for any reason we need to cause the transfer of any of the nominee shareholders’ equity interest in any of our Consolidated Affiliated Entity, we might be required to withhold and pay individual income tax on behalf of the transferring shareholder who is an individual, on any capital gain deemed to have been realized by such shareholder on such transfer.

Substantial uncertainties exist with respect to the interpretation and implementation of the newly enacted Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and operations.

On March 15, 2019, the National People’s Congress promulgated the Foreign Investment Law (《中華人民共和國外商投資法》) (the “FIL”), which became effective on January 1, 2020 and replaced the Sino-Foreign Equity Joint Venture Enterprise Law (《中華人民共和國中外合資經營企業法》), the Sino-Foreign Cooperative Joint Venture Enterprise Law (《中華人民共和國中外合作經營企業法》) and the Wholly Foreign-Owned Enterprise Law (《中華人民共和國外資企業法》) to become the legal foundation for foreign investment in the PRC. Since it is relatively new, uncertainties still exist in relation to its interpretation and implementation. For instance, under the FIL, “foreign investment” refers to the investment activities directly or indirectly conducted by foreign individuals, enterprises or other entities in China. Though it does not explicitly classify contractual arrangements as a form of foreign investment, there is no assurance that foreign investment via contractual arrangements would not be interpreted as a type of indirect foreign investment activities in the future. In addition, the definition of foreign investment contains a catch-all provision which includes investments made by foreign investors through means stipulated in laws, administrative regulations or provisions of the State Council. Therefore, it still leaves leeway for future laws, administrative regulations or provisions promulgated by the State Council to provide for contractual arrangements as a form of foreign investment. In any of these cases, it will be uncertain whether our contractual arrangements will be deemed to be in violation of the market access requirements for foreign investment under the PRC laws and regulations. If further actions shall be taken under future laws, administrative regulations or provisions of the State Council, we may face substantial uncertainties as to whether we can complete such actions. Failure to do so could adversely affect our current corporate structure, corporate governance and operations.

We may lose the ability to use and enjoy assets held by our Consolidated Affiliated Entity that are important to the operation of certain portion of our business if the entity goes bankrupt or becomes subject to a dissolution or liquidation proceeding.

As part of our contractual arrangements with our Consolidated Affiliated Entity, our Consolidated Affiliated Entity holds certain assets that are important to certain aspects of our business. If our Consolidated Affiliated Entity goes bankrupt and all or part of its assets become subject to liens or rights of third-party creditors, we may be unable to continue some aspects of our business activities, which could adversely affect our business, financial condition and results of operations. Under the contractual arrangements, our Consolidated Affiliated Entity may not, in any manner, sell, transfer, mortgage or dispose of their assets or legal or beneficial interests in the business without our prior consent. If our Consolidated Affiliated Entity undergoes a voluntary or involuntary liquidation proceeding, the independent third-party creditors may claim rights to some or all of these assets, thereby hindering our ability to operate our business, which could adversely affect our business, financial condition and results of operations.

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PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may delay or prevent us from using the [REDACTED] of this [REDACTED] to make loans or additional capital contributions to our PRC subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

We are a Cayman Islands holding company conducting our operations in China through our PRC subsidiaries and our Consolidated Affiliated Entity. We may make loans to our PRC subsidiaries and Consolidated Affiliated Entity subject to the approval or registration from governmental authorities and limitation of amount, or we may make additional capital contributions to our wholly foreign-owned subsidiaries in China. Any loans to our subsidiaries in China are subject to foreign debt registrations. 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 unless otherwise provided by relevant laws and regulations; (iii) directly or indirectly used for granting entrusted RMB loans (unless permitted in the business scope), repaying loans (including the third-party advances) between enterprises, or repaying RMB bank loans that have been re-lent to a third party; 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). On October 23, 2019, SAFE promulgated the Circular Regarding Further Promotion of the Facilitation of Cross-Border Trade and Investment (《關於進一步促進跨境貿易投資便利化的通知》) (the “SAFE Circular 28”), under which non-investing foreign-invested enterprises are permitted to make equity investments in the PRC with their capital funds in accordance with applicable PRC laws and regulations under the premise that the domestic investment projects are true and in compliance with applicable PRC laws and regulations. As the SAFE Circular 28 is newly promulgated and the relevant government authorities have broad discretion in interpreting the regulation, it is unclear whether SAFE will permit such capital funds to be used for equity investments in the PRC in actual practice.

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 filing on a timely basis, if at all, with respect to future loans by us to our PRC subsidiaries or Consolidated Affiliated Entity or with respect to future capital contributions by us to our PRC subsidiaries. If we fail to complete such registrations or filing, our ability to use the [REDACTED] from this [REDACTED] and to capitalize or otherwise fund our PRC operations may be negatively affected, which could adversely affect our liquidity and our ability to fund and expand our business.

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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 offerings 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 market price 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;

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- 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 trading 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 market [REDACTED] of our Shares.

The [REDACTED] 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] [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.

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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 market [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 market [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 market [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 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. The amount of dividends actually distributed to our Shareholders after the [REDACTED] will depend upon our [REDACTED] 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].

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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 incorporated under the laws of the Cayman Islands. Our corporate affairs are governed by our Memorandum and Articles of Association, the Cayman Companies Act and the common law of the Cayman Islands. The rights of 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] of 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 such source and materials. 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

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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 investment 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 investors 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 invest in our [REDACTED], prospective investors 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 applying to purchase our Shares in the [REDACTED], you will be deemed to have agreed that you will not rely on any information other than that contained in this document, the [REDACTED] and any formal announcements made by us in Hong Kong.