The Stock Exchange of Hong Kong Limited and the Securities and Futures Commission take no responsibility for the contents of this Application Proof, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Application Proof.

Application Proof of

Boche Holding Limited (Cayman)

(the "**Company**")

(Incorporated in the Cayman Islands with limited liability)

WARNING

The publication of this Application Proof is required by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and the Securities and Futures Commission (the "**Commission**") solely for the purpose of providing information to the public in Hong Kong.

This Application Proof is in draft form. The information contained in it is incomplete and is subject to change which can be material. By viewing this document, you acknowledge, accept and agree with the Company, its respective sponsors, overall coordinators, advisors or members of the underwriting syndicate that:

(a) this document is only for the purpose of providing information about the Company to the public in Hong Kong and not for any other purposes. No investment decision should be based on the information contained in this document;

(b) the publication of this document or any supplemental, revised or replacement pages on the Stock Exchange's website does not give rise to any obligation of the Company, its respective sponsors, overall coordinators, advisors or members of the underwriting syndicate to proceed with an offering in Hong Kong or any other jurisdiction. There is no assurance that the Company will proceed with the offering;

(c) the contents of this document or any supplemental, revised or replacement pages may or may not be replicated in full or in part in the actual final listing document;

(d) this document is not the final listing document and may be updated or revised by the Company from time to time in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;

(e) this document does not constitute a document, and shall not be deemed to be, a document, offering circular, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it calculated to invite offers by the public to subscribe for or purchase any securities;

(f) this document must not be regarded as an inducement to subscribe for or purchase any securities, and no such inducement is intended;

(g) neither the Company nor any of its affiliates, sponsors, overall coordinators, advisors or members of its underwriting syndicate is offering, or is soliciting offers to buy, any securities in any jurisdiction through the publication of this document;

(h) no application for the securities mentioned in this document should be made by any person nor would such application be accepted;

(i) the Company has not and will not register the securities referred to in this document under the United States Securities Act of 1933, as amended, or any state securities laws of the United States;

(j) as there may be legal restrictions on the distribution of this document or dissemination of any information contained in this document, you agree to inform yourself about and observe any such restrictions applicable to you; and

(k) the application to which this document relates has not been approved for listing and the Stock Exchange and the Commission may accept, return or reject the application for the subject public offering and/or listing.

If an offer or an invitation is made to the public in Hong Kong in due course, prospective investors are reminded to make their investment decision solely based on the Company's document registered with the Registrar of Companies in Hong Kong, copies of which will be distributed to the public during the offer period.

IMPORTANT

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

博车网

Boche Holding Limited (Cayman)

(Incorporated in the Cayman Islands with limited liability)

[REDACTED]

Number of [REDACTED] under the [REDACTED]	:	**[REDACTED] (subject to the [REDACTED])**
Number of [REDACTED]	:	**[REDACTED] (subject to reallocation)**
Number of [REDACTED]	:	**[REDACTED] (subject to reallocation and the [REDACTED])**
Maximum [REDACTED]	:	**HK$[REDACTED] per [REDACTED], plus brokerage of 1%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015% (payable in full on [REDACTED] in Hong Kong dollars and subject to refund)**
Nominal value	:	**US$0.001 per [REDACTED]**
[REDACTED]	:	**[REDACTED]**

Joint Sponsors

CITIC SECURITIES   FOSUN INTL CAPITAL

[REDACTED]

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

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

The final **[REDACTED]** is expected to be fixed by agreement between the **[REDACTED]** (for themselves and on behalf of the **[REDACTED]**) and the Company on the **[REDACTED]**, which is expected to be on or before **[REDACTED]**. The **[REDACTED]** will be not more than HK$**[REDACTED]** per **[REDACTED]** and is currently expected to be not less than HK$**[REDACTED]** per **[REDACTED]** unless otherwise announced. If, for any reason, the final **[REDACTED]** is not agreed by 12:00 noon on **[REDACTED]** between the **[REDACTED]** (for themselves and on behalf of the **[REDACTED]**) and the Company, the **[REDACTED]** will not proceed and will lapse.

[REDACTED]

The **[REDACTED]** have not been and will not be registered under the U.S. Securities Act or any state securities laws of the United States and may not be **[REDACTED]**, sold, pledged, or transferred within the United States, except pursuant to an available exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in accordance with any applicable state securities laws in the United States. The **[REDACTED]** may only be **[REDACTED]** and sold (a) in the United States to QIBs in reliance on Rule 144A or another available exemption from registration requirements under the U.S. Securities Act, and (b) outside the United States in offshore transactions in reliance on Regulation S. No **[REDACTED]** of the **[REDACTED]** will be made in the United States.

Applicants for **[REDACTED]** may be required to pay, on **[REDACTED]** (subject to **[REDACTED]** channels), the maximum **[REDACTED]** of **[REDACTED]** for each **[REDACTED]** together with a brokerage fee of 1%, a SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%.

Prior to making an **[REDACTED]** decision, prospective **[REDACTED]** should consider carefully all of the information set out in this Document, including the risk factors set out in the section headed "Risk Factors".

The obligations of the **[REDACTED]** under the **[REDACTED]** are subject to termination by the **[REDACTED]** (for themselves and on behalf of the **[REDACTED]**) if certain grounds arise prior to 8:00 a.m. on the **[REDACTED]**. See "**[REDACTED]**".

[REDACTED]

IMPORTANT

[REDACTED]

IMPORTANT

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

IMPORTANT NOTICE TO [REDACTED]

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

You should rely only on the information contained in this Document to make your **[REDACTED]** *decision. We have not authorized anyone to provide you with information that is different from what is contained in this Document. Any information or representation not made in this Document must not be relied on by you as having been authorized by us, the Joint Sponsors, the* **[REDACTED]**, *the* **[REDACTED]**, *the* **[REDACTED]**, *the* **[REDACTED]**, *any of the* **[REDACTED]**, *any of our or their respective directors, officers or representatives, or any other person or party involved in the* **[REDACTED]**.

CONTENTS

This summary aims to give you an overview of the information contained in this Document. As it is a summary, it does not contain all the information that may be important to you. You should read the entire Document before you decide to **[REDACTED]** *in our* **[REDACTED]**. *There are risks associated with any* **[REDACTED]**. *Some of the particular risks in* **[REDACTED]** *the* **[REDACTED]** *are set out in the section headed "Risk Factors" in this Document. You should read that section carefully before you decide to* **[REDACTED]** *in our* **[REDACTED]**. *Various expressions used in this section are defined in the sections headed "Definitions" and "Glossary of Technical Terms" in this Document.*

OVERVIEW

Our Mission

Embracing green repair and leveraging cutting-edge technology for environmental conservation, we are dedicated to generating value for vehicle owners.

Our Vision

Building the most professional and efficient automotive auction platform in China, offering affordable vehicles and recycled parts for the society.

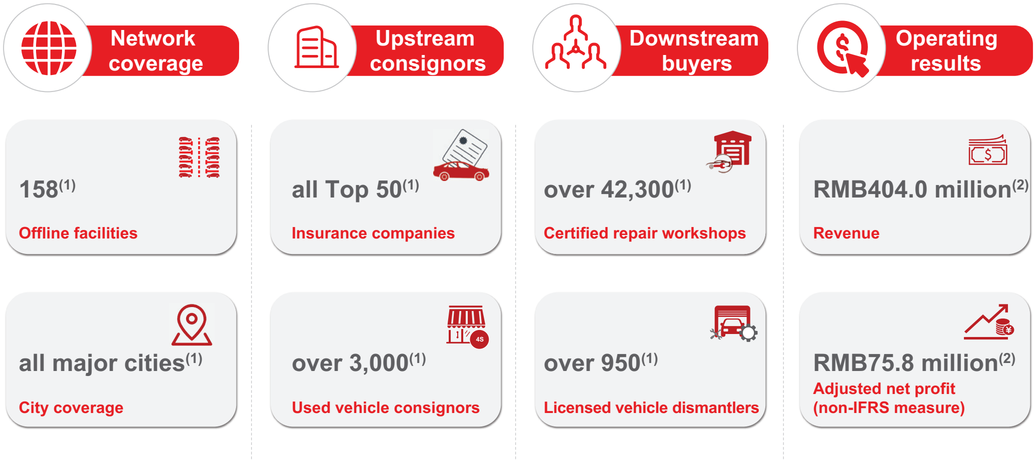
Who We Are

We are China's largest salvage vehicle auction platform. We ranked the first in China's salvage vehicle auction industry in terms of transaction volume in 2023, with a market share of approximately 31.3%, according to CIC. Powered by our valuation infrastructure and online-offline integrated approach in auctions, our salvage vehicle auction platform effectively connects upstream salvage vehicle consignors, primarily insurance companies, with downstream salvage vehicle buyers, primarily certified repair workshops and licensed vehicle dismantlers.

Unlike new vehicles, salvage vehicles lack standardization, and their market prices are heavily influenced by multiple factors, such as, among others, prices of new and used vehicles, extent of damage and prices of auto parts. This complexity presents a significant challenge for all industry participants involved in the salvage vehicle transaction value chain, including upstream vehicle consignors and downstream buyers, especially when assessing the value of salvage vehicles. We believe our auction platform can adequately bridge such challenges. Since our inception in 2014, we have remained committed to enhancing the operational efficiency and transaction transparency within the salvage vehicle auction industry. Capitalizing on our massive, genuine and time-sensitive transaction data on salvage vehicles and pioneering and industry-leading proprietary E-Pricing and E-Value systems, we are able to swiftly deliver valuation estimates of each salvage vehicle, offering valuable insights to both salvage vehicle consignors and buyers. Moreover, through our salvage vehicle auction platform, we have enhanced information transparency and transaction efficiency between vehicle consignors and buyers, leading to quicker salvage vehicle value discovery and better transaction experience for all.

In addition to salvage vehicle auctions, we also facilitate used vehicle transactions through auctions by connecting upstream used vehicle consignors with downstream used vehicle buyers. We were the largest institutional used vehicle auction platform and the third largest B2B used vehicle auction platform in China in terms of auction volume in 2023, according to CIC. To better facilitate auctions, we also offer a comprehensive suite of facilitation services to meet the varied and evolving needs of vehicle consignors and buyers. Our facilitation services cover the entire auction, aimed at optimizing salvage and used vehicle transaction process, shortening transaction turnaround time and enhancing user experience. According to CIC, we are the only salvage vehicle auction platform capable of delivering a comprehensive suite of auction and facilitation services covering the entire salvage vehicle auction process.

The following diagram illustrates our nationwide network coverage, broad consignor and buyer base and key operating and financial results, highlighting our strong capabilities in the salvage and used vehicle auction industry and market leadership therein.



Notes:

(1) As of September 30, 2024.
(2) For the nine months ended September 30, 2024.

Market Opportunities

As of December 31, 2023, China had the largest automotive market in the world with vehicle parc exceeding 330 million units. Driven by the continued growth of the automotive market, China's automotive insurance market is also evolving rapidly. In recent years, insurance companies have been continuously refining their claims settlement mechanisms, standardizing claims processes, and actively promoting the awareness of total loss concepts in China. By deeming certain damaged vehicles with potential excessive repair costs as total loss vehicles, insurance companies can minimize their claims amounts and streamline claims process. Concurrently, insurance companies are actively utilizing auctions to dispose of salvage vehicles, with a goal of obtaining fair market value, standardizing disposal procedures, and improving overall claims settlement efficiency. Auctions are favored for their well-established and standardized processes in this regard.

Driven by the aforesaid industry background, the auction volume of salvage vehicles in China increased from approximately 206 thousand units in 2019 to 345 thousand units in 2023. In comparison, the auction volume of salvage vehicles in the U.S., with a vehicle parc of approximately 290 million units in 2023 — similar to that of China — was nearly seven million units in 2023, which was about 20 times the auction volume of China. This notable difference highlights the significant growth potential in China's salvage vehicle auction industry. Copart, as the largest salvage vehicle auction platform in the U.S., captured approximately half of the U.S. market in 2023, according to CIC. The total auction volume of salvage vehicles in China is expected to reach 867 thousand units in

2028. Looking ahead, factors, such as, among others, aging vehicle parcs, growing repair costs, prevalence of NEV with higher claim frequency, growing direct-to-consumer efforts by insurance companies, rising labor costs and increased awareness of auto insurance, will all drive the growth of China's salvage vehicle auction industry.

Industry Challenges

Despite such growth potentials, industry participants of China's salvage vehicle auction industry are all longing for an auction service provider that can effectively address the following challenges:

For upstream salvage vehicle consignors:

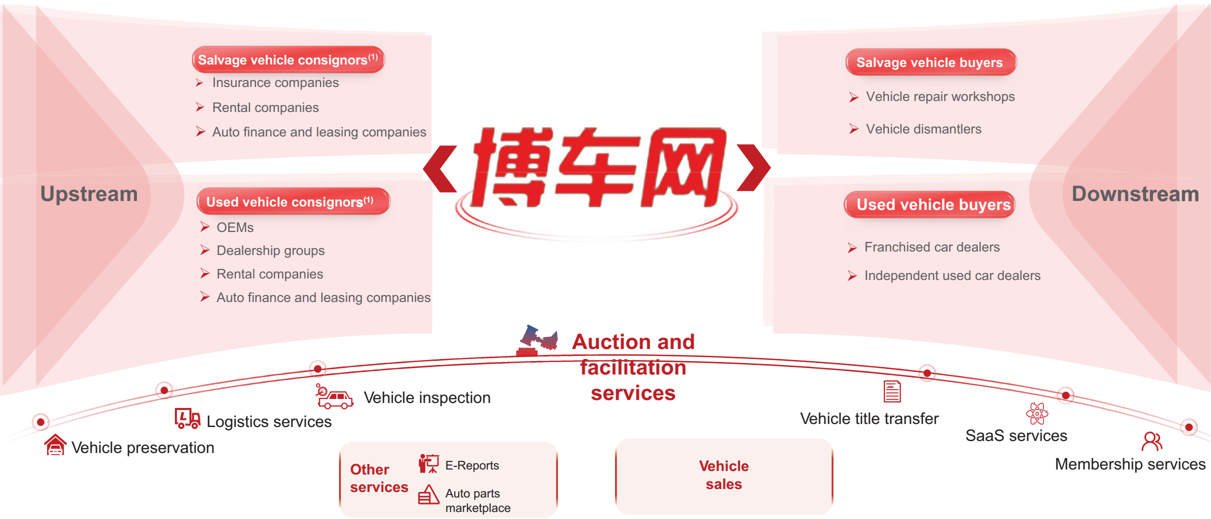
- ***Low settlement efficiency and high settlement costs***. Insurance companies need to comprehensively analyze parameters such as PAV, ERC and SV of damaged vehicles before deciding whether it is economically advantageous to deem a damaged vehicle as a total loss. However, constrained by lack of standardized methodology, insurance companies struggle with efficiently making the above total loss assessments. In addition, the growing presence of NEVs with high repair costs and decreasing new vehicle sales price further complicate insurance companies' analysis.
- ***Extended disposal cycle***. Even if a damaged vehicle is deemed as a total loss, the underdeveloped salvage vehicle disposal process results in prolonged disposal durations as well as challenges in matching buyers. This further extends the salvage vehicle disposal cycle, which, in turn, affects insurance companies' customer satisfaction.

For downstream salvage vehicle buyers:

- ***Lack of stable and reliable supply***. The buyers of salvage vehicles, primarily certified repair workshops and licensed vehicle dismantlers are mainly regional businesses with a focus on their localities. However, the origins of salvage vehicles span across a diverse geographic range. Due to such geographic mismatch, buyers encounter difficulties in accessing a stable and reliable supply of salvage vehicles timely.
- ***Lack of comprehensive facilitation services***. Facilitation services, such as, among others, storage and preservation, towing and logistics, are essential to facilitate salvage vehicle transactions. However, there are only a limited number of providers who can provide such comprehensive facilitation services effectively and efficiently.

Our Solutions

We are an online auction platform that acts as a pivotal intermediary linking upstream vehicle consignors with downstream vehicles buyers. In addition, we also offer a wide range of vehicle-related services to help facilitate salvage and used vehicle transactions. The following diagram illustrates our service offerings.



Note:

(1) Consignors are not necessarily our suppliers, as we may not directly procure vehicles from them. For example, under certain consignment arrangements, we procure vehicles from the actual sellers rather than from the insurance companies that referred the vehicles from actual sellers to us.

Salvage Vehicle Auction and Facilitation Services

Leveraging our valuation infrastructure backed by data insights and digitalization capabilities as well as online-offline integrated approach in auctions, we have built a professional and efficient salvage vehicle auction platform to address challenges faced by salvage vehicle consignors and buyers. Our salvage vehicle auction and facilitation services connect upstream salvage vehicle consignors, including, among others, insurance companies, rental companies, auto finance and leasing companies and others, with downstream buyers of salvage vehicles, such as certified repair workshops and licensed vehicle dismantlers. For details on our valuation infrastructure and online-offline integrated approach, see "Business — Salvage Vehicle Auction and Facilitation Services — Salvage Vehicle Auction Services." In conjunction with our core salvage vehicle auction services, we also offer a comprehensive suite of facilitation services including storage and preservation and logistics, to streamline the transaction process and enhance the user experience. Our salvage vehicle auction and facilitation services are our core business, and we expect revenue contribution from such services to grow in absolute amount going forward.

Used Vehicle Auction and Facilitation Services

Benefiting from our expertise and know-how in salvage vehicle auction industry accumulated over the years, our expanding online presence and offline facilities network, and our proprietary digitalization tools, we have expanded our service offerings to cover used vehicle auctions industry. We have built a used vehicle auction platform that connects used vehicle consignors such as dealership groups, OEMs, rental companies and auto finance and leasing companies with used vehicle buyers, primarily franchised car dealers and independent used car dealers. We were the largest institutional used vehicle auction platform and the third largest B2B used vehicle auction platform in China in terms of auction volume in 2023, according to CIC. The auction platform offers real-time, transparent and efficient used vehicle auction services as well as accompanying facilitation services to help vehicle consignors dispose of and buyers access used vehicles.

Other Services

In addition, we also offer a wide range of other services, such as, among others, E-Report, auto parts marketplace and documentation review to help vehicle consignors and buyers complete vehicle transactions, which further entrench our presence in auto commerce industry.

Vehicle Sales

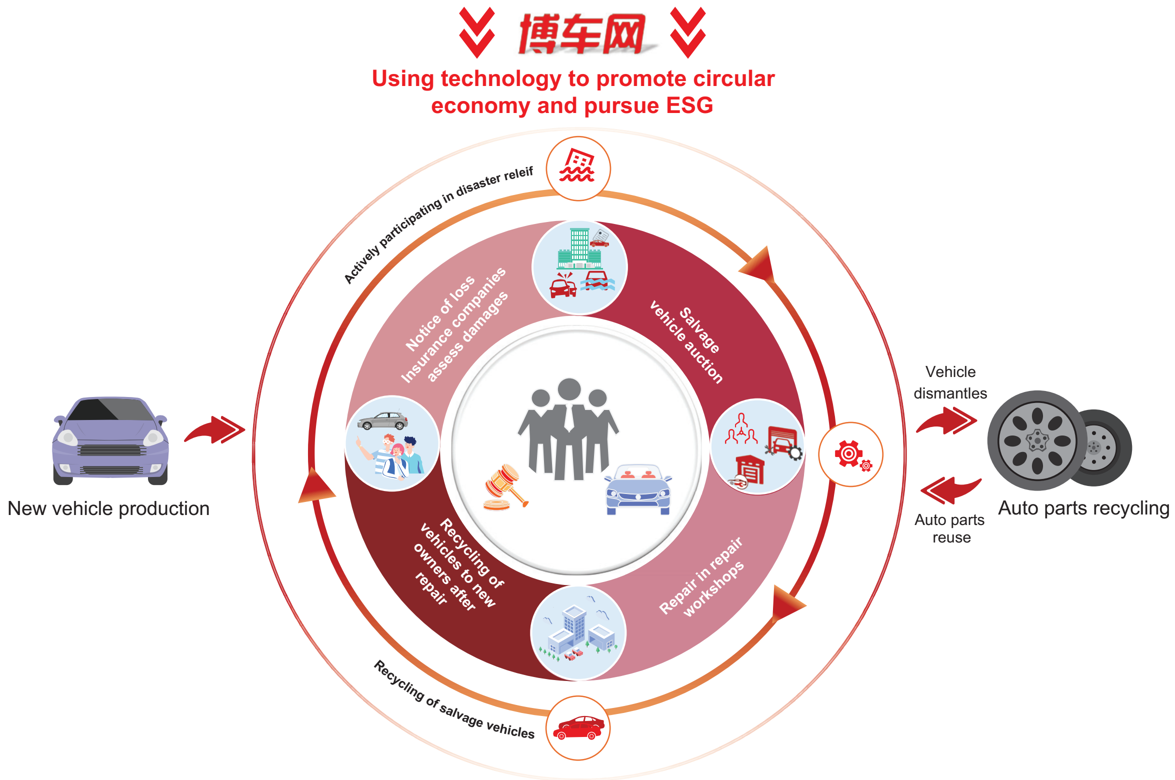
During the process of disposing of salvage and used vehicles, certain upstream consignors approach us to purchase vehicles from them to help them manage and dispose of their vehicle assets efficiently. In response to such requests with a goal to maintain healthy relationship with upstream vehicle consignors, we launch vehicle sales where, we purchase damaged new vehicles mainly from franchised car dealers, and retired used vehicles mainly from rental companies and then sell the vehicles for our own account.

Our Value Propositions

We believe our success lies upon our unique value delivered:

- ***For upstream vehicle consignors***. In the realm of salvage vehicle auctions, we, through our massive, genuine and time-sensitive transaction data, proprietary digitalization tools and established auction procedures, provide vehicle consignors, especially insurance companies an efficient, effective and compliant method to optimize their claim process. This includes determining the best claims options, enhancing loss assessment and claim settlement efficiency, reducing claim costs and improving customer satisfactions. In the realm of used vehicle auctions, we, through our auction platform, offer upstream vehicle consignors such as dealership groups, OEMs and rental companies an efficient, transparent and market-driven disposal and remarketing solution for their vehicles.
- ***For downstream buyers***. Our extensive vehicle supply network provides downstream buyers with an easily accessible, steady and sufficient supply of quality vehicles. Through our comprehensive suite of facilitation services, we expedite and streamline the vehicle transaction process and enhance transaction experience for buyers.
- ***For auto part providers***. The extensive demand for reusable auto parts generated by our auction platform, in particular from certified repair workshops, effectively promotes the reused, recycled, refurbished and reconditioned auto parts, playing a pivotal role in preventing excessive repairs and facilitating sustainable practices within the automotive industry.

We champion the circular economy, an economic system that eliminates waste by reusing, repairing, recycling, and regenerating resources to create a closed-loop, sustainable cycle. We aim to avoid excessive repairs for reparable vehicles and unsafe repairs for irreparable vehicles and create positive social impacts.



- ***Salvage vehicles reuse and recycling.*** Our business at core enables the reuse and recycling of salvage vehicles, by extending their end-of-life cycles to reduce carbon emissions that would have resulted from *de novo* manufacturing of new vehicles. Furthermore, through reuse and recycling of salvage vehicles, we create more cost-effective vehicle purchase options for consumers, unleashing potential consumption vitality.
- ***Auto parts reuse and recycling.*** We established an auto parts marketplace that promotes reused, recycled, refurbished and reconditioned auto parts. The marketplace offers certified repair workshops cost-effective auto parts options, eliminating the carbon emission resulting from *de novo* manufacturing of parts, which further optimizes resource allocation and reduces wastes. In addition, through auto-parts reuse, recycling, refurbishment and reconditioning, we effectively lower repair costs for consumers.
- ***Disaster relief.*** We are capable of responding to mass damages to vehicles resulting from natural disasters timely and efficiently. We have ample experience as well as infrastructure in relation to disaster relief. We have historically cooperated and will actively cooperate with insurance companies and other participants on inspection, estimation, recycle and processing of vehicles damaged by natural disasters.
- ***Promoting domestic consumption.*** As we continuously work towards creating a growing salvage and used vehicle ecosystem, we believe we are making substantive contributions to the growth of the economy. By facilitating transactions of salvage and used vehicles as well as auto parts, we facilitate vehicle circulations, promote more affordable transportation options and optimize resource allocations, echoing PRC government's commitment to make the economy more resilient by boosting domestic consumptions.

Our Operation and Financial Performance

We have and will continue to lead the industry standard for salvage auctions. Our operating and financial performances have further reinforced our industry leading position. In 2022, 2023, and for the nine months ended September 30, 2023 and 2024, our revenue was RMB388.1 million, RMB518.3 million, RMB391.1 million and RMB404.0 million, respectively. During the same periods, we maintained high and stable gross profit margin of 44.4%, 49.9%, 51.1% and 47.3%, respectively. We recorded loss for the year/period of RMB180.2 million, RMB121.5 million and RMB39.5 million in 2022, 2023, and for the nine months ended September 30, 2023 and profit for the period of RMB1.4 million for the nine months ended September 30, 2024. Our historical loss-making positions were primarily attributable to changes in carrying amount of financial instruments issued to **[REDACTED]**. For details, see "Financial Information — Description of Major Components of Our Results of Operations." Nevertheless, our adjusted net profit (non-IFRS measure) increased significantly during the Track Record Period. Our adjusted net profit (non-IFRS measure) amounted to RMB50.2 million, RMB81.7 million, RMB73.8 million and RMB75.8 million in 2022, 2023, and for the nine months ended September 30, 2023 and 2024, respectively. For a reconciliation of our non-IFRS measure to its most directly comparable IFRS Accounting Standards financial measure, see "Financial Information — Non-IFRS Measure."

OUR COMPETITIVE STRENGTHS

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

- China's Largest Salvage Vehicle Auction Platform, Pioneering and Leading the Industry;
- Proprietary Digitalization Tools Developed Based on Deep Data and Industry Insights;
- Online-Offline Integrated Approach;
- Intrinsic Flywheel Driven by Long-term and Established Consignor Base as well as Loyal and Engaged Buyer Base; and
- Experienced Senior Management Team Back by Renowned Investor Base.

For details, see "Business — Our Competitive Strengths."

OUR GROWTH STRATEGIES

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

- Expand Consignor and Buyer Base;
- Continue to Invest in Digitalization and Technology;
- Expand and Upgrade Offline Facilities to Enhance Local Service Capabilities;
- Diversify Our Service Offerings and Improve Profitability; and
- Strategic Partnerships or Acquisitions.

For details, see "Business — Our Growth Strategies."

CUSTOMERS AND SUPPLIERS

During the Track Record Period, our customers mainly included certified repair workshops, licensed vehicle dismantlers, franchised car dealers and independent used car dealers. All of our five largest customers in each of year/period of the Track Record Period were located in China. Our aggregate revenue from our five largest customers in each year/period of the Track Record Period amounted to RMB61.4 million, RMB79.8 million and RMB81.9 million, accounting for 15.8%, 15.5% and 20.2% of our total revenue in the respective years/periods; and our aggregate revenue from our largest customer in each year/period of the Track Record Period amounted to RMB24.6 million, RMB38.7 million and RMB31.7 million, representing 6.3%, 7.5% and 7.8% of our total revenue in the respective years/periods. To the best knowledge of our Directors, during the Track Record Period and up to the Latest Practicable Date, our five largest customers were independent third parties, and none of our Directors, their close associates or any of our Shareholders (who or which to the knowledge of the Directors owned more than 5% of our issued share capital) had any interest in any of our five largest customers.

During the Track Record Period, our suppliers — defined as entities from which we directly procured products or services, excluding consignors such as insurance companies that referred such products or services to us — primarily included dealership groups, and third-party service providers, for services such as vehicle towing and rescue services. All of our five largest suppliers in each of year/period of the Track Record Period were located in China. Our aggregate purchases from our five largest suppliers in each year/period of the Track Record Period amounted to RMB63.2 million, RMB59.0 million and RMB69.1 million, accounting for 29.2%, 22.8% and 32.4% of our total purchases in the respective years/periods; and our aggregate purchases from our largest supplier in each year/period of the Track Record Period amounted to RMB31.2 million, RMB16.5 million and RMB39.0 million, representing 14.4%, 6.4% and 18.3% of our total purchases in the respective years/periods. To the best knowledge of our Directors, during the Track Record Period and up to the Latest Practicable Date, our five largest suppliers were independent third parties, and none of our Directors, their close associates or any of our Shareholders (who or which to the knowledge of the Directors owned more than 5% of our issued share capital) had any interest in any of our five largest suppliers.

RISK FACTORS

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

- We depend on a limited number of major upstream consignors for vehicle sources and to engage in transactions on our auction platform, especially for salvage vehicle auction and facilitation services. Any loss of these major consignors or any significant interruption in our relationships with these consignors would have a material adverse effect on our business, financial condition and results of operations.
- If we fail to deliver a differentiated and superior experience to upstream consignors and downstream buyers, our long-term relationship with such consignors and buyers may diminish, which would have a material adverse effect on our business, financial condition and results of operations.
- We operate in a competitive market subject to an evolving landscape.
- If we are unable to effectively manage our growth or implement our business strategies, our business, results of operations and financial condition may be materially and adversely affected.

- Our service fees may fluctuate or decline in the future due to various market factors and we may not be able to effectively maintain or increase them. Any material decrease in such service fees would harm our business, financial condition and results of operations.
- We are subject to risks and uncertainties related to the development of the NEV industry and other advanced technologies.
- Suboptimal valuation estimates may lead to unfavorable operating performance or financial losses, which could materially and adversely impact our business and operating results.
- If we are unable to auction vehicles above the SV on our auction platform, they may be auctioned at discount, resulting in losses that could materially and adversely impact our business, financial condition and results of operations.
- We had a history of losses during the Track Record Period, and there is no assurance that we will become or subsequently remain profitable.
- Our net current liabilities may expose us to certain liquidity risks.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

Summary of Consolidated Statements of Profit or Loss and Other Comprehensive Income

The following table sets forth selected items of our consolidated statements of profit or loss and other comprehensive income for the periods indicated, derived from our consolidated statements of profit or loss and other comprehensive income as set out in the Accountants' Report included in Appendix I to this Document. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	For the Year Ended December 31,		For the Nine Months Ended September 30,	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000 (unaudited)*
Revenue	388,113	518,329	391,139	403,978
Cost of sales	(215,760)	(259,461)	(191,103)	(213,009)
Gross profit	**172,353**	**258,868**	**200,036**	**190,969**
Other income or loss, net	10,555	(11,858)	(4,491)	479
Sales and marketing expenses	(90,659)	(101,559)	(71,814)	(66,945)
General and administrative expenses	(67,340)	(73,240)	(50,563)	(46,898)
Research and development expenses	(22,463)	(29,416)	(22,430)	(19,212)
Impairment (loss)/reversal on trade and other receivables	(2,174)	1,515	688	414
Profit from operations	**272**	**44,310**	**51,426**	**58,807**
Finance costs	(3,859)	(4,530)	(3,872)	(3,186)
Changes in carrying amount of financial instruments issued to **[REDACTED]**	(172,531)	(151,157)	(73,862)	(40,299)
(Loss)/profit before taxation	**(176,118)**	**(111,377)**	**(26,308)**	**15,322**
Income tax	(4,127)	(10,093)	(13,190)	(13,897)
(Loss)/profit for the year/period	**(180,245)**	**(121,470)**	**(39,498)**	**1,425**
Attributable to:				
Equity Shareholders of the Company	(180,257)	(121,392)	(39,431)	1,526
Non-controlling interests	12	(78)	(67)	(101)
(Loss)/profit and total comprehensive income for the year/ period	**(180,245)**	**(121,470)**	**(39,498)**	**1,425**
(Loss)/earnings per share				
Basic and diluted	0.40	(0.27)	(0.09)	0.00

Non-IFRS Measure

To supplement our consolidated statements of profit or loss and other comprehensive income which are presented in accordance with IFRS Accounting Standards, we use adjusted net profit as non-IFRS measure, which is not required by, or presented in accordance with, IFRS Accounting Standards. Our adjusted net profit (non-IFRS measure) increased significantly during the Track Record Period.

We define adjusted net profit (non-IFRS measure) as profit for the years/periods adjusted by adding back (i) changes in carrying amount of financial instruments issued to **[REDACTED]**, which are non-cash items, (ii) amortization of intangible assets resulting from business acquisitions, which is non-cash in nature arising from valuation during acquisition and not reflective of our operating performance, (iii) share-based payments expenses, which are non-cash in nature, and (iv) **[REDACTED]**, which relate to the **[REDACTED]** and are non-recurring, one-off and non-operating. The carrying amount of financial instruments issued to **[REDACTED]** will be reclassified to equity, and any subsequent changes in value will no longer be recognized as financial liabilities. We believe that non-IFRS measure facilitates the comparisons of operating performance and provide useful information to **[REDACTED]** and others in understanding and evaluating our operating performance in the same manner as it helps our management. However, our presentation of non-IFRS measure for the periods may not be comparable to similarly titled measures presented by other companies. The use of non-IFRS measure has limitations as an analytical tool, and **[REDACTED]** should not consider it in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under IFRS Accounting Standards.

The following table reconciles non-IFRS measure for the years/periods presented with the nearest measure prepared in accordance with IFRS Accounting Standards.

	For the Year Ended December 31,		For the Nine Months Ended September 30,	
	2022	2023	2023	2024
	(RMB in thousands)			
(Loss)/profit for the year/period	(180,245)	(121,470)	(39,498)	1,425
Add back:				
Changes in carrying amount of financial instruments issued to **[REDACTED]**	172,531	151,157	73,862	40,299
Amortization of intangible assets resulting from business acquisitions	39,070	40,068	30,052	29,660
Share-based payments	18,878	11,914	9,405	3,542
[REDACTED]	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Adjusted net profit for the year/period (non-IFRS measure)	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

Revenue by Service Offerings

The following table sets forth a breakdown of our revenue by service offering, both in absolute amounts and as percentages of total revenue, for the years/periods indicated.

	For the Year Ended December 31,				For the Nine Months Ended September 30,			
	2022		2023		2023		2024	
	RMB	%	RMB	%	RMB	%	RMB	%
					(unaudited)			
	(in thousands, except for percentages)							
Vehicle service:								
Salvage vehicle auction and facilitation services	241,108	62.1	332,879	64.2	259,296	66.3	217,992	54.0
Used vehicle auction and facilitation services	66,141	17.0	112,376	21.7	78,528	20.1	92,403	22.9
Other services	10,604	2.7	10,302	2.0	9,656	2.5	10,309	2.6
Total service	**317,853**	**81.9**	**455,557**	**87.9**	**347,480**	**88.8**	**320,704**	**79.4**
Vehicle sales	**70,260**	**18.1**	**62,772**	**12.1**	**43,659**	**11.2**	**83,274**	**20.6**
Total	**388,113**	**100.0**	**518,329**	**100.0**	**391,139**	**100.0**	**403,978**	**100.0**

For details, see "Financial Information — Period-to-period Comparison of Results of Operations."

SUMMARY OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth selected items from our consolidated statements of financial position as of the dates indicated.

	As of December 31,		As of September 30,
	2022	2023	2024
			(unaudited)
	(RMB in thousands)		
Total non-current assets	470,466	421,558	391,460
Total current assets	252,085	330,079	434,516
Total current liabilities	1,898,498	2,038,314	2,103,018
Total non-current liabilities	16,325	15,151	19,819
Net liabilities	(1,192,272)	(1,301,828)	(1,296,861)
Non-controlling interests	378	300	199

The following table sets forth our current assets and current liabilities as of the dates indicated.

	As of December 31,		As of September 30,
	2022	2023	2024
			(unaudited)
	(RMB in thousands)		
Current assets			
Inventories	—	11,937	220
Trade receivables	16,675	11,562	37,818
Prepayments and other receivables	105,671	125,285	160,215
Financial assets measured at fair value through profit or loss ("FVPL")	—	49,941	77,203
Restricted cash	54,610	—	—
Cash and cash equivalents	75,129	131,354	159,060
Total current assets	**252,085**	**330,079**	**434,516**
Current liabilities			
Trade payables	9,276	11,611	23,022
Other payables	333,657	372,217	320,428
Contract liabilities	5,124	9,370	1,495
Bank loans	110,999	49,690	135,000
Lease liabilities	14,107	7,039	6,865
Financial instruments issued to **[REDACTED]**	1,422,968	1,558,569	1,584,811
Financial liabilities measured at FVPL	—	21,166	22,176
Current taxation	2,367	8,652	9,221
Total current liabilities	**1,898,498**	**2,038,314**	**2,103,018**
Net current liabilities	**(1,646,413)**	**(1,708,235)**	**(1,668,502)**

We recorded net current liabilities of RMB1,646.4 million, RMB1,708.2 million and RMB1,668.5 million as of December 31, 2022, 2023 and September 30, 2024, respectively. We also recorded net liabilities of RMB1,192.3 million, RMB1,301.8 million and RMB1,296.9 million as of December 31, 2022, 2023 and September 30, 2024, respectively. Our net current liabilities and net liabilities positions during the Track Record Period were primarily due to financial instruments issued to **[REDACTED]**, which would be reclassified to equity upon consummation of the **[REDACTED]**. Considering the reclassification of financial instruments issued to **[REDACTED]** from liabilities to equity upon consummation of the **[REDACTED]** and the estimated net **[REDACTED]** from the **[REDACTED]**, we expect to achieve net current assets and net assets positions upon the completion of the **[REDACTED]**.

For details, see "Financial information — Discussion of Selected Items from the Consolidated Statements of Financial Position — Current Assets and Liabilities."

SUMMARY OF CONSOLIDATED CASH FLOW STATEMENTS

The following table sets forth a summary of our cash flows for the periods indicated.

	For the Year Ended December 31,		For the Nine Months Ended September 30,	
	2022	2023	2023	2024
			(unaudited)	
	(RMB in thousands)			
Net cash (used in)/generated from operating activities	(14,232)	174,140	124,582	5,456
Net cash used in investing activities	(50,732)	(53,924)	(20,365)	(29,603)
Net cash (used in)/generated from financing activities	(166,773)	(64,150)	(42,088)	52,042
Net (decrease)/increase in cash and cash equivalents	**(231,737)**	**56,066**	**62,129**	**27,895**
Cash and cash equivalents at the beginning of the year/period	305,871	75,129	75,129	131,354
Effect of foreign exchange rate changes	995	159	273	(189)
Cash and cash equivalents at end of the year/period	**75,129**	**131,354**	**137,531**	**159,060**

We had net cash generated from operating activities of RMB174.1 million, RMB124.6 million and RMB5.5 million in 2023 and for the nine months ended September 30, 2023 and 2024, respectively. We had net cash used in operating activities of RMB14.2 million in 2022. Please see ''Financial Information — Liquidity and Capital Resources — Cash Flows'' for more details.

KEY FINANCIAL RATIOS

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

	For the Year Ended/As of December 31,		For the Nine Months Ended/As of September 30,
	2022	2023	2024
Revenue growth	N/A[(1)]	33.6%	3.3%
Gross profit growth	N/A[(1)]	50.2%	(4.5)%
Net (loss)/profit margin	(46.4)%	(23.4)%	0.4%
Adjusted net profit margin (non-IFRS measure)	12.9%	15.8%	18.8%
Current ratio	13.3%	16.2%	20.7%
Quick ratio	13.3%	15.6%	20.7%

Note:

(1) Labeled as "N/A" as the financial information for the year ended December 31, 2021 was not within the Track Record Period.

OUR SINGLE LARGEST SHAREHOLDERS

Immediately following the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised), **[REDACTED]** Shares, representing approximately **[REDACTED]**% of the issued share capital of our Company, will be held by Rich Winner Limited (BVI), which is wholly owned by Mr. Chen. Accordingly, Mr. Chen and Rich Winner Limited (BVI) together will be our Single Largest Shareholders after the **[REDACTED]**. For more details, see "Relationship with our Single Largest Shareholders".

[REDACTED] INVESTMENTS

We have undertaken several rounds of **[REDACTED]** Investments. For details of the background of our **[REDACTED]** Investors and the principal terms of the **[REDACTED]** Investments, see "History, Reorganization and Corporate Structure — **[REDACTED]** Investments".

FUTURE PLANS AND USE OF [REDACTED]

We estimate that we will receive net **[REDACTED]** from the **[REDACTED]** of approximately HK$**[REDACTED]**, after deducting **[REDACTED]**, fees and estimated expenses payable by us in connection with the **[REDACTED]**, assuming no **[REDACTED]** is exercised, and an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]**, being the midpoint of the indicative **[REDACTED]** stated in this Document. In line with our strategies, we intend to use the net **[REDACTED]** from the following purposes, subject to changes in light of our evolving business needs and changing market conditions:

- Approximately **[REDACTED]**% of the net **[REDACTED]**, or HK$**[REDACTED]**, is expected to be used for the upgrade and expansion of our offline facilities;
- Approximately **[REDACTED]**% of the net **[REDACTED]**, or HK$**[REDACTED]**, is expected to be used for further investment in research and development;
- Approximately **[REDACTED]**% of the net **[REDACTED]**, or HK$**[REDACTED]**, is expected to be used for potential investment, mergers and acquisitions opportunities, primarily strategic partnerships or acquisitions along the industry chain that align with our long-term goals; and
- Approximately **[REDACTED]**% of the net **[REDACTED]**, or HK$**[REDACTED]**, is expected to be used for working capital and general corporate purpose, providing us with sufficient financial flexibility to address ongoing operational needs, explore strategic growth initiatives, and maintain stability in unforeseen circumstances.

For further details, please see "Future Plans and Use of **[REDACTED]**."

COMPETITION

The salvage vehicle auction industry in China is rapidly evolving. According to CIC, the auction volume of salvage vehicles in China increased from approximately 206 thousand units in 2019 to 345 thousand units in 2023, and is expected to reach 867 thousand units in 2028. We face increasingly intense competition with other leading players in the industry, according to CIC, the salvage vehicle auction market in China demonstrates a tiered competitive landscape, with the single largest player capturing a market share of more than 30% in terms of transaction volume in 2023, the top five players possessing a combined market share of approximately 56%, while the rest individual players each holding less than 2% of the market share. According to the same source, we ranked the first in China's salvage vehicle auction industry in terms of transaction volume in 2023, with a market share of approximately 31.3%. See "Industry Overview."

The used vehicle industry in China is facing significant growth opportunities as automotive market in China gradually shifts from a blue ocean market to a red ocean market. According to CIC, the transaction volume of used vehicles in China increased from 12.3 million units in 2019 to 16.1 million units in 2023, and is expected to reach 30.0 million units in 2028. According to CIC, the institutional used vehicle auction market in China is highly fragmented, with the top five market players possessing a market share of 24.9% in terms of transaction volume in 2023. According to the same source, we ranked the first in China's institutional used vehicle auction industry in terms of number of used vehicles auctioned in 2023, with a market share of approximately 7.5%, and we ranked the third in China's B2B used vehicle auction industry in terms of auction volume of B2B used vehicle in 2023, with a market share of approximately 11.4%. See "Industry Overview."

DIVIDENDS

We have never declared or paid regular cash dividends on our Shares. Any declaration and payment, as well as the amount of dividends, will be subject to our Articles and the Cayman Companies Act. Currently, we do not have any dividend policy to guide the declaration or payment of dividends. Our board of Directors has the discretion to pay interim dividends and recommend the payment of final dividends to Shareholders. The decision will depend on various factors, including our earnings, capital requirements, overall financial condition, and any contractual restrictions. We may, by ordinary resolution, resolve to declare dividends in any currency and authorize the payment of such dividends out of the funds of the Company that are lawfully available, provided that (i) no dividends shall exceed the amount recommended by our Board and (ii) no dividends shall be paid except out of the realized or unrealized profits of the Company, the share premium account, or as otherwise permitted by law. There is no assurance that dividends of any amount will be declared or distributed in any year.

If we pay dividends in the future, we will rely, to some extent, on dividends distributed by our PRC subsidiaries. Any dividend distributions from our PRC subsidiaries to us will be subject to PRC withholding tax. Additionally, regulations in China currently permit the payment of dividends by a PRC company only out of accumulated distributable after-tax profits, as determined in accordance with its articles of association and the accounting standards and regulations in China. For further details, see "Risk Factors — Risks Related to Doing Business in China" in this Document.

[REDACTED]

[REDACTED]

The total **[REDACTED]** payable by our Company are estimated to be approximately HK$**[REDACTED]** (or approximately RMB**[REDACTED]**), assuming the **[REDACTED]** is not exercised and based on an **[REDACTED]** of HK$**[REDACTED]** (being the mid-point of our **[REDACTED]** of HK$**[REDACTED]** to HK$**[REDACTED]** per **[REDACTED]**), accounting for approximately **[REDACTED]**% of gross **[REDACTED]**. Among such estimated total **[REDACTED]**, (i) **[REDACTED]**, including **[REDACTED]**, are expected to be approximately HK$**[REDACTED]**, and (ii) **[REDACTED]** of approximately HK$**[REDACTED]**, comprising (a) fees and expenses of legal advisers and Reporting Accountant of approximately HK$**[REDACTED]** and (b) other fees and expenses of approximately HK$**[REDACTED]**.

Among the total **[REDACTED]** payable of HK$**[REDACTED]**, HK$**[REDACTED]** is expected to be expensed through the statement of profit or loss and other comprehensive income and the remaining amount of HK$**[REDACTED]** is directly attributable to the issue of shares and deducted from equity. As of September 30, 2024, we incurred **[REDACTED]** of HK$**[REDACTED]** expensed through the statement of profit or loss and other comprehensive income and expect HK$**[REDACTED]** to be charged to the statement of profit or loss and other comprehensive income after the Track Record Period.

WORKING CAPITAL SUFFICIENCY

Our Directors are of the opinion, and the Joint Sponsors concur, that, taking into account the following financial resources available to us described below, we have sufficient working capital for our present requirements and for the next 12 months from the date of this Document:

- Cash and cash equivalents;
- Our future operating cash flows;
- Available banking facilities and equity financing opportunities; and
- The estimated net **[REDACTED]** from the **[REDACTED]**.

Our Directors confirm that we had no material defaults in payment of trade and non-trade payables and bank and other loans during the Track Record Period.

[REDACTED]

LEGAL PROCEEDINGS AND COMPLIANCE

Our Directors confirm that, during the Track Record Period and as of the Latest Practicable Date, we had not been and were not a party to any material legal, arbitral, administrative proceedings or non-compliance incidents that led to fines, enforcement actions or other penalties, which could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations. Our Directors are of the view that, we complied, in all material respects, with all relevant laws and regulations in the PRC during the Track Record Period and up to the Latest Practicable Date.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

In January 2025, we repurchased 612,008 series C preferred shares of US$0.01 each from five **[REDACTED]** Investors at a total consideration of RMB36.0 million at arm's length negotiation between the parties. The consideration was fully paid up in January 2025.

Our Directors confirm that, up to the Latest Practicable Date, there was no material adverse change in our financial, operational or trading position since September 30, 2024, being the date on which the latest consolidated financial information of our Group was prepared in Appendix I in this Document, and there had been no event since September 30, 2024 that would materially affect the information shown in the Accountants' Report set out in Appendix I to this Document.

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

"Accountants' Report"	the accountants' report of our Company, the text of which is set out in Appendix I to this Document
"affiliate(s)"	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"AFRC"	Accounting and Financial Reporting Council (會計及財務匯報局)
"Articles" or "Articles of Association"	the articles of association of our Company with effect upon the **[REDACTED]** (as amended and/or restated from time to time), a summary of which is set out in Appendix III to this Document
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Board", "Board of Directors" or "our Board"	the board of Directors of the Company
"Business Day"	a day on which banks in Hong Kong are generally open for normal business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong

[REDACTED]

"China" or "the PRC"	the People's Republic of China, unless the context requires otherwise, excluding, for the purposes of this Document only, the regions of Hong Kong, Macau and Taiwan of the People's Republic of China
"CIC"	China Insights Industry Consultancy Limited (灼識行業諮詢有限公司), an independent professional market research and consulting company
"Circular 37"	the Notice of the SAFE on Issues Concerning Foreign Exchange Administration of the Overseas Investment and

	Financing and the Round-Tripping Investment Made by Domestic Residents through Special-Purpose Companies (《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》)
"close associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies Act" or "Cayman Companies Act"	the Companies Act (Revised) of the Cayman Islands
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company", "our Company", or "the Company"	Boche Holding Limited (Cayman), an exempted company with limited liability incorporated under the laws of the Cayman Islands on April 17, 2020
"Compliance Adviser"	Fosun International Capital Limited
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"connected transaction(s)"	has the meaning ascribed thereto under the Listing Rules
"core connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Corporate Governance Code"	the Corporate Governance Code set out in Appendix C1 to the Listing Rules
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Director(s)"	the director(s) of our Company
"EIT"	enterprise income tax
"EIT Law"	the PRC Enterprise Income Tax Law (《中華人民共和國企業所得税法》)
"ESG"	Environmental, Social and Governance

[REDACTED]

"Extreme Conditions"	extreme conditions in the case where a super typhoon or other natural disaster of a substantial scale seriously affects the working public's ability to resume work or brings safety concern for a prolonged period

[REDACTED]

"Group", "our Group", "our", "we" or "us"	our Company and its subsidiaries, or any one of them as the context may require, and where the context requires, the businesses operated by our Company and/or its subsidiaries and their predecessors (if any)
"HK$" or "Hong Kong Dollars" or "HK Dollars" and "HK cents"	Hong Kong dollars, the lawful currency of Hong Kong

[REDACTED]

[REDACTED]

"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC

[REDACTED]

"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"Hong Kong Takeovers Code" or "Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy- backs issued by the SFC, as amended, supplemented or otherwise modified from time to time

[REDACTED]

"IFRSs"	the IFRS Accounting Standards, which include standards, amendments and interpretations promulgated by International Accounting Standards Board
"IIT Law"	the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》)

"Independent Third Party(ies)"	any person(s) or entity(ies) who is not a connected person of the Company within the meaning of the Listing Rules

[REDACTED]

"Joint Sponsors"	the joint sponsors as named in the section headed "Directors and Parties Involved in the **[REDACTED]**"
"Latest Practicable Date"	February 14, 2025, being the latest practicable date for the purpose of ascertaining certain information contained in this Document prior to its publication

[REDACTED]

"Listing Committee"	the listing committee of the Hong Kong Stock Exchange

[REDACTED]

"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
"M&A Rules"	the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》)
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Hong Kong Stock Exchange
"Memorandum" or "Memorandum of Association"	the memorandum of association of our Company with effect from the **[REDACTED]** amended and/or restated from time to time, a summary of which is set out in Appendix III to this Document
"MOFCOM" or "Ministry of Commerce"	the Ministry of Commerce of the PRC (中華人民共和國商務部) (formerly known as the Ministry of Foreign Trade and Economic Cooperation of the PRC (中華人民共和國對外經濟貿易部))
"Mr. Chen"	Mr. Jianpeng Chen (陳健鵬), our executive Director, chairman of the Board, general manager and one of our Single Largest Shareholders
"NDRC"	the National Development and Reform Commission (中華人民共和國國家發展和改革委員會)
"Nomination Committee"	the nomination committee of the Board
"NPC"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會)

[REDACTED]

[REDACTED]

"Overseas Listing Trial Measures"	The Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies and five supporting guidelines (《境內企業境外發行證券和上市管理試行辦法》及五項配套指引) promulgated by the CSRC on February 17, 2023 and became effective on March 31, 2023
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"PRC Company Law"	the Company Law of the People's Republic of China (中華人民共和國公司法), as amended, supplemented or otherwise modified from time to time
"PRC Legal Adviser"	Han Kun Law Offices, our legal adviser on PRC laws in connection with the **[REDACTED]**
"**[REDACTED]** Investment(s)"	the investment(s) in our Company undertaken by the **[REDACTED]** Investors prior to this **[REDACTED]**, details of which are set out in "History, Reorganization and Corporate Structure"
"**[REDACTED]** Investor(s)"	Holder(s) of Shares pursuant to the **[REDACTED]** Investments, details of which are set out in the section headed "History, Reorganization and Corporate Structure"
"**[REDACTED]** Share Incentive Plans"	refers collectively to Incentive Plan I and Incentive Plan II
"Incentive Plan I"	the employee share incentive plan adopted by the Company in January 2025 and the underlying Shares of which was reserved in February 2022, the principal terms of which are set out in the section headed "Statutory and General Information — D. **[REDACTED]** Share Incentive Plans" in Appendix IV to this Document

"Incentive Plan II"	the employee share incentive plan adopted by the Company in January 2025, the principal terms of which are set out in the section headed "Statutory and General Information — D. **[REDACTED]** Share Incentive Plans" in Appendix IV to this Document
"Preferred Share(s)"	preferred shares(s) in the share capital of the Company

[REDACTED]

"Document"	this document being issued in connection with the **[REDACTED]**
"Qualified Institutional Buyers" or "QIBs"	qualified institutional buyers within the meaning of Rule 144A
"Regulation S"	Regulation S under the U.S. Securities Act
"Remuneration Committee"	the remuneration committee of the Board
"Renminbi" or "RMB"	the lawful currency of the PRC
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAMR"	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
"SAT"	the State Taxation Administration of the PRC (中華人民共和國國家稅務總局)
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO" or "Securities and Futures Ordinance"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary and/or preferred shares in the share capital of our Company of US$0.001 each

"Shareholder(s)"	holder(s) of our Share(s)
"Single Largest Shareholders"	refers collectively to Mr. Chen and Rich Winner Limited (BVI)

[REDACTED]

"State Council"	the State Council of the PRC (中華人民共和國國務院)
"subsidiary(ies)"	has the meaning ascribed thereto under the Listing Rules
"substantial shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Track Record Period"	the period comprising two financial years ended December 31, 2022 and 2023 and the nine months ended September 30, 2024
"treasury shares"	has the meaning ascribed thereto under the Listing Rules
"U.S. persons"	U.S. persons as defined in Regulation S
"U.S. Securities Act"	United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time

[REDACTED]

"United States", "USA" or "U.S."	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia
"USD", "US$" or "U.S. dollars"	United States dollar, the lawful currency of the United States
"VAT"	value-added tax

[REDACTED]

"%"	per cent

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains explanations of certain technical terms used in this Document. As such, these terms and their meanings may not correspond to standard industry meanings or usage of these terms.

"4S dealership"	an automotive dealership store operated by dealership groups and authorized by OEMs that integrates the four business elements, namely sales, spare parts, services and survey
"AI"	artificial intelligence, the science of researching and developing theories, methods, technologies, and application system that simulate and extend human intelligence
"app" or "mobile application"	application software designed to run on smartphone and other mobile devices
"auction"	a process of buying and selling items or services by offering them up for bids, taking bids, and then selling them to the highest bidders
"big data"	large and diverse data sets able to uncover hidden patterns, unknown correlations, market trends, customer preferences and other useful information assets under new processing model for greater decision-making power, insight and processing optimization capabilities
"consignor"	for the purposes of this Document only, the person who leave the salvage vehicle and used vehicle in our possession and authorize us to auction off these vehicles on their behalf
"consignment"	for the purposes of this Document only, the arrangement in which the consignors leave the salvage vehicle and used vehicle in our possession and authorize us to auction off these vehicles on their behalf
"COVID-19"	a viral respiratory disease caused by the severe acute respiratory syndrome coronavirus
"ERC"	estimated repair cost, the cost required to restore the damaged vehicle to normal working condition
"ERP"	enterprise resource planning
"GTV"	gross transaction value
"ICE"	internal combustion engine, traditional engine powered by burning fossil fuel inside itself

"KPI"	key performance indicators
"mileage"	total miles covered or traveled by the automotive during a given time
"NEV"	new energy vehicle
"OEM"	original equipment manufacturer, which in this Document, refers to automotive manufacturer
"off-lease vehicle"	for the purposes of this Document only, an off-lease vehicle means a vehicle which has been returned to an institutional consignor after the completion of its lease term
"PAV"	pre-accident value, typically falls between fair value (typically based on the market value of similar vehicles) and coverage amount (insurance coverage amount determined by the insurance company) after negotiation
"repurchase rate"	the percentage of buyers who made at least two purchases within the same year/period
"reserve price"	for the purposes of this Document only, the minimum price at which the salvage vehicle or the used vehicle can be sold
"R&D"	research and development
"SaaS"	Software as a Service, a business delivery model in which software is licensed on a subscription basis and is centrally hosted
"salvage vehicle"	for the purposes of this Document only, typically refer to the insured vehicles which are determined as total loss vehicle after damage claims
"SV"	salvage value, the market value of the vehicle after the accident
"take rate"	the percentage of revenue over the underlying GTV
"trade-in"	an arrangement in which the owner of a used vehicle uses the used vehicle as a payment or partial payment for purchase of a new vehicle
"used vehicle"	for the purposes of this Document only, a used vehicle is a previously owned vehicle or motorized vehicle that is being resold, typically at a lower price than a new one
"vehicle parc"	refers to the total number of registered vehicles within a given geographic region

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

We have included in this Document forward-looking statements. Statements that are not historical facts, including but not limited to statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements. When used in this Document, the words "aim", "anticipate", "believe", "could", "expect", "going forward", "intend", "ought to", "project", "seek", "should", "will", "would", "vision", "aspire", "target", "schedule", and the negative of these words and other similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the risk factors as described in this Document, some of which are beyond our control and may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing us which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our operations and business prospects;
- our ability to maintain relationship with, and the actions and developments affecting, our suppliers and customers;
- future developments, trends and conditions in the industries and markets in which we operate or plan to operate;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment in the industries and markets in which we operate;
- our ability to maintain the market leading positions;
- the actions and developments of our competitors;
- the ability of third parties to perform in accordance with contractual terms and specifications;
- our ability to retain senior management and key personnel and recruit qualified staff;
- our business strategies and plans to achieve these strategies;
- the effectiveness of our quality control systems;
- change or volatility in interest rates, foreign exchange rates, equity prices, trading volumes, commodity prices and overall market trends, including those pertaining to the PRC and the industry and markets in which we operate; and
- capital market developments.

By their nature, certain disclosures relating to these and other risks are only estimates and should one or more of these uncertainties or risks, among others, materialize, actual results may vary materially from those estimated, anticipated or projected, as well as from historical results. Specifically but without limitation, sales could decrease, costs could increase, capital costs could increase, capital investment could be delayed and anticipated improvements in performance might not be fully realized.

Subject to the requirements of applicable laws, rules and regulations, we do not have any or undertake no obligation to update or otherwise revise the forward-looking statements in this Document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Document might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this Document are qualified by reference to the cautionary statements in this section as well as the risks and uncertainties discussed in the section headed "Risk Factors."

In this Document, statements of or references to our intentions or those of our Directors were made as of the date of this Document. Any such information may change in light of future developments.

An **[REDACTED]** *the* **[REDACTED]** *involves significant risks. You should carefully consider all of the information in this Document, including the risks and uncertainties described below, before deciding to* **[REDACTED]** *in the* **[REDACTED]** *following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, financial condition, results of operations and growth prospects. In any such event, the* **[REDACTED]** *of the* **[REDACTED]** *could decline, and you may lose all or part of your* **[REDACTED]**. *Additional risks and uncertainties not presently known to us, or not expressed or implied below, or that we deem immaterial, could also harm our business, financial condition and results of operations.*

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

We depend on a limited number of major upstream consignors for vehicle sources and to engage in transactions on our auction platform, especially for salvage vehicle auction and facilitation services. Any loss of these major consignors or any significant interruption in our relationships with these consignors would have a material adverse effect on our business, financial condition and results of operations.

We rely on a limited number of our major upstream consignors, primarily including institutional consignors such as insurance companies, rental companies and auto finance and leasing companies in China, particularly in connection with our salvage vehicle auction and facilitation services. For instance, during the Track Record Period, 71.4%, 63.4% and 58.0% of salvage vehicles transacted on our auction platform were sourced from three upstream salvage vehicle consignors in 2022, 2023, and for the nine months ended September 30, 2024, respectively. Moreover, few contracts we entered into with upstream consignors specify one-year committed terms, with no contractual obligations requiring them to maintain their relationship with us beyond this duration. These major consignors have the right to terminate their collaboration in accordance with the contractual terms and may choose not to renew their agreements upon expiration. As such, any reduction in vehicles from any major upstream consignors or any material changes in terms of arrangements with such consignors could have a material adverse effect on our business, results of operations and financial condition.

Our reliance on these major consignors exposes us to counterparty risks and the risk of losing a stable vehicle supply. Although we normally enter into agreements with numerous branches of insurance companies, we cannot assure you that we will be able to maintain our relationships with such major consignors in the future. If our relationship with our major consignors is disrupted, or if our major consignors cease their business cooperation with us, the supply of salvage vehicles and used vehicles on our auction platform may be delayed or disrupted. 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. Should this situation occur, our business, financial condition, results of operations, and profitability may be adversely affected.

Additionally, our major consignors may choose to enter the salvage vehicle auction and used vehicle auction industry directly and establish their own auction platforms. This could lead to a reduction in the volume of salvage and used vehicles entrusted to us, adversely impacting our market share, business performance, and operational results. For instance, in 2022, a major insurance company, one of our major upstream consignors, strategically decided to reduce its supply of salvage vehicles to independent salvage vehicle auction platforms, like us, and establish its own dedicated vehicle auction platform. This strategical decision adversely affected the salvage vehicle supply volume available in the market and the operations of independent salvage vehicle auction platforms generally, which, in turn, negatively affected our business, financial condition and results of operations. Although such insurance company later resumed cooperation with us in 2023, we cannot assure that our relationship with our major consignors will remain stable, and any deterioration could materially adversely affect our business operations and result in unexpected interruptions to our growth trajectory.

If we fail to deliver a differentiated and superior experience to upstream consignors and downstream buyers, our long-term relationship with such consignors and buyers may diminish, which would have a material adverse effect on our business, financial condition and results of operations.

We not only provide a streamlined and effective auction platform for salvage and used vehicles to our consignors but also assist buyers in accessing affordable vehicles and seeking additional repair resources, thereby facilitating the circulation of spare auto parts in the market. Furthermore, we offer convenient and efficient auction facilitation services to support the smooth operations of both consignors and buyers. Delivering differentiated and superior experiences for consignors and buyers, along with satisfactory services, is essential for strengthening our long-term relationships with these consignors and buyers and enhancing consignor and buyer retention on our platform. Our ability to provide such a high-quality experience to our consignors and buyers is contingent upon several key factors, including:

- our intelligent database built on massive genuine and time-sensitive transaction data to enable effective collection and analysis of data and to enhance decision-making and operational efficiency;
- our 158 nationwide network of offline facilities covering all major cities in China which enable us to provide vehicle storage and preservation sites and a comprehensive suite of facilitation services to enhance online auctions effectively;
- our effective risk management and internal control;
- our proprietary integrated platform enables rapid updates and timely responses to member needs and market demands;
- our intelligent pricing infrastructure, E-Pricing and E-Value systems, which leverage advanced algorithms to provide accurate vehicle valuations estimates;
- our multifunctional Boche Auction App that offers easy access to basic information about salvage and used vehicles through convenient online navigation;
- our stable vehicle supply to meet varying demands effectively;
- our ability to improve the existing services and explore new opportunities; and
- our ability to adequately train and manage our employees and attract talents.

We cannot guarantee that we can continuously provide a differentiated and superior experience to our consignors and 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. Furthermore, failure to fully realize the expected benefits from our service offerings could adversely affect our business operations and financial condition.

To maintain our competitive edge, we are committed to innovation and providing differentiated and superior experience to retain existing and attract new consignors and buyers onto our auction platform. Without continuous innovation, we risk losing our competitive edge, which could hinder our business performance and financial results. Therefore, we must consistently allocate resources toward service improvement, technology development, and innovation to enhance the appeal and scope of our offerings while effectively incorporating intelligent technology. These expenses for the development of our services may include costs of hiring additional personnel, engaging third-party service providers and conducting other research and development activities. Our ability to engage in such development may decline as a result of, among others, continued uncertainties around the global macroeconomic conditions and any cost-savings initiatives for our business. Moreover, there can be no assurance that innovations to our services, or the development of future services, will enhance consignor or buyer engagement, achieve market acceptance, create additional revenue or become profitable. If we fail to deliver services that meet expectations from our consignors and buyers, they may scale back their usage or discontinue using our auction platform altogether.

We operate in a competitive market subject to an evolving landscape.

Our competitive landscape is centered on the salvage vehicle auction and used vehicle auction markets in China, characterized by intense competition and ongoing evolution. These markets are influenced by various factors, including but not limited to unpredictable fluctuations in new vehicle pricing, continuous advancements in intelligent systems, the introduction of NEVs, shifts in auto insurance policies among insurers, changing consignor and buyer demands, and the regular emergence of new industry standards and practices. We also intend to expand our geographic presence by following the footprints of our consignors and buyers. Although high entry barriers exist, uncertainties surrounding market competition will persist as new entrants continue to establish their presence. We also face fierce competition from other salvage and/or used vehicle auction platforms, whose operations directly influence and shape the competitive dynamics of the market. Our 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. For instance, they may have more extensive relationships with insurance companies, OEMs, dealership groups, certified repair workshops and licensed vehicle dismantlers than we do, and may be able to attract more talents 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 auction platform less attractive to consignors and buyers and cause us to lose market share. New competitors may continue to enter the salvage vehicle auction and used vehicle auction industry with competing brands, business models, vehicles and services, which could have an adverse effect on our business, financial condition and results of operations.

Additionally, to remain competitive, we need to stay abreast of the constantly evolving industry trends and enhance our technology accordingly. Our success will depend, in part, on our ability to introduce and apply technologies to improve our consignors and buyer experience and operating efficiency. The operational efficiency of our online auction platform significantly affects transaction efficiency. We have an in-house team responsible for maintaining and upgrading our auction platform and proprietary system. We will continue to incur ongoing system development expenses to ensure the delivery of high-quality and efficient services. Moreover, the provision of vehicle storage and preservation services at our offline facilities is a key competitive advantage and a fundamental aspect of conducting online auctions because it affords buyers valuable opportunities to preview vehicles, which may lead to more efficient auction process and higher auction success rate. Therefore, maintaining existing facilities and introducing additional ones is crucial for our operational efficiency and business development in the increasingly fierce competition. Failure to accomplish any of the foregoing will adversely affect 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 salvage and 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.

If we are unable to effectively manage our growth or implement our business strategies, 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 or implement our growth strategies. As part of our business strategies, we intend to further enhance our leadership in the salvage vehicle auction and used vehicle auction market in China by expanding our consignor and buyer base, promoting intelligent technology-based applications to empower our business and solidify our industry leading position, upgrading and expanding our offline facilities to enhance local service capabilities, diversifying our service offering and improving profitability, and investing in strategic partnerships or acquisitions. See "Business — Our Growth Strategies" for details. However, our experience in the markets where we currently operate may not be transferable to the new markets we aim to enter, which could limit our ability to utilize our existing expertise for further growth. As a result, our expansion, business and monetization strategies may not be successful. Furthermore, expanding into new geographical markets will require us to hire additional employees. To sustain our growth, we will incur additional compensation and payroll costs, office rental expenses and other costs, as well as experience additional strain on our managerial resources. If we are unable to successfully implement our business strategies to manage our growth and generate sufficient revenues to cover our increased costs and expenses, our business, financial condition and results of operations may be materially and adversely affected.

Furthermore, our strategy to diversify our services to improve our profitability may expose us to new challenges and more risks. Although we have successfully expanded into new service categories in recent years, we cannot guarantee that we will maintain this momentum in future expansions into additional service offerings. Our lack of experience with these new services may adversely affect our prospects and our ability to compete with the existing market players in any of these services. Moreover, the expansion into new services may disrupt our ongoing business, distract our management and employees and increase our expenses to cover unforeseen or hidden liabilities or costs. We may also face challenges in achieving the expected benefits of synergies and growth opportunities in connection with these new services. Besides, we may be subject to additional compliance requirements for these new services. Failure to expand successfully may also diminish investor confidence in our decision-making and execution capabilities, which could materially and adversely affect our business, results of operations, financial condition and prospects.

Additionally, we plan to strengthen our offline presence in existing markets and expand into new geographic regions. However, the business model we employ in our current markets may not be directly applicable to other areas of China. We may face challenges in effectively leveraging our experience in these new markets. As a result, our expansion strategies, including sales and marketing initiatives designed to attract more consignors and buyers to our auction platform and enhance our market penetration, may not yield the desired outcomes. Additionally, to facilitate the continued expansion of our business, we must consistently enhance and expand our digitalization infrastructure and technology, as well as improve our operational and financial systems, procedures, and internal controls. We cannot guarantee that our existing auction facilities network, capacity, personnel, infrastructure, systems, procedures, and controls will sufficiently support our operations. Although we can utilize the identical online auction platform, database and technology to provide services and expand business in new geographic markets, we cannot assure you that our expansion plan will yield the anticipated benefits. Furthermore, we cannot guarantee that our fee rates will remain unchanged as a result of business expansion, which may lead to reduced charge fees and subsequently impact our financial condition and business operations.

Our service fees may fluctuate or decline in the future due to various market factors and we may not be able to effectively maintain or increase them. Any material decrease in such service fees would harm our business, financial condition and results of operations.

During the Track Record Period, a significant portion of our revenues was derived from (i) auction fees based on the final auction price to downstream buyers, and (ii) auction-related sales transaction fees charged to buyers for successful auctions on our auction platform. Such service fees we charged for the services provided may fluctuate from period to period. Our ability to maintain and increase the amount and/or level of service fees we charge to buyers for our salvage vehicle auction and facilitation services and used vehicle auction and facilitation services depends on a number of factors, including:

- our ability to continuously enhance service quality to provide buyers with a satisfactory salvage and used vehicle transaction experience;
- our increasing coverage rate of the offline network;
- our ability to maintain and foster collaboration with major upstream consignors, third-party service providers and business partners, enabling us to offer services through our auction platform on favorable terms for our consignors and buyers;
- our ability to integrate intelligent technology with our existing data processing systems to enhance data storage and processing capabilities;
- our ability to enhance the security of user data of consignors and buyers to prevent breaches;
- our ability to attract buyers to our platform;
- competition in the local market; and

- fluctuations in interest rates as well as other macroeconomic factors.

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

We are subject to risks and uncertainties related to the development of the NEV industry and other advanced technologies.

The recent surge in NEV sales has significantly transformed the landscape of China's automotive industry. These new NEVs will eventually become salvage or used vehicles and in turn impact China's salvage and used vehicle auction industry. Fluctuations in market trends and industry policies that impact the demand and supply dynamics of new vehicle sales (including new NEVs), as well as the behavior of insurance companies towards these vehicles, may indirectly affect the salvage and used vehicle industry in China and our operational performance over the long term. For instance, the average insurance premium for NEVs remains high, primarily driven by increased insurance payouts, high accident rates, and high repair costs. The insurance premium for NEVs is often higher than that ICEs which may dampen demand for NEVs, and in turn, could affect the future supply of salvage and used NEVs. This could result in a decline in the number of salvage and used NEVs transacted on our auction platform, adversely impacting our business growth and financial performance.

In addition, various government policies, regardless of whether they are aiming at directly boosting new vehicle sales, may impact China's automotive industry in general and China's salvage and used vehicle industry in particular, thereby affecting our business operation as a result. For example, on March 7, 2024, the State Council promulgated Action Plan to Promote in Large Scale Equipment Renewal and Trade-in of Consumer Goods (《推動大規模設備更新和消費品以舊換新行動方案》), which, among others, requires to enhance the policy support for used vehicle trade-ins. On March 27, 2024, 14 ministerial departments including the MOFCOM issued the Action Plan to Promote Trade-in of Consumer Goods (《推動消費品以舊換新行動方案》), which stipulated that one of its key tasks is to carry out the trade-in of used vehicles in exchange for new vehicles. On January 20, 2025, eight departments including the MOFCOM jointly issued the Notice on the Launch of the Pilot Reforms for Automobile Circulation and Consumption (《關於開展汽車流通消費改革試點工作的通知》), which requires to promote the efficient circulation of used vehicles in several methods. See "— Government regulations of the auto insurance, salvage vehicle or used car industry may significantly affect our business, results of operations and financial condition" for details. These policies may indirectly lead to an increase in the demand for vehicles, including used vehicles. However, there can be no assurance that such policies will achieve the desired results, and where also can be no assurance that these policies will not be modified, suspended or repealed in the future. Any occurrence of the foregoing could create uncertainties to the development of China's automotive industry in general and salvage and used vehicle industry in particular, which may in turn adversely affect our business operation and financial performance.

Moreover, the development of advanced technologies can present challenges to our auction platform and business. For example, the increased development and application of advanced autonomous driving technology may, in the future, significantly reduces the accident rate, leading to a smaller number of damaged vehicles deemed as a total loss by insurance companies. As a result, the supply of salvage vehicles may decrease due to emergence of such advanced technology, negatively affecting our financial conditions and results of operations.

Suboptimal valuation estimates may lead to unfavorable operating performance or financial losses, which could materially and adversely impact our business and operating results.

We implement a back-to-back valuation mechanism when providing SV valuation to insurance companies, wherein valuation representatives from our branch offices generate initial valuation and personnel at headquarters formulate another independent valuation. This dual-valuation system to some degree ensures a robust value estimation strategy, allowing for comprehensive market analysis and reducing the risk of misestimation. The final determination of the valuation rests with the branch personnel, who assesses both valuations in conjunction with market conditions and other relevant factors. Specially, the valuation personnel relies on our proprietary pricing system, E-Pricing, to give valuation to insurance companies, which is then manually adjusted based on more complex factors, including damage areas and severity. If the valuation is set too high, we may face the risk of failing to auction the vehicle successfully at or above SV, leading to potential economic losses. Conversely if the valuation is set too low, we risk losing collaboration during the total loss assessment process of insurance companies, which may affect our supply of salvage vehicles. Thus, the timeliness of our database and the expertise of our valuation personnel significantly impact the reasonableness of our valuation, ultimately influencing our success of valuation estimates and affecting our operational profitability.

Despite having a back-to-back valuation mechanism and providing professional training for our valuation personnel to enable them to adjust final valuation more appropriate based on historical data, we still heavily rely on the expertise and experience of our valuation personnel to provide reasonable and accurate valuations. Human judgment can to some extent account for factors that E-Pricing system may not consider, such as regional market preferences for vehicle brands. Valuation personnel can adjust headquarters' valuations within the back-to-back valuation mechanism. Additionally, they can modify valuations based on seasonal fluctuations and changes in market supply and demand, thereby enhancing the accuracy and timeliness of our valuations. However, if our valuation personnel is unable to meet daily valuation demands due to a lack of experience or insufficient staff, we risk losing these advantages derived from human expertise.

Furthermore, we plan to enhance our valuation capabilities by incorporating intelligent technologies to reduce the reliance on manual labor. Should we fail to successfully improve the level of intelligent valuation, we may also face the risk of incorrect valuations. We rely on the E-Pricing system as the foundation for our manual valuation adjustments. The E-Pricing system leverages an algorithmic model and utilizes historical data from up to four weeks, focusing on factors such as similar vehicle brands, damage locations and severity of damage. Therefore, if we fail to design a robust algorithmic model for E-Pricing system and enhance its database processing capabilities, we may encounter challenges in incorporating additional necessary factors into our pricing strategy. For instance, as NEVs enter the market, we must consider new factors, such as battery specifications and the extent of damage. This would necessitate a data processing system different from our existing database and methodologies. Although we have considered the costs and complexities of iterations during the development of E-Pricing system, our reliance on this system still exposes us to the risk of incorrect pricing.

If we are unable to auction vehicles above the SV on our auction platform, they may be auctioned at discount, resulting in losses that could materially and adversely impact our business, financial condition and results of operations.

We provide salvage consignors with valuation estimates for their vehicles. If requested, we covenant to dispose the vehicle at our valuation price. In the course of total loss assessment process, we issue valuation of SV to salvage consignors and proceed to auction the vehicle on our auction platform upon being assigned the salvage vehicle. Under circumstances where the auction price falls below the SV, we may choose to adjust the auction price for agile disposal to mitigate the risk of vehicle accumulation. In such cases, we will still fulfill our obligation to the salvage consignors at SV, resulting in a potential loss for us. If a substantial volume of vehicles is auctioned below the SV, our operational performance and revenue may be significantly affected. This risk is further amplified if we are unable to timely adjust our valuation based on current market conditions, if our valuation personnel fails to accurately modify system-generated prices, or if our E-Pricing system does not effectively process historical data. Additionally, reliance on outdated algorithmic models that do not reflect the latest industry trends may also hinder our ability to successfully auction vehicles due to misestimation.

Our limited operating history and our historical adjustment of businesses make it difficult for* [REDACTED] *to evaluate our business and prospects.

We commenced operations in 2014, and our limited operating history makes it difficult to evaluate our future prospects and results of operations. In addition, fluctuations in results could make period-to-period comparisons difficult. In 2015, we expanded our business to include used vehicle auctions and facilitation services, leveraging the same database, personnel and processing system. This shift was driven by consignors' growing need to dispose of large volumes of used vehicles that could not be sold as efficiently through other channels as through our auction platform. As a result, our historical performance may no longer serve as a meaningful basis for evaluating our business, results of operations, financial condition and prospects, and we may encounter unforeseen expenses, difficulties, complications, delays and other known and unknown factors, and may not be able to achieve promising results in future. These risks and challenges include, among others:

- preserving our competitive position in the markets in which we operate;
- offering consistent and high-quality services to retain and attract consignors and buyers;
- recruiting, training and retaining qualified managerial and other personnel;
- the uncertainties associated with our ability to continue our growth and maintain profitability;
- integrating technology into our existing valuation infrastructure; and
- maintaining and enhancing our offline facilities to provide storage and preservation services.

In future periods, our revenue growth may slow down or even decline for a number of reasons, including slowing demand for our services, intensified competition, material changes in market condition, declining growth rate of our total addressable market, or our failure to continue to take advantage of growth opportunities. If our assumptions regarding risks and our future revenue growth turn out to be incorrect or if we do not respond effectively to uncertainties and challenges, our operating and financial results could differ from our forecast, and our results of operations and financial condition could be materially and adversely affected.

Our business is subject to risks related to China's auto insurance and salvage vehicle industry generally.

We operate in China's salvage vehicle industry and our operational and financial results primarily depend on the performance of auto insurance industry and various industry-wide risks related to China's auto insurance and salvage vehicle industry, including but not limited to:

- adoption and acceptance of total loss vehicle assessment standards;
- adjustments to insurance premiums and risk assessment models for salvage vehicles by insurance companies;
- fluctuations in the sales and prices of new and used vehicles, which in turn could affect the sales and prices of salvage vehicles;
- the growth and evolution of China's automotive industry in general;
- government policies relating to salvage vehicles in China, such as taxes and other incentives or disincentives related to salvage vehicle purchases and ownership;
- 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;
- refinement of insurance policies for NEV by insurance companies;
- downstream buyers' acceptance of salvage and used vehicles;
- awareness, credibility and popularity of auction as a way for salvage and used vehicle transactions;
- cost and convenience of the salvage vehicle transaction process, including tile transfer and ease of directly transacting salvage vehicles with downstream buyers, which in turn may affect upstream consignors' preference for disposing of salvage vehicle through our auction platform;
- impact from flooding or other epidemics on various aspects of the salvage vehicle industry, including their impact on the overall economic growth and income level that in turn affected downstream buyers' ability and willingness to purchase used vehicles, as well as the disruption to the supply of used vehicles and offline used vehicle auctions;
- the improvement of the highway system and availability of parking facilities;
- the cost of energy, including fuel prices, and the cost of vehicle license plates in various cities with license plate lottery or auction systems;
- ride sharing, public transportation networks, charging network, and other fundamental changes in transportation pattern; and
- vehicle-related environmental concerns and measures taken to address these concerns.

We cannot assure you that the industry will continue to grow rapidly in the future, which may significantly affect our operational performance and financial condition.

We face risks related to our auction facilitation services and other services, including failure to successfully monetize these services.

In addition to salvage and used vehicle auction services, we offer a range of auction facilitation services and other services to our consignors and buyers to facilitate the transaction process for salvage vehicles, used vehicles sales and auto parts marketplace. We believe these services strengthen our relationship with consignors and buyers, ultimately increasing the volume of salvage and used vehicles transacted through our auction platform.

Some of our auction facilitation services, such as certain of our digitalization empowerment services for upstream consignors, are offered for free to attract and maintain relationships with consignors and buyers. In contrast, other services, such as E-Report, storage and preservation services, incur varying service fees. However, some consignors and buyers may not fully recognize or appreciate the importance and value of facilitation services we provide, whether offered for free or at a cost. Additionally, the availability of free services from our competitors and other industry participants, irrespective of their actual utility and functionality, may further diminish the willingness of our consignors and buyers to pay for our services. While we aim to develop new fee-based facilitation services to meet the evolving demands of consignors and buyers, we currently lack a definitive timeline for implementing this strategy. Furthermore, there is no assurance that we can effectively monetize these services without jeopardizing our relationships with our consignors and buyers or diminishing their satisfaction with our offerings. Additionally, we cannot guarantee the successful monetization of the new services we intend to introduce in the future. The development and launch of these services will incur further research and development costs as well as other associated expenses. If our monetization efforts for these services prove unsuccessful, we may be unable to recover the costs incurred in providing these services, which would hinder our ability to generate sustainable revenue and profits from their provision.

Several external factors beyond our control may also affect our ability to monetize auction facilitation services and other services. For example, our offline facilities have limited capacity to handle a substantial increase in the volume of salvage or used vehicles from our upstream consignors, which could impact our ability to generate revenue from storage and preservation services. See "— Failure to have sufficient capacity to accept additional vehicles at our offline facilities could adversely affect our business" for details. Moreover, if we are unable to renew the lease of our offline facilities or offices, or if the lease is unexpectedly disrupted for any reason, our ability to monetize storage and preservation services could be materially and adversely impacted. Such disruptions could lead to significant operational challenges, including suspension and delays in service delivery, further affecting our overall revenue generation from auction facilitation services and other services. See "— Failure to renew our current leases or locate desirable alternative for our facilities could materially and adversely affect our business" for details.

Furthermore, to sustain the growth of our auction facilitation services and other services and our relationships with consignors and buyers, it is essential for us to continuously enhance our existing services and introduce new services that effectively address the evolving pain points and needs of our consignors and buyers in salvage and used vehicle operations. See "— If we fail to deliver a differentiated and superior experience to upstream consignors and downstream buyers, our long-term relationship with such consignors and buyers may diminish, which would have a material adverse effect on our business, financial condition and results of operations" for details. Despite significant investments of time and resources, we may struggle to accurately identify the specific demands of our consignors and buyers. Even when these demands are identified, we may lack the resources necessary, compared to some competitors, to develop and implement services quickly enough to secure a competitive advantage. See "— We operate in a competitive market subject to an evolving landscape."

We work with third-party service providers and business partners. The interruption of requisite services from third-party service providers and business partners, including our logistics service partners and suppliers for data and information related to vehicles, may expose us to risks related to service quality and reputation that could harm our business.

We work with third-party service providers and business partners in providing auction facilitation services as well as various other services offered on our auction platform, including logistics services, E-Report, and other auction facilitation services. For instance, we partner with towing and logistics companies to transport vehicles to our offline facilities and deliver auctioned vehicles to buyers' premises. Interruptions in the daily operations of towing and logistics companies can significantly affect our vehicle logistics and lead to a decline in overall transaction efficiency. Additionally, if these third-party service providers reduce or terminate their collaboration with us, our efficiency may be further compromised. We cannot guarantee that we will not encounter such situations in the future, which will adversely affect our financial condition and results of operations. In 2022, 2023, and for the nine months ended September 30, 2023 and 2024, our outsourcing costs amounted to RMB80.7 million, RMB121.7 million, RMB91.8 million and RMB82.9 million, accounting for 37.4%, 46.9%, 48.0% and 38.9% of our total cost of sales in the same periods, respectively.

We carefully select our third-party service providers and business partners. 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 consignors and buyers, 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 consignors and buyers could be adversely affected. We cannot guarantee that we can find suitable alternatives in time. In addition, we may face increased costs, legal or administrative disputes, and delays in serving downstream vehicle buyers if our third-party service providers or business partners suspend operations, whether temporarily or permanently, encounter financial difficulties, raise their fees, or if our relationships with them deteriorate. Failure to identify high-quality service providers, secure cost-effective partnerships, or manage these relationships effectively could negatively impact the consignors and buyers' experience on our auction platform, leading to potential loss of consignors and buyers. Consequently, our business, operational results, and financial condition could be adversely affected.

Government regulations of the auto insurance, salvage vehicle or used vehicle industry may significantly affect our business, results of operations and financial condition.

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

- more efficient title transfer;
- more efficient used vehicle transaction process; and
- title transfer limit.

Furthermore, on March 7, 2024, the State Council promulgated Action Plan to Promote in Large Scale Equipment Renewal and Trade-in of Consumer Goods (《推動大規模設備更新和消費品以舊換新行動方案》), which, among others, requires the enhance the policy support for used vehicle trade-ins. On March 27, 2024, 14 ministerial departments including the MOFCOM issued the Action Plan to Promote Trade-in of Consumer Goods (《推動消費品以舊換新行動方案》) (the "Action Plan"), which stipulated that one of its key tasks is to carry out the trade-in of used vehicles in exchange for new vehicles. The Action Plan further stipulates certain specific requirements to facilitate this key task, including, to the extent relevant to our industry: to increase the relevant fiscal and financial policy support to used vehicle trade-ins; to encourage qualified local governments to provide support to vehicle trade-ins; to further uphold the standards in the automotive field; to promote convenient transactions of used vehicles; to grow and expand used vehicle business entities; and to promote the innovative development of used vehicle circulation and consumption. On January 20, 2025, eight departments including the MOFCOM jointly issued the Notice on the Launch of the Pilot Reforms for Automobile Circulation and Consumption (《關於開展汽車流通消費改革試點工作的通知》), which, among others, further requires to promote the efficient circulation of used vehicles in several methods.

Although the new policies and regulations promulgated are expected to boost upstream consignors and downstream buyers' confidence over China's salvage and used vehicle industry and accelerate its growth in the long run, these polices and regulations may temporarily introduce uncertainties to the salvage and used vehicle industry as to how they will be implemented, interpreted and enforced and how the relevant market participants, such as the insurance companies, would respond or could remain compliant with these requirements. Our business operations may accordingly need to accommodate to changes made by insurance companies and other salvage and used vehicle business participants as a result of new policies and regulations promulgated and our financial performance may potentially and temporarily be affected.

If we are unable to protect or promote our brand and reputation, our business may be materially adversely affected. Negative publicity or rumors about us, our services and sales, vehicles or auto parts transacted through our platform, our management, Directors, employees, Shareholders, consignors, buyers, business partners or their affiliates or our industry in general may adversely affect our reputation and business.

We must maintain and enhance our brand identity while increasing market awareness of the reputation of our services and platform, particularly among upstream consignors such as insurance companies. The successful promotion of our brand will depend on our efforts to achieve widespread acceptance of our auction platform, attract and retain upstream consignors and downstream buyers, maintain our current market leadership, and successfully differentiate our offerings from those of competitors. These efforts require substantial expenditures, and we anticipate expenses will increase as our market becomes more competitive and as we expand into new markets. Furthermore, these investments in brand promotion and thought leadership may not yield increased revenue. To the extent they do, the resulting revenue still may not be enough to offset the increased expenses we incur.

In addition, adverse publicity, with or without merits, relating to events or activities attributed to us, vehicles or parts transacted through our auction platform, our management, Directors, employees, Shareholders, business partners or their affiliates, industry, or platform or services similar to ours, may tarnish our reputation and reduce the value of our brand. For instance, unfounded and adversarial statements or opinions could be misleading and harm our business and reputation. Given the delicate and complex nature of the industry that we operate in, we are vulnerable to such statements or opinions. If we fail to respond to such statements or opinions in a proper manner, our business reputation, financial condition and results of operations may be adversely affected. Moreover, our brand value depends on our ability to provide high-quality service on our auction platform in the markets. Damage to our reputation and loss of brand equity may reduce demand for our auction platform, have an adverse effect on our future financial results, or reduce the **[REDACTED]** price of our Shares. Damage may also require additional resources to rebuild our reputation and restore the value of the brands. If we are unable to successfully enhance and protect our reputation, our business operations, results of operations, and financial condition could be materially and adversely affected.

We cannot assure you that we will not face liability claims or legal or regulatory liabilities for any inappropriate or illegal content related to vehicle history information provided by our auction platform, which could expose us to liabilities and damage our reputation.

The vehicle history information requested by consignors and buyers may include content generated by our system and third-party sources, which we do not independently verify. Failure to identify and fully appreciate such risks could negatively affect our reputation, consignors and buyer relationships, operations, and prospects. Although we implement various monitoring procedures to identify and remove inappropriate or illegal content related to vehicle history information, we cannot guarantee that there will be no inappropriate or illegal content included on our websites and mobile applications. We may face civil, administrative, or criminal liabilities or legal or regulatory sanctions, such as being required to restrict or discontinue our content or services related to vehicle history information, if any individual, corporation, government entity, or other organization believes that the content on our websites and mobile applications violates laws, regulations, governmental policies, or infringes upon their legal rights. Even if such a claim is unsuccessful, defending against it may result in substantial costs. Furthermore, any accusation of inappropriate or illegal content in our offerings could lead to significant negative publicity, damaging our reputation, business, financial condition, and operational results.

We are subject to Third-party Settlement Practice-related risks.

During the Track Record Period, there were instances where the auction price, auction fee and auction-related sales transaction fee were settled by third parties (the "Actual Payors"), instead of the actual registered member on our auction platform (the "Relevant Buyers") (the "Third-party Settlement Practice"). In 2022, 2023 and for the nine months ended September 30, 2024, (i) the number of transactions involving Third-party Settlement Practice amounted to 6,669, 6,111 and 1,813, respectively, representing 4.6%, 2.5% and 1.0% of the total number of transactions involved in relevant business involving Third-party Settlement Practice during the same periods, respectively; (ii) the number of buyers who settled payment with us through Third-party Settlement Practice amounted to 1,370, 1,262 and 217, respectively, representing 7.5%, 5.4% and 1.1% of the total numbers of members involved in relevant business involving Third-party Settlement Practice during the same periods, respectively; and (iii) the total fund inflow from transactions involving Third-party Settlement Practice amounted to RMB353.2 million, RMB329.4 million and RMB71.2 million, respectively, representing 12.0%, 6.7% and 2.0% of our total funds inflow from relevant business involving Third-party Settlement Practice during the same periods, respectively. We have upgraded our system to cease all Third-party Settlement Practice. As of the Latest Practicable Date, we were not involved in any transactions involving Third-party Settlement Practice. See "Business — Third-party Settlement Practice" for more details.

We were subject to various risks relating to such Third-party Settlement Practice during the Track Record Period, including possible claims from Actual Payors for return of funds as they were not contractually indebted to us and possible claims from liquidators of Actual Payors. We took relevant actions to safeguard our interest against such risks, including (i) implementing various know-your-customer procedures to effectively prevent fraud or money-laundering activities; (ii) ensuring that all activities on our auction platform are supported by genuine underlying transactions, and (iii) recording all of our transactions involving Third-party Settlement Practice during the Track Record Period in our books and records using consistent accounting policies adopted for our other transactions. Besides, we implemented internal control measures to mitigate risks associated with Third-party Settlement Practice, including (i) actively communicating with Relevant Buyers to minimize Third-party Settlement Practice, and more proactive in reminding buyers not to engage in Third-party Settlement Practice; (ii) checking and inspecting transactions involving Third-party Settlement Practice, any payment made by third-party payors will be returned by the finance staff; (iii) including a prohibition prohibiting Third-party Settlement Practice in our Boche Auction APP; (iv) adopting written anti-money laundering policies and formed a dedicated anti-money laundering working group consisting of legal, finance, risk management and compliance personnel; and (v) updating our system.

However, while we have implemented relevant measures, 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. During the Track Record Period and up to the Latest Practicable Date, we were not subject to any settled or ongoing criminal sanctions, public security investigations or administrative penalties by any competent authorities in relation to money laundering. However, in the event of any claims from Actual Payors or their liquidators, or legal proceedings (whether civil or criminal) instituted or brought against us in respect of Third-party Settlement Practice, we will have to spend significant financial and managerial resources to defend against such claims and legal proceedings. If we were to be involved in legal proceedings for money laundering charges, our reputation may also be adversely affected, and we may face difficulties in maintaining our existing consignors, buyers, and other business partners. As a result, our financial condition and results of operations may be adversely affected.

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

Our business operation and the development of China's salvage and 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 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-term or long-term impacts on the Chinese and global economies;

- the adoption, modification, extension, and cancelation 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 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 impacts 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 electricity; and
- other macro-economic factors that may affect China's general economic situations, including the 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.

Production capacity and sales price of new vehicles from major OEMs could negatively affect our business, financial condition and results of operations.

Our business is influenced by the production capacity and sale price of new vehicles from OEMs, as these factors affect the demand for vehicles among downstream buyers. As the production capacity of OEMs increases and the prices of new vehicles decrease, a greater number of new vehicles, including NEVs, enter the market at lower prices and in a wider variety of types. This trend can lead to a decline in demand for salvage or used vehicles, which adversely impacts downstream buyers, such as certified repair workshops that may struggle to sell repaired vehicles to consumers. Consequently, the vehicles supplied to our auction platform by upstream consignors may not be auctioned in a timely manner or at a price acceptable to upstream consignors, resulting in decreased vehicle disposal efficiency and potential reputational damage, thereby affecting our business and operations.

Failure to attract new members, enhance repurchase frequency among existing members, or retain our current members, may significantly impair vehicle disposal efficiency and diminish brand recognition, which could materially and adversely impact our business and operating results.

Our growth and success depend on our ability to retain and attract our buyers, primarily members on our auction platform. We believe that our brand recognition among members helps us manage our salvage and used consignor and buyer acquisition costs and has contributed to the growth and success of our business. Many factors, some of which beyond our control, are important for maintaining, protecting and enhancing recognition of our brands. These factors include maintaining and enhancing our ability to:

- consistently source salvage and used vehicles covering a broad spectrum of brand, make, model, price, age and mileage;
- consistently source a large number of salvage and used vehicles of relatively high quality from reliable consignors;

- continuously facilitate highly efficient and transparent salvage and used vehicle auctions;
- maintain and improve the quality and attractiveness of auction facilitation and other service we offer;
- maintain good relationship and retain favorable terms with our third-party service providers and business partners;
- leverage technology and data to improve our services;
- adequately train and manage our employees;
- protect our intellectual properties and ensure compliance with relevant laws and regulations;
- preserve our reputation and goodwill generally and in the event of any negative publicity on our auction platform, or other issues affecting us or China's salvage and used vehicle industry in general; and
- compete effectively against existing and future competitors.

We cannot guarantee that we can provide satisfactory services or a differentiated and superior experience to our members as our business continues to evolve. See "— If we fail to deliver a differentiated and superior experience to upstream consignors and downstream buyers, our long-term relationship with such consignors and buyers may diminish, which would have a material adverse effect on our business, financial condition and results of operations." Our failure to do so would materially and adversely affect our business, financial condition and results of operations.

Our insurance may not provide adequate levels of coverage against claims.

The insurance industry in China is still evolving. Insurance companies in China currently offer limited business insurance products and are, to our knowledge, still developing 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, the cost of such insurance, and the difficulties associated with acquiring it on commercially reasonable terms make it impractical for us to obtain such coverage. We believe that we maintain insurance that is customary for businesses of our size and type. For instance, we have purchased comprehensive property insurance for offline facilities and comprehensive property insurance for workplaces to ensure adequate protection for our assets against potential property losses arising from unexpected events such as fires, natural disasters, or theft during daily operations. We have also maintained an insurance plan for damage to the vehicles stored at various offline facilities. However, there are types of losses we may incur that cannot be insured against or that we believe are not economically reasonable to insure. For instance, the insurances we currently maintained may not adequately protect against equipment failure, cybersecurity breaches or other incidents on our offline facilities. Moreover, any loss incurred could exceed policy limits, and policy payments made to us may not be made on a timely basis. For example, the insurance we maintain against liability claims may not continue to be available on terms acceptable to us, and such coverage may not be adequate to cover the types of liabilities actually incurred. A successful claim brought against us, if not fully covered by available insurance coverage, may harm our business.

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

We are exposed to dispute resolution risks in connection with unsuccessful transactions of salvage and used vehicles on our auction platform. Complaints and disputes on our transaction platform can generally be categorized into: (i) failure to sell or purchase a salvage or used vehicle that has been auctioned, (ii) disputes related to the title transfer of salvage or used vehicles, and (iii) disputes associated with faults of repaired salvage vehicles transacted on our auction platform. 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 salvage or used vehicle that has been successfully auctioned in the auction process, such as due to the downstream buyer's change of mind, we will penalize the breaching party by charging a service fee 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 salvage or used vehicles occurs too frequently, our reputation as a trustworthy and reliable salvage and used vehicles auction service provider may be jeopardized and consignors and buyers may be more reluctant to transact salvage and used vehicles through our auction 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 salvage or used vehicle within an agreed period of time, we will determine whether such failure is due to the fault of the consignor, buyer or us. If such failure is due to our fault, we will compensate the buyer accordingly. If such failure is due to the fault of the consignor, or the buyer, we will impose a service fee on the breaching party and/or compensate the non-breaching party accordingly. A consignor might fail to transfer the title of the salvage or used vehicle because the consignor 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 consignor or which the consignor may dispose of according to law, and the consignors shall provide the ownership certificate or other materials testifying that the consignor may dispose of the objects of auction as requested. We require our consignors to provide certificates of ownership or disposal rights of the salvage or used vehicles to be auctioned. We also require our consignors to make representation in the consignment auction agreements we enter with them that they have the right to dispose of the salvage or 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 consignor'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 of the used vehicle and subject to relevant administrative measures.

If the dispute is related to faults or defects of salvage vehicles that auctioned by downstream buyers on our auction platform, our operations and business will be adversely impacted even if we do not bear any liabilities. Although the local vehicle management office is responsible for confirming whether repaired salvage vehicles meet the standards for resale and we did not directly responsible for its final status and any potential faults, we may still be negatively impacted when issues arise with these repaired salvage vehicles that enter the market, as they are transacted through our auction platform. For instance, if a downstream certified repair workshop purchases a salvage vehicle on our auction platform, repairs it and subsequently sells it to the end buyer with approval from the local vehicle management office, any faults that arise in this repaired salvage vehicle may still negatively impact our business performance and reputation, including negative coverage and poor brand recognition. As of the Latest Practicable Date, we did not have any material disputes related to the defects related to the repaired salvage vehicles that re-entering market, nor have we been subject to any compensation. 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 a dispute occurs, we may be asked to compensate the downstream buyer or the actual owner of the salvage vehicle and be subject to relevant administrative measures. We may also incur additional costs to address dispute resolution or mitigate negative impacts, even if we ultimately bear no responsibility in the dispute.

In addition, we may not have adequate insurance or product liability and resource action. See "— Our insurance may not provide adequate levels of coverage against claims" for details. To the extent any of the foregoing dispute resolutions result in any dispute that involves us, we may incur losses or liabilities that our insurance is unavailable to cover, and as a result, our business, results of operations, financial condition, and prospects could be adversely affected.

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 or third-party service providers to carry out our operating objectives and 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 consignors and buyers, conduct vehicle inspection, submit valuation estimates, process large number of auctions and provide support for other key aspects of our business, all of which involve the use and disclosure of vehicle information and are susceptible to human errors on the part of our employees. We could be materially and adversely affected if auctions were redirected, misappropriated or otherwise improperly executed, if vehicle information was disclosed to unintended recipients or if an operational breakdown or failure occurred when processing auctions, whether as a result of human error, purposeful sabotage or fraudulent manipulation of our operations or systems.

Although we provide periodic and solid trainings to all our employees and protocols to third-party service providers, it is not always possible to identify, deter or prevent their misconduct or errors, and the precautions we take to detect and prevent potential misconducts and human errors may not be completely effective in controlling risks or losses. If any of our employees or third-party service providers takes, converts or misuses funds, documents or data or fails to follow protocols when interacting with consignors or buyers or among themselves, we could be liable for damages and subject to regulatory actions and penalties. We could also be perceived to have facilitated or participated in the illegal misappropriation of funds, documents or data, or failed to follow applicable protocols, and therefore be subject to civil or criminal liability. Our employees or third-party service providers may also engage in improper business practices and other fraudulent conduct with third parties. As a result of these potentially damaging activities, we could incur significant losses, which could have a material adverse effect on our business, financial condition and results of operations.

Failure to have sufficient capacity to accept additional vehicles at our offline facilities could adversely affect our business.

Our offline facilities have limited capacity to accommodate additional vehicles for online auctions, which may significantly impact our operational performance. The volume of vehicles entering the auction platform is largely beyond our control. Although we had 158 offline facilities nationwide as of September 30, 2024, certain unforeseen factors and events, including the current capacity of our offline facilities, the size of our consignor and buyer base, and occurrences such as flooding or other natural disasters, may occasionally lead to an increased influx of vehicles from consignors. While we continuously monitor these factors, there is a possibility that such situations could temporarily put pressure on the capacity of our offline facilities. In such scenarios, we face significant risks of insufficient storage and preservation capacity, which could adversely affect our results of operations and financial condition. Furthermore, if our storage and preservation capacity fails to meet the expectations of our major consignors, they may withdraw or discontinue their collaboration with us, further negatively impacting our long-term vehicle supply and brand recognition. For instance, in July 2023, heavy rainfall and flooding in Zhuozhou resulted in a substantial influx of flood-damaged vehicles provided by insurance companies to our auction platform within a short period. Moreover, the resumed business activities post COVID-19 resulted in a significant increase in the number of vehicles entering our platform. This unexpected surge to some degree challenged the capacity of our offline facilities and heightened the risk associated with our limited ability to accommodate the notable increase in salvage vehicles. We cannot guarantee that we will not face a sudden increase in vehicle supply in the future that may result in our offline facilities lacking sufficient capacity to accommodate it.

If we fail to obtain and maintain the requisite licenses, permits, registrations and filings applicable to our business according to evolving legal requirements, our business, results of operations, financial condition and prospects may be adversely affected.

We are required to obtain or complete a number of licenses, approvals, registrations, filings, and other permissions for our operation under PRC laws and regulations. As a fast-growing company that is continuously exploring new approaches to conduct our business and capture growth opportunities, we may become subject to additional licenses, approvals, and other requirements as we develop and expand our business scope and engage in different business activities. However, we may fail to meet such requirements timely or at all, in which case we may be subject to administrative penalties, and our ability to expand our business and sustain our growth may be materially affected.

In particular, as of the Latest Practicable Date, one of our PRC subsidiaries had not completed the registration of the used car appraisal and evaluation institution (二手車鑒定評估機構備案). As a result, in the case of non-compliant enterprises, the competent authorities may impose restrictions on their participation in pilot programs, and may impose additional reminders, warnings or interviews requirement to investigate the case. As of the Latest Practicable Date, one of our PRC subsidiaries had not completed the registration for the business of small and micro passenger car rental (小微型客車租賃經營備案). As a result, the relevant authority may impose penalties ranging from RMB3,000 to RMB 10,000 for each unregistered lease, at the discretion of the relevant authority.

Furthermore, certain licenses, permits, or registrations we hold are subject to periodic renewal. If we fail to maintain or renew one or more of our licenses and certificates when their current term expires or obtain such renewals in a timely manner, our operations could be disrupted. Additionally, due to the evolving interpretation and implementation of existing laws and the adoption of additional laws and regulations, the licenses, permits, registrations, or filings we hold may be deemed insufficient by the PRC government, which may restrain our ability to expand our business scope and may subject us to fines or other regulatory actions. If any of these risks materializes, our business, results of operations, financial condition, and prospects may be adversely affected.

The operation of our auction facilities poses ESG risks which could negatively affect our business, financial condition and results of operations.

Our offline facilities may cause environmental impacts during auction operations, including, among others, air emissions from equipment and vehicle handling, soil and water contamination from fluid leaks and stormwater runoff, noise pollution from operations, and waste generation such as discarded tires, batteries, and hazardous fluids. Additionally, these facilities consume significant energy for lighting and ventilation, contributing to carbon emissions, and use water for cleaning and fire prevention, which can result in wastewater. Managing and mitigating these risks effectively requires robust environmental controls, which may lead to higher operational costs and impact profitability. We actively monitor environmental and climate-related risks that could influence our business, strategy, and financial performance, assessing their potential impact over short-, medium-, and long-term horizons. Key indicators we track include air contaminators, greenhouse gas emissions, energy consumption and water consumption to address these risks. Additionally, we are committed to fostering a supportive and sustainable corporate culture by providing adequate resources to our employees. However, fulfilling this commitment may require significant investments, potentially impacting our profitability.

The PRC government and public advocacy groups have been increasingly focused on environment, social, and governance ("ESG") issues in recent years, making our business more sensitive to ESG issues and changes in governmental policies, laws, and regulations associated with environmental protection and other ESG-related matters. **[REDACTED]**, certain institutional **[REDACTED]** funds, and other influential **[REDACTED]** are also increasingly focusing on ESG practices and have placed increasing importance on the implications and social costs of their **[REDACTED]**. Regardless of the industry, the heightened focus of **[REDACTED]** and the PRC government on ESG and similar matters may hinder our access to capital, as **[REDACTED]** may decide to reallocate capital or not commit capital based on their assessment of a company's ESG practices. In addition, 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 **[REDACTED]** and the PRC government, or if we 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 reputational damage, and our business, financial condition, and the price of our Shares could be materially and adversely affected.

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

We lease properties for our offices and offline facilities. Some of our leases will expire soon. We may not be able to successfully extend or renew these 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 if we are able to extend or renew our leases, rental payments may significantly increase due to 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 to relocate our affected operations could adversely impact our business and operations.

The success of our business depends on the proper functioning and enhancement of our information technology systems and infrastructure. Failure to keep pace with the rapid technological advancements could materially and adversely impact our business and operating results.

We rely on our systems and technology for critical functions of our business operations. See "Business — Salvage Vehicle Auction and Facilitation Services" and "Business — Used Vehicle Auction and Facilitation Services" for details on how these systems and technology are used in our business operations, and "Business — Research and Development" 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. Though we considered the costs of system upgrades during the design phase, 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 consignors and buyer 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 technology 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 technology 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 of consignors and buyers and uploaded content. If we experience frequent or persistent service disruptions, whether caused by failures of our own systems or those of third-party service providers, our reputation or relationships with our consignors or buyers may be damaged and our consignors and buyers 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 negatively impact our database and cause significant service disruptions on our mobile app, mobile site or website or computer systems, which could materially and adversely affect our business, financial condition and results of operations.

Breaches to our security measures, including computer viruses and hacking, may result in significant damage to our hardware and software systems, including our E-Pricing system, E-Value system, auction platforms, and other systems. This may lead to disruptions to our business activities, inadvertent disclosure of confidential or sensitive information, interruptions in access to our auction 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 email 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 could also have 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 the transfer of data or at any time, resulting in 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, leading buyers and consignors to curtail or stop using our services and auction platform altogether. This could expose us to significant legal and financial liabilities. We may incur substantial 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, resulting in a decrease in the use of our services.

If we fail to protect our intellectual property rights and proprietary information, we may lose our competitive edge and our brand, reputation and operations may be materially and adversely affected.

We believe that our patents, trademarks, software copyrights, trade secrets, brand, and other intellectual property rights and proprietary information are critical to our success. Any failure to register, renew or update key patents and trademarks, as well as the unauthorized use of our intellectual property rights and proprietary information by third parties, could harm our business, reputation, and competitive advantages. We rely on a combination of patent, trademark, trade secret, and copyright laws, along with internal control mechanisms and contractual arrangements, to safeguard our intellectual property.

Legal protection may not always be effective, and the infringement of intellectual property rights continues to pose a risk in doing business. Monitoring and preventing unauthorized use is challenging. Furthermore, similar to many other countries with developing legal systems, the application of laws governing intellectual property rights in China is continually evolving, which could present risks for us. The enforcement of intellectual property rights by Chinese regulatory authorities is still evolving, as it is in many other countries. Should we need to resort to litigation or other legal proceedings to enforce our intellectual property rights, such actions could result in substantial costs, divert our management's attention and resources, and disrupt our business operations. There is no assurance that we will be able to effectively enforce our intellectual property rights or prevent others from unauthorized use of our intellectual property.

We strive, to the extent possible, to protect our intellectual property, technology, and confidential information by requiring our employees, third-party service providers, and business partners to enter into confidentiality and assignment of inventions agreements. However, due to the potential willful or unintentional misconduct by personnel who has access to our confidential and proprietary information, these agreements and control measures may not effectively prevent unauthorized disclosure or use of our confidential information or the unauthorized use of our intellectual property or technology. Additionally, they may not provide an adequate remedy in the event of such unauthorized disclosure or use. The enforceability of confidentiality agreements may vary from jurisdiction to jurisdiction. A failure to obtain or maintain protection for trade secrets and/or confidential know-how could adversely affect our competitive position.

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 protect intellectual property, as well as maintain the intellectual property rights for our technology and online businesses. We have devoted considerable resources to the development and improvement of our proprietary pricing technology, digitalization capabilities, mobile applications, mobile sites, websites, and other information technology systems. We cannot be certain that third parties will not claim that our business infringes upon or otherwise violates their patents, trademarks, copyrights, or other intellectual property rights. Companies operating online businesses and providing technology-based services are frequently involved in litigation related to allegations of intellectual property rights infringement. The validity, enforceability, and scope of protection of intellectual property rights in China are still evolving. We have been subject to several trademark claims in the past and 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 encounter 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 attention and resources, and favorable final outcomes may not be achieved in all cases. Such claims, even if they do not result in liability, may still harm our reputation. Any resulting liability or expenses, or changes required to our services to mitigate the risk of future liability, may have a material adverse effect on our business, financial condition, results of operations, and prospects.

If our trademarks and trade names are not adequately protected, we may not be able to build brand recognition in our markets of interest, which may have an adverse effect on our business.

We currently own issued trademark registrations and have trademark applications pending review. Additionally, we may file further trademark applications as needed in the ordinary course of business. However, any of these applications may be subject to objections from governmental authorities or third parties, which could hinder or prevent their registration or maintenance. In particular, we do not currently own issued trademark registrations of our three key trademarks under trademark category Class 12 (which generally covers vehicles) and Class 35 (which generally covers advertising) in China, and accordingly our use of such three trademarks is not adequately protected. We are in the process of either filing required trademark applications in China or have redesigned the logos and are in the process of filing new trademark applications under the updated designs.

There can be no assurance that any currently pending trademark applications or any trademark applications we may file in the future will be approved. If we are unsuccessful in obtaining trademark protection for our primary brands, we may be required to change our brand names, which could materially and adversely affect our business. Moreover, as our products mature, our reliance on our trademarks to differentiate us from our competitors will increase, and, as a result, if we are unable to prevent third parties from adopting, registering or using trademarks and trade dress that infringe, dilute or otherwise violate our trademark rights, or engaging in conduct that constitutes unfair competition, defamation or other violation of our rights, it may have a material adverse effect on our business.

Our trademarks or trade names may be challenged, infringed, circumvented or declared generic or determined to be infringing on other marks. We may not be able to protect our rights to these trademarks and trade names, which we need to build name recognition among potential partners or customers in our markets of interest. At times, competitors or other third parties may adopt trade names or trademarks similar to ours, thereby impeding our ability to build brand identity and possibly leading to market confusion. In addition, there could be potential trade name or trademark infringement claims brought by owners of other registered trademarks or trademarks that incorporate variations of our registered or unregistered trademarks or trade names. Over the long term, if we are unable to establish name recognition based on our trademarks and trade names, then we may not be able to compete effectively, and our business may be adversely affected.

Competitors may adopt service names or trademarks that are similar to ours, thereby harming our ability to build brand identity and possibly leading to consignor and buyer confusion. Additionally, our competitors may independently develop substantially equivalent proprietary information and may even apply for patent protection. If they are successful in obtaining such patent protection, our competitors could limit our use of our trade secrets and confidential know-how, which would adversely affect our financial condition and operating results.

Certain of our leased property interests may be defective and could be challenged by third parties or governmental authorities, which could cause significant disruption to our business and have a negative impact on our operation and financial results.

We lease office spaces and offline facilities 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 offline facilities, or in extreme cases, result in relocation, which may in turn adversely affect our business operations.

According to the relevant PRC laws and regulations, properties on granted land with the purpose of commercial, storage or industrial use are allowed to lease to us without any prior legal procedures, otherwise the lessors or the owners of properties interests must complete certain procedures before leasing. As of the Latest Practicable Date, certain of our leased property interests were defective because of the lack of the above-mentioned procedures, which means the ownership nature of certain properties we lease may not qualify them for leasing purposes. It could lead to challenges from the competent authorities and the lessors or owners of such defective properties may be required to rectify. If they fail to do so in a timely manner or at all, we could not be able to continue using the leased properties.

In addition, some of the ownership certificates or other similar proof of certain leased properties have not been provided to us by the relevant lessors. Therefore, we cannot assure you that such lessors are entitled to lease the relevant real properties to us or that the ownership nature of these properties is suitable for leasing purposes. If the lessors are not entitled to lease the real properties to us and the owners of such real properties decline to ratify the lease agreements between us and the respective lessors, or if any third party or governmental authorities challenges our right to use such properties, we may not be able to enforce our rights to lease such properties under the respective lease agreements against the owners and be forced to vacate the relevant properties and seek alternative properties. Furthermore, certain leased properties were subject to prior-registered mortgages, and our use of such leased properties may be disrupted and we may be forced to vacate the relevant properties and relocate to a different site as long as the mortgagees exercise their rights.

As of the Latest Practicable Date, we were not aware of any claim or challenge brought by any governmental authorities or third parties concerning the use of our leased properties. Although we, as the lessee, will not be penalized or claimed for indemnity for the defectives of the nature or ownership of leased properties, we could be required to vacate the properties, in the event of which we could only initiate the claim against the lessors under relevant lease agreements for indemnities for their breach of the relevant leasing agreements. We cannot assure you that we will receive sufficient indemnity to cover all of our losses, or readily find suitable alternative locations available on commercially reasonable terms, or at all, and if we are unable to relocate our operations in a timely manner, our operations may be interrupted.

Pursuant to applicable PRC laws and regulations, all lease agreements are required to be registered with the local land and real estate administration bureau. Although failure to do so does not in itself invalidate the leases, we may be subject to fines if we fail to rectify within the prescribed time period after receiving notices from 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. The occurrence of the foregoing could have an adverse material effect on our results of operations and financial condition. 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.

Our business is subject to seasonal fluctuations and unexpected interruptions.

The transaction volume of salvage and used vehicles on our auction platform corresponds to the seasonal fluctuations in China's salvage and used vehicle industry. Sales volume of salvage and used vehicles in China is generally lower before and during the Chinese New Year holidays and higher after the Chinese New Year holidays, which impacts the financial condition of our suppliers and customers, which, in turn, affects our financial condition and results of operations. Moreover, sales volume of salvage vehicles in China may be higher during summer as a result of an increase in flood-damaged vehicles resulting from natural disasters, such as, among others, typhoon, during summer rainy seasons.

During low seasons, we may struggle to obtain sufficient auction fees and auction-related sales transaction fees from our buyers to fully support our normal operations. This is particularly challenging when our employees and professional personnel, rental costs for offline preservation sites, and system maintenance may experience idle periods without generating revenue. Conversely, during peak seasons, we may lack the capacity to meet all demands from consignors and buyers, including insufficient capacity to accept additional vehicles, which could adversely affect our operations and financial conditions and adversely impact our business relationships with them. See "— Failure to have sufficient capacity to accept additional vehicles at our offline facilities could adversely affect our business." As result, our business and operational results may be negatively affected.

***Acquisitions, strategic alliances and investments could be difficult to integrate, disrupt our business and lower our results of operations and the value of your* [REDACTED].**

As we continue to expand our operations, we have engaged in and may in the future enter into strategic alliances or acquire substantial assets or equity from a pool of candidates that meet our criteria. However, we cannot be 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, nor can we guarantee that future acquisitions will be completed at reasonable prices and terms. Furthermore, increased competition for acquisition candidates could lead to fewer acquisition opportunities for us and higher acquisition prices. Strategic investments or acquisitions will involve risks commonly encountered in business relationships, including:

- challenges in preserving relationships with upstream consignors, downstream buyers, employees, third-party service providers and business partners of the acquired business;
- intense competition with other vehicle auction platforms or emerging industry consolidators for viable acquisitions;
- risks in assimilating and integrating the operations, personnel, systems, data, technologies, and services of the acquired business;
- lack of suitable acquisition candidates;
- diversion of management's time and resources from our core daily operations;
- non-performance or conflicts of interest with the parties involved in our investments or alliances;
- deterioration of our financial capacity;
- inability of acquired technologies, products, or businesses to meet anticipated levels of revenue, profitability, productivity, or other benefits;
- challenges in successfully incorporating licensed or acquired technology and rights into our platform and services;
- difficulties in retaining, training, motivating, and integrating key personnel;
- difficulties in maintaining consistent standards, controls, procedures, and policies across the combined organizations;
- regulatory risks, including the compliance with all relevant laws and regulations in relation to the transactions such as tax laws and foreign exchange regulations, the necessity of remaining in good standing with existing regulatory bodies or obtaining any required pre-closing or post-closing approvals, as well as facing new regulators overseeing the acquired business;
- liability for activities of the acquired business prior to the acquisition, including intellectual property infringement claims, legal violations, commercial disputes, tax liabilities, and other known and unknown obligations;
- inability to effectively further develop the acquired technology or maintain the acquired facilities;
- assumption of contractual obligations with unfavorable terms, which may require us to license or waive intellectual property rights or increase our liability risk;
- risks associated with entering markets where we have limited or no prior experience;
- potential disruptions to our ongoing operations focused on salvage and used vehicles; and
- unexpected costs and unforeseen risks and liabilities associated with strategic investments or acquisitions.

We may not make any investments or acquisitions, or any future investments or acquisitions may not be successful, may not benefit our business strategy, may not generate sufficient revenues to offset the associated acquisition costs, or may not otherwise result in the intended benefits. In addition, we cannot assure you that any future investment in or acquisition of new businesses or technology will lead to the successful development of new or enhanced services, and that any new or enhanced technology or services, if developed or offered, will achieve market acceptance or prove to be profitable. 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 rely heavily on our senior management team and key personnel, and the loss of any of their services could severely disrupt our business.

Our future success depends substantially on the continuing efforts of our Directors, executive officers, and key persons. In particular, we rely on the leadership, expertise, experience, and vision of our Directors and senior management team. If one or more of our Directors, executive officers, or other key persons are unable or unwilling to continue their services for us, whether due to resignation, accident, health condition, family considerations, or any other reason, we might not be able to find their successors in a timely manner or at all. Since the markets in which we operate are characterized by high demand and intense competition for talent, we cannot assure you that we will be able to attract or retain qualified management or other highly skilled employees. The industry in which we operate often experiences intense competition for qualified personnel. If we are unable to recruit, train, and retain qualified managerial or other employees, our brand and our business may be materially and adversely affected.

We do not have key man insurance for our Directors, executive officers, or other key persons. If any of our key persons terminate their services or otherwise become unable to provide continuous services for us, our business may be severely and adversely affected, and our financial condition and results of operations may be materially and adversely impacted. Additionally, we may incur further expenses to recruit, train, and retain qualified personnel. Each of our executive officers and key employees has entered into an employment agreement with a non-compete clause. However, these agreements may be breached by the counterparties, and there may not be adequate and timely remedies available to us to compensate for losses arising from such breaches. We cannot assure you that we would be able to enforce these non-compete clauses. If any of our executive officers or key persons join a competitor or establish a competing company, we may lose customers, know-how, and key professionals and staff members.

Our performance and future success also depend on our ability to identify, hire, develop, motivate, and retain skilled personnel across all areas of our organization. Competition in the salvage and used vehicle industries for qualified employees is intense, and if competition in these industries further intensifies, it may become 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 is not as qualified as we expect, or if we do not succeed in attracting additional highly skilled personnel or retaining and motivating our existing personnel, we may be unable to grow effectively or at all.

We collect, process, store, 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.

Some functions of our services involve the storage and transmission of consignors and buyers' information, such as contact information for consignors, profile information for members who create accounts on our platforms, as well as information about dealers and vehicles. Some of this information may be private, and security breaches could expose us to the risk of loss or exposure of this information, which could result in potential liability, litigation, and remediation costs. We may also be liable for the improper collection, use, storage or appropriation of personal information provided by our members. For example, hackers could steal our members' profile passwords, names, email addresses, phone numbers, and other personal information. We rely on encryption and authentication technology developed by ourselves or licensed from third parties (as applicable) to secure the transmission of such information. Like all information systems and technology, our websites, mobile applications, and information systems are subject to computer viruses, break-ins, phishing attacks, attempts to overload the systems with denial-of-service or other attacks, ransomware, and similar incidents or disruptions from unauthorized use of our computer systems. Any of these incidents could lead to interruptions, delays, or shutdowns of our websites, and could cause the loss of critical data and the unauthorized disclosure, access, acquisition, alteration, or use of personal or other confidential information.

If we experience compromises to our security that result in website or mobile application performance or availability problems, complete shutdowns of our websites or mobile applications, or the loss or unauthorized disclosure, access, acquisition, alteration, or use of confidential information, consignors, buyers, partners, vendors, and employees may lose trust and confidence in us. Consequently, dealers may decrease their use of our digitalization solutions or stop or downgrade their subscriptions with us.

Further, outside parties have attempted and will likely continue to attempt to fraudulently induce our consignors, buyers, employees, third-party service providers, and business partners to disclose sensitive information in order to gain access to our information or that of our consignors, buyers, dealers, employees, third-party service providers and business partners. As cyberattacks increase in frequency and sophistication, our cybersecurity and business continuity plans may not be effective in anticipating, preventing, and effectively responding to all potential cyber-risk exposures. Additionally, because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently, are often not recognized until after they have been launched against a target, and may originate from less regulated and remote areas around the world, we may be unable to proactively address these techniques or implement adequate preventative measures.

Any or all of the issues mentioned above could adversely affect our brand reputation, negatively impact our ability to attract new consignors and buyers and increase engagement from existing consignors and buyers, cause existing consignors and buyers to reduce or stop their use of our auction platform or close their accounts, thereby harming our business, financial condition, and results of operations.

The data privacy and data security laws and regulations, including those in China, are subject to rapid and evolving changes, imposing significant compliance requirements on us, and any failure or perceived failure to comply with such laws could materially and adversely affect our business, financial condition, reputation and results of operations.

We expect that data security and data protection compliance will receive greater attention and focus from regulators, as well as attract continued or greater public scrutiny going forward. This could increase our compliance costs and subject us to heightened risks and challenges associated with data security and protection. If we are unable to manage these risks, we could face penalties, including fines, suspension of business, and revocation of required licenses, which could materially and adversely affect our reputation and results of operations.

We are subject to various cybersecurity, data security, and personal information protection laws and regulations in China, including, without limitation, the PRC Civil Code, the Cybersecurity Law, the Data Security Law, and the Personal Information Protection Law. See "Regulatory Overview — Regulations on Cybersecurity" and "Regulatory Overview — Regulations on Data Security and Personal Information Protection" for more details. Moreover, different regulatory bodies in China, including the Ministry of Industry and Information Technology (the "MIIT"), the Cyberspace Administration of China (the "CAC"), the Ministry of Public Security, and the State Administration for Market Regulation (the "SAMR"), have enforced cybersecurity, data privacy, and protection laws and regulations with varying standards and applications. Changes and developments in the enforcement of data privacy and protection laws and regulations have posed challenges in ensuring full compliance and have increased our operating costs, as we must allocate time and resources to address various compliance inspections. While we have adopted rigorous and comprehensive policies regarding the collection, processing, sharing, disclosure, authorization, and other aspects of data use and privacy, and have taken necessary measures to comply with applicable data privacy and protection laws and regulations, we cannot guarantee the effectiveness of these policies and measures undertaken by us, or by dealers or other business partners on our auction platform. Any failure, or perceived failure, to comply with all applicable data privacy and protection laws and regulations, or any failure, or perceived failure, of our business partners to do so, or any failure, or perceived failure, of our employees to comply with our internal control measures, may result in negative publicity and legal proceedings or regulatory actions against us. Such outcomes could lead to fines, revocation of licenses, suspension of relevant operations, or other legal or administrative penalties, which may, in turn, damage our reputation, discourage current and potential customers, and expose us to fines and damages, potentially having a material adverse effect on our business, financial condition, and results of operations.

Furthermore, the PRC regulatory and enforcement regime regarding cybersecurity and data protection is still evolving. PRC regulators have increasingly focused on regulations in these areas. The following are examples of recent PRC regulatory activities in this area.

- The Personal Information Protection Law (the "Personal Information Protection Law") was released on August 20, 2021, and became effective on November 1, 2021. On July 7, 2022, the CAC released the Measures for Security Assessment of Cross-border Transfer of Data, which took effect on September 1, 2022, and is applicable to cross-border transfers of personal information and important data collected and generated in China under certain circumstances. On February 22, 2023, the CAC further released the Measures for the Standard Contract for Cross-border Transfer of Personal Information, which became effective on June 1, 2023. On March 22, 2024, the CAC issued the Provisions on Promoting and Regulating Cross-border Data Flows. These provide important guidance on relying on the standard contract for transferring personal information out of the PRC and on its filing requirement. While we do not believe our current business operations involve any transmission, use, or exchange of information that falls under the definition of "cross-border transfers of personal information and important data" under the foregoing laws and regulations, as our business continues to grow, circumstances may arise where we engage in such cross-border transfers, including to satisfy legal and regulatory requirements. In such cases, we may need to comply with these requirements as well as any other limitations under PRC laws that are applicable at that time. On September 24, 2024, the CAC announced the Regulations on the Administration of Cyber Data Security (the "Cyber Data Security Regulations"), which became effective on January 1, 2025, further provide rules on network data security. Complying with these laws and requirements could result in substantial expenses or require us to alter our practices in ways that could negatively impact our business. Additionally, if we are found not to be in compliance with these laws and requirements, we may be subject to fines, regulatory orders to suspend our operations, or other regulatory and disciplinary sanctions, which could materially and adversely affect our business, financial condition, and results of operations.

- On July 30, 2021, the State Council of the PRC promulgated the Provisions on Protection of Critical Information Infrastructure (the "CII Protection Regulations"), which became effective on September 1, 2021. Pursuant to the CII Protection Regulations, "critical information infrastructures" or "CIIs" refer to important network facilities or information systems within vital industries or fields such as public communication and information services, energy, communications, water conservation, finance, public services, e-government affairs, and national defense science. Damage, functional loss, or data leakage within these CIIs may endanger national security, people's livelihoods, and the public interest. Relevant administration departments of each critical industry and sector are responsible for formulating eligibility criteria and identifying the CII operators, or CIIOs, in their respective industries or sectors. The CIIOs must protect the security of the CIIs by fulfilling certain prescribed obligations. As of Latest Practicable Date, we have not been informed by the CAC or any other PRC government authorities that we are identified or will be deemed as a CIIO. However, since the criteria for determining CIIOs remain subject to further clarification, we cannot assure you that we will not be identified as a CIIO by any competent regulatory authority in the future.
- On December 28, 2021, the CAC and several other administrations jointly promulgated the Measures for Cybersecurity Review (the "Cybersecurity Review Measures"), which became effective on February 15, 2022. The Cybersecurity Review Measures provide that a "network platform operator" holding over one million users' personal information shall apply for a cybersecurity review when **[REDACTED]** their securities "in a foreign country". Since **[REDACTED]** on the Stock Exchange does not constitute **[REDACTED]** "in a foreign country", we are not required to apply for a cybersecurity review under the Cybersecurity Review Measures for the **[REDACTED]**. As of the Latest Practicable Date, we had not received any notice that we are required to conduct a cybersecurity review. However, the interpretation and implementation of these laws and regulations keep evolving. Any potential or perceived non-compliance with data-related laws and regulations may prevent us from using or providing certain products and services, and may result in fines or other penalties such as making certain required changes to our business, suspending our relevant lines of business, taking down our website or shutting down our operations, reputational damages or proceedings or actions against us by regulatory authorities, customers or others, which may have a material adverse effect on our business, operation or financial conditions.

For a more detailed discussion of the applicability of the Cybersecurity Review Measures and the Cyber Data Security Regulation and how we will comply with these regulations, see "Regulatory Overview — Regulations on Data Security and Personal Information Protection."

In addition to government regulation, privacy advocates and industry groups have and may in the future propose self-regulatory standards from time to time. These and other industry standards may legally or contractually apply to us, or we may elect to comply with such standards. We expect that there will continue to be new proposed laws and regulations concerning data privacy and security, and we cannot yet determine the impact of such future laws, regulations, and standards may have on our business. New laws, amendments to, or reinterpretations of existing laws, regulations, standards, and other obligations may require us to incur additional costs and restrict our business operations. Because the interpretation and application of laws, regulations, standards, and other obligations relating to data privacy and security are still uncertain, it is possible that these laws, regulations, standards, and other obligations may be interpreted and applied in a manner that is inconsistent with our data processing practices and policies or the features of our services. If so, in addition to the possibility of fines, lawsuits, complaints, inquiries, allegations, regulatory investigations, public censure, other claims and penalties, and significant costs for remediation and damage to our reputation, we could be materially and adversely affected if legislation or regulations are expanded to require changes in our data processing practices and policies or if governing jurisdictions interpret or implement their legislation or regulations in ways that negatively impact our business, financial condition and results of operations.

In general, negative publicity regarding us or our industry related to actual or perceived violations of our users' privacy-related rights, including fines and enforcement actions against us or other similarly placed businesses, may also impair users' trust in our privacy practices and make them reluctant to give their consent to share their data with us. Any inability to adequately address data privacy or security-related concerns, complaints, inquiries, or allegations when they arise, even if unfounded, or to comply with applicable laws, regulations, standards, and other obligations relating to data privacy and security, could result in additional costs and liability to us, harm our reputation and brand, damage our relationships with users of our platform, particularly consignors and buyers, and have a material and adverse impact on our business, financial condition, and results of operations. In addition, due to data privacy or data security concerns, our ability to retain or increase our user base and user engagement may be materially and adversely affected; we may not be able to maintain or grow our revenue as anticipated, and our financial results could be materially and adversely affected.

While we strive to comply with our internal data privacy guidelines as well as all applicable data privacy and security laws and regulations and contractual obligations regarding personal information, there is no assurance that we will be able to comply with these laws, regulations, and contractual obligations in all respects. Any failure or perceived failure by us, external service providers, or business partners to comply may result in proceedings or actions against us, including fines and penalties or enforcement orders (including orders to cease processing activities) being levied on us by government agencies or proceedings or actions against us by our business partners, users, including class action privacy litigation in certain jurisdictions (if applicable), and could damage our reputation and discourage current and future users from using our services, which could materially and adversely affect our business, financial condition, and results of operations.

In addition, compliance with applicable laws and regulations on data privacy requires substantial expenditure and resources, including continual evaluation of our policies and processes and adaptation to new requirements that are or become applicable to us on a jurisdiction-by-jurisdiction basis, which would impose significant burdens and costs on our operations or may require us to alter our business practices. Concerns about the security of personal information could also lead to a decline in general Internet usage, which could result in a decrease in demand for our services and have a material and adverse effect on our business, financial condition, and results of operations.

Increases in labor costs, including wages, and enforcement of stricter labor laws and regulations in the PRC, could adversely affect our business, financial condition and results of operations.

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

Pursuant to the PRC Labor Contract Law, or the Labor Contract Law, that became effective in January 2008 and was amended in December 2012 and its implementing rules that became effective in September 2008, employers are subject to stricter requirements in terms of signing labor contracts, minimum wages, paying remuneration, determining the term of employees' probation and unilaterally terminating labor contracts. We believe our current practice complies with the Labor Contract Law and its amendments. However, the relevant governmental authorities may take a different view and impose fines on us.

In accordance with relevant PRC laws and regulations, an employer shall pay basic pension insurance, basic medical insurance, work related injury insurance, unemployment insurance, maternity insurance and housing provident fund (collectively, the "Employee Benefits") for its employees in accordance with the rates and bases provided under relevant regulations and shall withhold the Employee Benefits that should be assumed by its employees. If payments are not made, employers may face fines of one to three times the amount of the outstanding contributions. In cases of failure to pay the full amount of the housing provident fund as required, the housing provident fund management center may also require payment of the outstanding amount within a stipulated timeframe. If payment is not made within this timeframe, an application may be submitted to the PRC courts for compulsory enforcement. During the Track Record Period, social insurance and housing provident fund for certain employees were not paid in full in accordance with PRC laws. Pursuant to the applicable PRC laws and regulations, the under-contribution of social insurance within a prescribed period may subject us to a daily overdue charge of 0.05% of the delayed payment amount. If such payment is not made within the stipulated period, the competent authority may further impose a fine of one to three times of the overdue amount. Pursuant to the applicable PRC laws and regulations, if there is a failure to pay the full amount of housing provident fund as required, the housing provident fund management center may require payment of the outstanding amount within a prescribed period. If the payment is not made within such time limit, an application may be made to the PRC courts for compulsory enforcement.

In addition, during the Track Record Period, we engaged third-party human resource agencies to pay social insurance and housing provident fund for certain of our employees. We may face the risk of paying additional contribution, late payment fee and/or penalties imposed by the relevant government authorities if the third-party human resource agencies failed to pay the social insurance or housing provident fund for the relevant employees in full amount and/or in a timely manner, or are subject to the challenge on the validity of such arrangements by relevant authorities.

As of the Latest Practicable Date, we were not subject to any administrative action or penalty imposed by the relevant regulatory authorities with respect to our social insurance and housing provident fund contributions, nor had we received any order to settle the deficit amount. As of the Latest Practicable Date, we were not aware of any material complaint filed by our employees regarding our social insurance and housing provident fund policy.

In addition, on September 21, 2018, the Ministry of Human Resources and Social Security of the PRC issued the Urgent Notice on Enforcing the Requirement of the General Meeting of the State Council and Stabilization the Levy of Social Insurance Payment (《關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》). This notice promotes the reduction of social insurance contributions by companies to avoid overburdening enterprises and prohibits local authorities from requiring enterprises to make up for historically underpaid or unpaid social insurance contributions in one go. Based on the foregoing, our PRC Legal Adviser is of the view that if (i) we make timely contributions to social insurance and housing provident fund contributions upon requested by relevant government authorities, and (ii) there is no material changes to current PRC laws and regulations, nor to the practices in policy implementation and local government inspections concerning social insurance, in the absence of material complaints from our employees, the risk of our PRC subsidiaries being subject to material administrative penalties for failure to make full social insurance contributions is relatively low.

As the interpretation and implementation of labor-related laws and regulations are still evolving, our employment practice could inadvertently violate labor-related laws and regulations in China, which may subject us to labor disputes or government investigations. If we are deemed to have violated relevant labor laws and regulations, we could be required to provide additional compensation to our employees and our business, financial condition and results of operations could be materially and adversely affected.

We rely on certain key operating metrics to assess our business performance, and real or perceived inaccuracies in such metrics may harm our reputation and negatively affect our business.

We rely on certain key operating metrics, such as number of vehicles sold in auction, GTV, and average transaction price per vehicle, among other things, to evaluate the performance of our business. Our operating metrics may differ from estimates published by third parties or from similarly titled metrics used by other companies due to differences in methodology and assumptions. We calculate these operating metrics using internal company data. There are inherent challenges in measuring such key metrics and company data, and measurement of such metrics and data may be susceptible to delays and technical errors. If we discover material inaccuracies in the operating metrics we use, or if they are perceived to be inaccurate, our reputation may be harmed and our evaluation methods and results may be impaired, which could negatively affect our business. If **[REDACTED]** make **[REDACTED]** decisions based on operating metrics we disclose that are inaccurate, we may also face potential lawsuits or disputes.

Our operations depend on the performance of the internet infrastructure and telecommunications networks in China, which may not be able to support the demands associated with our continued growth.

The successful operation of our business depends on the performance of internet infrastructure and telecommunications networks in China. Almost all access to the internet is maintained through state-owned telecommunications operators under the administrative and regulatory supervision of the Ministry of Industry and Information Technology (MIIT). Additionally, we rely on a limited number of telecommunications service providers to provide us with data communications capacity through local telecommunications lines. Our access to alternative networks or services is limited in the event of disruptions, failures, or other problems with China's internet infrastructure or the telecommunications networks provided by these service providers. Our platform regularly serves a large number of users including different consignors and buyers. As we expand our business, we may be required to upgrade our technology and infrastructure to keep up with the increasing traffic on our auction platform.

However, we have no control over the costs of the services provided by telecommunications service providers. If the prices we pay for telecommunications and internet services rise significantly, our results of operations may be materially and adversely affected. Moreover, if internet access fees or other charges to internet users increase, we may experience a decline in user traffic, which could further harm our business.

Any failure by us or our third-party service providers to comply with applicable anti-money laundering laws and regulations could damage our reputation.

We and our business partners are subject to anti-money laundering obligations under applicable laws and regulations, which are enforced by the People's Bank of China (PBOC). Failure by us or any of our business partners to comply with these anti-money laundering requirements could harm our reputation and expose us to regulatory actions, potentially leading to significant adverse effects on our business, financial condition, and results of operations. Furthermore, any negative perceptions of the industry, arising from the inability of other loan referral service providers, consumer finance marketplaces, or e-commerce platforms for buying and selling used cars to detect or prevent money laundering activities, regardless of whether such perceptions are factually accurate or based on isolated incidents, could damage our image and undermine the trust and credibility we have built.

We may be subject to penalties for violating regulations on credit enhancement and interest fees.

We historically provided referral services that connect downstream buyers with a commercial bank for loan applications. We are exposed to credit risk related to delays in payment and defaults by our various downstream buyers we referred to the commercial bank. In the event that downstream buyers fail to repay their loans on time, we will first negotiate with relevant parties to cancel the auction order and return the outstanding amounts (including principal, interest, and penalties) to the commercial bank. If the order cannot be canceled, we will repay the full outstanding amount to the third-party commercial bank on behalf of the downstream buyer and then seek recourse from the downstream buyer. As of January 1, 2025, we ceased offering any service related to repayment guarantee provided by us.

According to the Provisional Measures for Administration of Internet Lending by Commercial Banks (《商業銀行互聯網貸款管理暫行辦法》) and the Notice on Regulating and Cleaning up the Cash Loan Business (《關於規範整頓"現金貸"業務的通知》), banking financial institutions can cooperate with various institutions in the internet lending business in aspects such as customer referrals through marketing. However, banking financial institutions shall not accept the credit enhancement service provided, or loss-bearing commitment or other credit enhancement service provided in a disguised form by any unqualified third party, and shall ensure that the third party with which it cooperates will not charge any interest from borrowers. If any website or platform assists the lender in conducting business in violation of laws or regulations, the relevant authorities shall suspend such operations and pursue its liability in accordance with the law.

During the Track Record Period and up to the Latest Practicable Date, we did not receive any penalties or warnings from relevant authorities regarding our referral services. If the relevant authorities determine that our past activities constitute providing a credit enhancement service, despite the fact that we have not charged interest from downstream buyers, and considering that we do not have the necessary credit enhancement qualifications, we may be required to suspend the operation of our platform and face legal liability. Additionally, such actions could damage our reputation, reduce consumer confidence in our platform, and adversely affect our financial performance 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.

As of the Latest Practicable Date, we and our Directors and executive officers were not a party to any material legal or administrative proceedings. However, we may in the future be subject to or involved in lawsuits, contract disputes, employment-related controversies, and other legal and administrative proceedings or fines relating to our business operations inside and outside China. Lawsuits and other administrative or legal proceedings that may arise during our operations can involve substantial costs, including the costs associated with investigation, litigation, and possible settlement, judgment, penalty, or fine. Lawsuits and other legal and administrative proceedings may be costly and time-consuming and may require a commitment of management and personnel resources that will be diverted from our normal business operations. There may also be negative publicity associated with litigation that could decrease user acceptance of our auction platform and services, regardless of whether the allegations are valid or whether we are ultimately found liable. If any of these happens, our business, financial condition, results of operations, or liquidity could be materially and adversely affected. In addition, our Directors, management, Shareholders, and employees and their affiliates may from time to time be subject to litigation, regulatory investigations, proceedings, and/or negative publicity or otherwise face potential liability and expense in relation to commercial, labor, employment, securities, or other matters, which could adversely affect our reputation and results of operations.

We or certain of our Directors or officers may be targets for lawsuits, including putative class action lawsuits brought by Shareholders and lawsuits against our Directors and officers as a result of their positions in other public companies. We cannot assure you that we or our Directors or officers will be able to prevail in their defense or reverse any unfavorable judgment on appeal, and we and our Directors or officers may decide to settle lawsuits on unfavorable terms. Any adverse outcome of these cases, including any plaintiffs' appeal of the judgment in these cases, could result in payments of substantial monetary damages or fines, or changes to our business practices, and thus materially and adversely affect our business, financial condition, results of operations, cash flows, and reputation. Moreover, even if we or our Directors or officers eventually prevail in these matters, we could incur significant legal fees or suffer significant reputational harm. The litigation process may utilize a significant portion of resources and divert management's attention from the day-to-day operations of our Company, all of which could harm our business. We also may be subject to claims for indemnification related to these matters, and we cannot predict the impact that indemnification claims may have on our business or financial performance.

We are subject to anti-corruption, anti-money laundering, anti-bribery, and other relevant laws and regulations in the jurisdictions where we operate. We may be subject to investigations and proceedings by governmental authorities for alleged infringements of these laws if our compliance processes or internal control systems are not conducted or are not operating properly. These proceedings may result in fines or other liabilities and could have a material adverse effect on our reputation, business, financial condition, and results of operations. If any of our subsidiaries, employees, or other persons engage in fraudulent, corrupt, or other unfair business practices or otherwise violate applicable laws, regulations, or internal controls, we could become subject to one or more enforcement actions or otherwise be found to be in violation of such laws, which may result in penalties, fines, and sanctions and in turn adversely affect our reputation, business, financial condition, and results of operations. Given the uncertainty, complexity, and scope of many of these litigation matters, their outcome generally cannot be predicted with a reasonable degree of certainty. Therefore, our provision for such matters may be inadequate. Moreover, even if we eventually prevail in these matters, we could incur significant legal fees or suffer significant reputational harm, which could have a material and adverse effect on our prospects and future growth, including our ability to attract new users including consignors, buyers and business partners, expand our relationships with industry groups, and recruit and retain employees and agents.

Pandemics and epidemics, natural disasters, terrorist activities and other disruptions and outbreaks could disrupt our production, delivery, and operations, which could materially and adversely affect our business, financial condition and results of operations.

Global pandemics, or epidemics, or fear of the spread of contagious diseases such as COVID-19, Middle East Respiratory Syndrome (MERS), Ebola virus disease, severe acute respiratory syndrome (SARS), H1N1 flu, H7N9 flu, and avian flu, as well as hurricanes, earthquakes, tsunamis, or other natural disasters could disrupt our business operations and those of our consignors, buyers and third-party service providers, which may materially and adversely affect our business, financial condition and results of operations. Actual or threatened wars, terrorist activities, and other geopolitical uncertainties and disruptions could have a similar adverse effect on our business, financial condition, and results of operations.

Our risks management and internal control system may not be adequate or effective in all respects, which may materially and adversely affect our business and results of operations.

We have implemented risk management and internal control systems and adopted available risk management tools concerning our business operations. However, there is no assurance that our risk management, internal control systems, and risk management tools are adequate or effective in fully protecting us against the potential risks inherent in our business. If we fail to identify and address any potential risks or internal control deficiencies, our business, results of operations, and prospects may be materially and adversely affected.

Furthermore, the successful implementation of our risk management and internal control systems depends on our management, employees, consignors, buyers, and business partners. There is no assurance that they will strictly observe and adhere to relevant measures and policies, nor that they will be able to execute these measures and policies without human errors or mistakes. As our business expands, we may need to adopt and modify our risk management and internal control measures and policies in a timely manner in response to our growth. Failure to do so may result in a material and adverse effect on our business and results of operations.

RISKS RELATED TO OUR FINANCIAL CONDITION

We had a history of losses during the Track Record Period, and there is no assurance that we will become or subsequently remain profitable.

We recorded loss for the year/period of RMB180.2 million, RMB121.5 million and RMB39.5 million in 2022, 2023, and for the nine months ended September 30, 2023, respectively. To achieve profitability across many of the transactions and services on our auction platform, we need to sustain higher revenue levels while simultaneously reducing proportionate costs and expenses in future periods. Even if we do, we may not be able to maintain or increase profitability. There is possibility of continued losses in the short term due to increase in costs and expenses along with our business expansion, as well as our continuous investment in research and technology, development and introduction of new services and offerings on our auction platform, expanding our offline facilities within existing or into new geographical markets, and recruitment of additional employees, particularly experienced research and development personnel. These efforts may prove more costly than we anticipate, and we may not succeed in increasing our revenue sufficiently to offset these expenses.

Our net current liabilities may expose us to certain liquidity risks.

We recorded net current liabilities of RMB1,646.4 million, RMB1,708.2 million and RMB1,668.5 million as of December 31, 2022, 2023 and September 30, 2024, respectively. Moreover, we had net liabilities RMB1,192.3 million, RMB1,301.8 million and RMB1,296.9 million as of December 31, 2022, 2023 and September 30, 2024, respectively, primarily due to (i) our financial instruments issued to **[REDACTED]**, (ii) bank and other loans aligned with our strategic decisions to increase borrowings to take advantage of low interest rate environment, and (iii) our trade and other payables to support our business. We expect our net current liabilities position to improve substantially upon the **[REDACTED]** as the financial instruments issued to **[REDACTED]** will be reclassified from financial liabilities to equity as a result of the automatic conversion into ordinary shares. Net current liabilities may expose us to certain liquidity risks and may constrain our operational flexibility, as well as adversely affect our ability to expand our business. Our future liquidity will primarily depend on our ability to generate adequate cash inflows from our operating activities and adequate external financing, which will be affected by our future operating and financial performance, the performance of the industry in which we operate and prevailing economic and capital market conditions, among other factors, many of which are beyond our control. We may maintain a net current liabilities position in the near future, which may limit our working capital for the purpose of operations or capital for our expansion plans and materially and adversely affect our business, results of operations, and financial condition.

We may require a substantial amount of liquidity and working capital to fund our operations and respond to business opportunities. Any significant decrease in our liquidity and working capital could adversely affect our business.

Since we launched our business, we have raised substantial financing to support the growth of our operations. We may require additional capital to pursue our business objectives and respond to business opportunities, challenges, or unforeseen circumstances. This may include expanding our consignor and buyer base, promoting intelligent technology-based applications to empower our business and solidify our industry leading position, upgrading and expanding our offline facilities to enhance local service capabilities, diversifying our service offering and improving profitability, and investing in strategic partnerships or acquisitions. However, additional funds may not be available when we need them, or they may not be available on reasonable terms.

If we raise additional funds through further issuances of equity or convertible debt securities, our existing stockholders could experience significant dilution. Additionally, any new equity securities we issue could have rights, preferences, and privileges that are 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 are subject to credit risk related to delay in payment and defaults of third parties, which would adversely affect our liquidity and financial condition.

We are exposed to credit risk related to delay in payment and defaults of our various third parties, including, among others, customers, suppliers, upstream consignors and downstream buyers. For instance, as of December 31, 2022, 2023 and September 30, 2024, our prepayments and other receivables amounted to RMB105.7 million, RMB125.3 million and RMB160.2 million, respectively. We may not be able to collect all such prepayments and other receivables due to a variety of factors that are beyond our control, including long payment cycle of such third parties and adverse operating condition or financial condition of such parties. If such parties delay or default in their payments to us, we may have to make impairment provisions and write-off the relevant prepayments and other receivables and hence our liquidity and financial condition would be adversely affected. See "Financial Information — Financial Risk Disclosure — Credit Risk" for more details.

Share-based payments may have a material and adverse effect on our financial performance and cause shareholding dilution to our Shareholders.

The share incentive plan was established for the benefit of our Directors, senior management, and core employees as remuneration for their services provided to us and to incentivize and reward the eligible persons who have contributed to the success of our Company. See Note 26 to the Accountants' Report in Appendix I to this Document for more details. In 2022, 2023, and for the nine months ended September 30, 2023 and 2024, we recorded an aggregate of RMB18.9 million, RMB11.9 million, RMB9.4 million and RMB3.5 million, respectively, in share-based payments. To further incentivize our employees, we may incur additional share-based payment expenses in the future. We believe such share-based awards are important to our ability to attract, retain, and motivate our key individuals, and we may continue to grant share-based awards in the future. Expenses incurred with respect to such share-based payments may also increase our operating expenses and therefore have a negative effect on our financial performance. The issuance of additional shares with respect to such share-based payments may dilute the shareholding of our Shareholders and could result in a decline in the value of our shares.

Fluctuations in changes in carrying amount of financial instruments issued to* [REDACTED] *may materially affect our results of operations and financial condition.

The changes in carrying amount of financial instruments issued to **[REDACTED]** may materially affect our financial condition and results of operations. Our financial instruments issued to **[REDACTED]** primarily represent redeemable instruments issued to certain independent **[REDACTED]** in connection with the **[REDACTED]** Investments. Our obligation to redeem the preferred shares issued to **[REDACTED]** for cash upon occurrence of contingent events that are beyond the control of both us and the **[REDACTED]** gives rise to a financial liability. The financial liability is initially measured at the present value of the redemption amount. Subsequently, any changes in the carrying amount of the financial liability are recognized in profit or loss as "changes in the carrying amount of financial instruments issued to **[REDACTED]**." As of December 31, 2022, 2023 and September 30, 2024, we recorded financial instruments issued to **[REDACTED]** of RMB1,423.0 million, RMB1,558.6 million and RMB1,584.8 million, respectively. We recorded changes in carrying amount of financial instruments issued to **[REDACTED]** of RMB172.5 million, RMB151.2 million, RMB73.9 million and RMB40.3 million in 2022, 2023, and for the nine months ended September 30, 2023 and 2024, respectively. For details, see Note 24 to the Accountants' Report in Appendix I to this Document. Upon the **[REDACTED]** all such financial instruments will be converted into ordinary shares, and accordingly, the related liability will be transferred from financial liabilities to equity, and we will no longer recognize any change in the fair value in respect of them.

We may experience operating cash outflows in the future.

We recorded net cash used in operating activities of RMB14.2 million in 2022, and we recorded net cash generated from operating activities of RMB174.1 million, RMB124.6 million and RMB5.5 million in 2023 and for the nine months ended September 30, 2023 and 2024, respectively. See "Financial Information — Liquidity and Capital Resources — Cash Flows — Operating Activities." We cannot assure you that we will always be able to generate positive cash flows from operating activities in the future. If we record net operating cash outflows in the future, our working capital may be constrained, which may adversely affect our financial condition. Our future liquidity primarily depends on our ability to achieve positive cash flows from our operating activities and adequate external financing such as **[REDACTED]** and issuing securities, or other sources such as external debt, which may not be available on terms favorable or commercially reasonable to us or at all. If we fail to obtain sufficient funding in a timely manner and on reasonable terms, such as conditions, restrictive covenants or interest rates, or at all, our ability to meet our payment obligations may be significantly affected and may not be able to expand our business. We also utilize our banking facilities to maintain sustainable cash flows. Our bank loan agreements contain standard terms, conditions and covenants that are customary for commercial bank loans. If we breach any of such terms, conditions or covenants, we may be found in default of our borrowing agreements which may impose default obligations. Thus, our business, results of operations and financial condition may be adversely affected.

Significant impairment of our intangible assets and goodwill could materially impact our financial condition and results of operations.

We recorded intangible assets in the amount of RMB100.9 million, RMB60.0 million and RMB29.6 million and goodwill in the amount of RMB295.0 million, RMB295.0 million and RMB295.0 million, as of December 31, 2022, 2023 and September 30, 2024, respectively.

We may evaluate our intangible assets and goodwill for impairment by reviewing internal and external sources of information at the end of each reporting period to identify indications that intangible assets may be impaired or, except in the case of goodwill, an impairment loss previously recognized no longer exists or may have decreased. If any such indication exists, the intangible asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment. The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). An impairment loss is recognized in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable). We engaged an independent third-party valuer to perform annual impairment tests on goodwill at the end of reporting year. As a result of the impairment tests, we are of the view that there was no impairment of goodwill as of December 31, 2022 and 2023. Reasonable possible changes in key assumptions would not lead to impairment of the goodwill relating to December 31, 2022 and 2023. We may record significant impairments on intangible assets and goodwill in the future. Impairment losses could arise from various factors such as a decrease in the future utility of our assets due to industry advancements that render them obsolete or less useful. Changes in market conditions could also erode the value attributed to customer relationships. Moreover, an economic downturn affecting our sectors could necessitate a reevaluation of the carrying value of both our intangible assets and goodwill. Should any such impairments be recognized, our business, financial condition and results of operations could be materially and adversely affected. Any significant impairment losses charged against our intangible assets and goodwill could have a material adverse effect on our results of operations.

Failure to fulfill our obligations in respect of contract liabilities could adversely affect our liquidity and financial condition.

Our contract liabilities primarily represent cash received in advance for membership fees, before fulfilling our performance obligations. Our contract liabilities amounted to RMB5.1 million, RMB9.4 million and RMB1.5 million as of December 31, 2022, 2023 and September 30, 2024, respectively. See "Financial Information — Discussion of Selected Items from the Consolidated Statements of Financial Position — Liabilities — Contract Liabilities." There is no assurance that we will be able to fulfill our obligations in respect of contract liabilities as the fulfillment of our performance obligations is subject to various factors that are beyond our control. If we are not able to fulfill our obligations with respect to our contract liabilities, the amount of contract liabilities will not be recognized as revenue, and we may have to refund the advance payment made by our customers. As a result, our liquidity and financial condition may be adversely affected.

RISKS RELATED TO DOING BUSINESS IN CHINA

Changes in the political and economic policies of the geographic markets in which we operate may materially and adversely affect our business, financial condition and results of operations and may result in our inability to sustain our growth and expansion strategies.

All of our revenue was derived from our businesses in the PRC during the Track Record Period. Accordingly, our financial condition, results of operations, and prospects are, to a material extent, subject to economic, political, and legal developments in the PRC. If the macroeconomic condition in China experiences significant adverse changes, demand for our solutions and our ability to maintain our operations may suffer, which will consequently have a material adverse effect on our financial condition, results of operations, and future prospects.

Additionally, China's economy has experienced significant growth over the past decades since the implementation of the reform and opening-up policy. In recent years, the PRC government has implemented measures emphasizing the utilization of market forces in economic reform and the establishment of sound corporate governance practices in business enterprises. These economic reform measures may be adaptively adjusted from industry to industry or across different regions of the country. If the business environment in China changes, our business in China may also be materially and adversely affected.

We may be subject to the approval, filing or other requirements of the CSRC or other PRC governmental authorities in connection with capital raising activities.

On July 6, 2021, the relevant PRC government authorities issued the Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law (《關於依法從嚴打擊證券違法活動的意見》). These opinions emphasized the need to strengthen the administration over illegal securities activities and the supervision of overseas **[REDACTED]** by China-based companies and proposed to take effective measures, such as promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by China-based **[REDACTED]** companies. See "Regulatory Overview — Regulations on M&A and Overseas **[REDACTED]**" for details.

On February 17, 2023, the CSRC promulgated the Overseas Listing Trial Measures, which became effective on March 31, 2023. The Overseas Listing Trial Measures require, among others, that PRC domestic companies seeking to initially **[REDACTED]** and **[REDACTED]** securities in overseas markets, either directly or indirectly, file the required documents with the CSRC within three business days after submitting their **[REDACTED]** for overseas **[REDACTED]**. See "Regulatory Overview — Regulations on M&A and Overseas **[REDACTED]**." We will file with the CSRC within the specific time limit required by the Overseas Listing Trial Measures. However, we cannot assure you that we will complete such filing in a timely manner or at all, and failure to do so may restrict our ability to complete the proposed **[REDACTED]**.

On February 24, 2023, the CSRC and other relevant government authorities published the Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the "Archives Rules"), which came into effect on March 31, 2023. The Archives Rules require that, for overseas securities **[REDACTED]** and **[REDACTED]** activities of domestic enterprises, whether in direct or indirect form, such domestic enterprises, as well as securities companies and securities service institutions providing relevant securities services, must strictly comply with relevant requirements on confidentiality and archives management, establish a sound confidentiality and archives system, and take necessary measures to implement their confidentiality and archives management responsibilities. The interpretation and implementation of the Archives Rules may continue to evolve, and failure to comply with these rules may materially affect our business, results of operations, or financial condition.

Furthermore, we cannot assure you that new rules or regulations promulgated in the future will not impose additional requirements or restrictions on us or our financing activities. We may not be able to comply with such additional requirements in a timely manner. In addition, we may be subject to sanctions by the CSRC or other PRC regulatory authorities for failure to seek CSRC filing or other government authorization for this **[REDACTED]** or future capital raising activities. These regulatory authorities may impose fines and penalties on us, limit our operating activities in the PRC, restrict our ability to pay dividends outside the PRC, delay or restrict the repatriation of the

[REDACTED] from the **[REDACTED]** into the PRC, or take other actions to restrict our financing activities, which could have a material adverse effect on our business.

There may be changes from time to time with respect to the legal systems or the regulatory environment of the markets where we operate, and any of our failures to comply with these laws and regulations could adversely affect us.

We conduct our business through our subsidiaries in the PRC. 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.

In the late 1970s, the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters in general. The overall effect of legislation over the past several decades has significantly increased the protections afforded to various forms of foreign or private-sector investment in China. Our PRC subsidiaries are subject to various PRC laws and regulations generally applicable to companies in China. As the laws and regulations are relatively new and the PRC legal system continues to evolve, there may be room for discretion in the implementation of these laws and regulations. As these laws and regulations are evolving in response to changing economic and other conditions, factors related to the application and implementation of these laws and regulations may affect our business, financial condition, results of operations and prospects.

It may be difficult to effect service of process upon us or our management that reside in China or to enforce against them or us in China any judgments obtained from foreign courts.

All of our business and operations are located in the PRC. In addition, all of our Directors, supervisors, and officers reside in China, and substantially all of their assets are located in China. It may be difficult for **[REDACTED]** to effect service of process upon those persons residing in China or to enforce against us or them in China any judgments obtained from non-PRC courts. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts of most other jurisdictions. As a result, recognition and enforcement in the PRC of judgments of a court in any of these jurisdictions outside China may be difficult or even impossible.

On July 14, 2006, the Supreme People's Court of the PRC and the Government of the Hong Kong Special Administrative Region signed an Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters (《最高人民法院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》) (the "Arrangement"). Under the Arrangement, a party with an enforceable final court judgment rendered by any designated people's court of China or any designated Hong Kong court requiring payment of money in a civil and commercial case according to a written choice of court agreement may apply for recognition and enforcement of the judgment in the relevant people's court of China or Hong Kong court. A written choice of court agreement is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it may not be possible to enforce a judgment rendered by a Hong Kong court in China if the parties in the dispute did not agree to enter into a choice of court agreement in writing. As a result, it may be difficult for **[REDACTED]** to effect service of process against certain of our assets or Directors in China in order to seek recognition and enforcement of foreign judgments in China.

On January 18, 2019, the Supreme People's Court of the PRC and Hong Kong entered into an agreement regarding the scope of judgments that may be enforced between China and Hong Kong (《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》) (the "New Arrangement"). The New Arrangement will broaden the scope of judgments that may be enforced between China and Hong Kong under the Arrangement. Whereas a choice of jurisdiction needs to be agreed in writing in the form of an agreement between the parties for the selected jurisdiction to have exclusive jurisdiction over a matter under the Arrangement, the New Arrangement provides that the court where the judgment was sought could apply jurisdiction in accordance with certain rules without the parties' agreement. The New Arrangement will replace the Arrangement when the former becomes effective. The New Arrangement became effective on January 29, 2024, both in China and in Hong Kong. Under the New Arrangement, any party concerned may apply to the relevant PRC court or Hong Kong court for recognition and enforcement of the effective judgments in civil and commercial cases subject to the conditions set forth in the New Arrangement. Although the New Arrangement has been signed, the outcome and effectiveness of any action brought under the New Arrangement may still be uncertain. We cannot assure you that an effective judgment that complies with the New Arrangement can be recognized and enforced in a PRC court.

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 may rely principally on dividends and other distributions on equity from our PRC subsidiaries for our cash requirements, including for servicing 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 is 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.

If the preferential tax treatments granted by the PRC government become unavailable, our results of operations and financial condition may be adversely affected.

Our PRC subsidiaries are subject to the PRC corporate income tax at a standard rate of 25% on their taxable income. However, certain of our PRC subsidiaries have been accredited as "High and New Technology Enterprises" and are entitled to a preferential income tax rate of 15%. We cannot assure you that the PRC policies on preferential tax treatments will not change or that the current preferential tax treatments we enjoy, or will be entitled to enjoy, will not be canceled. Moreover, we cannot assure you that our PRC subsidiaries will be able to renew the same preferential tax treatments upon expiration. If any such change, cancelation, or discontinuation of preferential tax treatment occurs, the relevant PRC subsidiaries will be subject to the PRC enterprise income tax (EIT) at a rate of 25% on taxable income. As a result, an increase in our tax charge could materially and adversely affect our results of operations.

We are subject to PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental regulations of currency conversion when we use the* [REDACTED] *of this* [REDACTED] *to make loans or additional capital contributions to our PRC subsidiaries.

We are an offshore holding company conducting our operations in China through our PRC subsidiaries. We may make loans to our PRC subsidiaries, subject to governmental authorities' approval and limitations on the amount, or we may make additional capital contributions to our PRC subsidiaries in China. Any loans to our PRC subsidiaries, 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 the State Administration of Foreign Exchange (SAFE).

In addition, a foreign-invested enterprise shall use its capital according 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 for payments prohibited by relevant laws and regulations; (ii) directly or indirectly used for investment in securities other than banks' principal-secured products unless otherwise provided by relevant laws and regulations; (iii) granting loans to non-affiliated enterprises, except where expressly permitted in the business license; and (iv) paying expenses related to the purchase of real estate that is not for self-use (except for foreign-invested real estate enterprises). For details on foreign exchange-related regulations, see "Regulatory Overview — Regulations on Foreign Exchange."

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

***Governmental regulation of currency conversion may limit our ability to utilize our revenue effectively and affect the value of your* [REDACTED].**

The conversion of Renminbi is subject to applicable laws and regulations in the PRC. We receive most of our payments from customers in Renminbi and may need to convert Renminbi into foreign currencies for the payment of dividends, if any, to holders of our Shares. Under the existing foreign exchange regulations in China, following the completion of the **[REDACTED]**, we will be able to pay dividends in foreign currencies without prior approval from the SAFE or its local branches by complying with certain procedural requirements. However, we may not be able to pay dividends in foreign currencies to our Shareholders if access to foreign currencies for current account transactions is restricted in the future. Foreign exchange transactions under our capital account continue to be subject to foreign exchange controls and require the approval of the SAFE or its local branches. These limitations could affect our ability to obtain foreign exchange through equity financing or to obtain foreign exchange for capital expenditures.

Most of our revenue and costs are denominated in Renminbi. Any significant revaluation of the Renminbi may materially and adversely affect our results of operations, cash flows, and financial condition. The exchange rate of the Renminbi against the U.S. dollar and other foreign currencies fluctuates and is affected by, among other things, the policies of the Chinese government and changes in China and international political and economic conditions. Since 1994, the conversion of the Renminbi into foreign currencies, including U.S. dollars, has been based on rates set by the People's Bank of China, which are determined daily based on the previous business day's interbank foreign exchange market rates and current exchange rates on the world financial markets. It is difficult to predict how market forces or government policies may impact the exchange rate between the Renminbi and the Hong Kong dollar, the U.S. dollar, or other currencies in the future.

Changing international circumstances could result in appreciation of the Renminbi against the U.S. dollar, the Hong Kong dollar, or other foreign currencies. If the Renminbi appreciates significantly against other currencies, and as we need to convert and remit the **[REDACTED]** from the **[REDACTED]** and future financing into Renminbi for our operations, appreciation of the Renminbi against the relevant foreign currencies would reduce the Renminbi amount we would receive from the conversion. Conversely, because the dividends on our Shares, if any, will be paid in Hong Kong dollars, any devaluation of the Renminbi against the Hong Kong dollar could reduce the amount of any cash dividends on our Shares in Hong Kong dollar terms. In addition, there are limited instruments available for us to reduce our exposure to foreign currency risk at reasonable costs. Any of the foregoing factors may materially and adversely affect our business, results of operations, financial condition, and prospects.

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, the SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment Through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》), 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 the 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.

SAFE Circular 37 requires registration with, and approval from, Chinese government authorities in connection with the 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 (SPVs) through means such as acquisition, trust, proxy, voting rights, repurchase, convertible bonds, or other arrangements. Additionally, any PRC resident who is a direct or indirect shareholder of an SPV must update their filed registration with the local branch of the SAFE to reflect any material changes. On February 13, 2015, the SAFE promulgated a Notice 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, must be filed with qualified banks instead of the SAFE. These banks will directly examine the applications and accept registrations under the supervision of the SAFE.

These regulations may significantly impact our present and future structuring and investment. We cannot assure you that any PRC Shareholders of our Company or any PRC company into which we invest will be able to comply with those requirements. Any failure or inability by such individuals or entities to comply with SAFE regulations may subject us to fines or legal sanctions, such as restrictions on our cross-border investment activities or our PRC subsidiaries' ability to distribute dividends to, or obtain foreign exchange-denominated loans from, our Company, or prevent us from making distributions or paying dividends. As a result, our business operations and our ability to make distributions to you could be materially and adversely affected.

Furthermore, with the promulgation of new laws, regulations, and standards concerning foreign exchange regulations in the future, we will be required to comply with these laws, regulations, and standards concerning offshore or cross-border transactions. Otherwise, we may be subject to fines or other penalties, which could materially and adversely affect our business, results of operations, and financial condition. This may restrict our ability to implement our acquisition strategy and could adversely affect our business and prospects.

Any failure to comply with PRC regulations regarding our employee share incentive plan may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

In February 2012, the SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly Listed Companies (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》), replacing earlier rules promulgated in 2007. Pursuant to these rules, PRC citizens and non-PRC citizens who reside in China for a continuous period of not less than one year and participate in any stock incentive plan of an overseas publicly **[REDACTED]** company, subject to a few exceptions, are required to register with the SAFE through a domestic qualified agent, which could be the PRC subsidiaries of such **[REDACTED]** companies, and complete certain other procedures. Additionally, an overseas-entrusted institution must be retained to handle matters in connection with the exercise or sale of stock options and the purchase or sale of shares and interests. SAFE Circular 37 further stipulates that PRC residents who participate in a share incentive plan of an overseas non-publicly **[REDACTED]** special purpose company may register with the SAFE or its local branches before obtaining the incentive shares or exercising the share options. We, along with our executive officers and other employees who are PRC citizens or who reside in the PRC for a continuous period of not less than one year and who have been or will be granted incentive shares or options, are or will be subject to these regulations. Failure to complete the SAFE registrations may subject them to fines and legal sanctions, and there may be additional restrictions on their ability to exercise their stock options or remit **[REDACTED]** gained from the sale of their stock into the PRC. We also face regulatory uncertainties that could restrict our ability to adopt additional incentive plans for our Directors, executive officers, and employees under PRC law. See "Regulatory Overview — Regulations on Stock Incentive Plans."

If we are classified as a PRC resident enterprise for PRC enterprise income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC Shareholders.

Under the PRC Enterprise Income Tax Law and its implementation rules, an enterprise established outside of the PRC with its "*de facto* management body" within the PRC is considered a "resident enterprise" and will be subject to the enterprise income tax on its global income at the rate of 25%. The implementation rules define the term "*de facto* management body" as the body that exercises full and substantial control and overall management over the business, production, personnel, accounts, and properties of an enterprise. In 2009, the State Administration of Taxation, or the SAT, issued a circular known as SAT Circular 82, which provides specific criteria for determining whether the "*de facto* management body" of a PRC-controlled enterprise incorporated offshore is located in China. Although this circular applies only to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners, the criteria set forth may reflect the SAT's general position on how the "*de facto* management body" test should be applied in determining the tax resident status of all offshore enterprises. According to SAT Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its "*de facto* management body" in China, and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met: (i) the primary location of the day-to-day operational management is in the PRC; (ii) decisions relating to the enterprise's financial and human resource matters are made or are subject to approval by organizations or personnel in the PRC; (iii) the enterprise's primary assets, accounting books and records, company seals, and board and shareholder resolutions are located or maintained in the PRC; and (iv) at least 50% of voting board members or senior executives habitually reside in the PRC.

We believe neither our Company nor any of its non-PRC subsidiaries 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." If the PRC tax authorities determine that our Company or any of its non-PRC subsidiaries is a PRC resident enterprise for enterprise income tax purposes, our Company or such subsidiary would be subject to PRC enterprise income tax on its worldwide income at the rate of 25%, as well as PRC enterprise income tax reporting obligations. Furthermore, if we were treated as a PRC tax resident enterprise, we would be required to withhold a 10% tax from dividends we pay to our Shareholders that are non-resident enterprises. In addition, non-PRC resident enterprise Shareholders may be subject to PRC tax at a rate of 10% on gains realized on the sale or other disposition of our Shares if such income is treated as sourced from within the PRC. Furthermore, if we are deemed a PRC resident enterprise, dividends paid to our non-PRC resident individual Shareholders and any gain realized on the transfer of our Shares by such Shareholders may be subject to PRC tax at a rate of 20% (which, in the case of dividends, may be withheld at source). These rates may be reduced by an applicable tax treaty, but it is unclear whether, in practice, non-PRC Shareholders of our Company would be able to obtain the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise. Any such tax may reduce the returns on your **[REDACTED]** in our Shares.

In addition to the uncertainty regarding the application of the "resident enterprise" classification, we cannot assure you that the PRC government will not amend or revise the taxation laws, rules, and regulations to impose stricter tax requirements or higher tax rates. Any such changes could materially and adversely affect our financial condition and results of operations.

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

On February 3, 2015, the SAT issued the 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 Bulletin 7, which came into effect on the same date. Pursuant to SAT Bulletin 7, if a non-PRC resident enterprise indirectly transfers PRC taxable properties, referring to properties of an establishment or a place in the PRC, real estate properties in the PRC or equity investments in a PRC tax resident enterprise, by disposing of equity interest in an overseas holding company, such indirect transfer should be deemed as a direct transfer of PRC taxable properties and gains derived from such indirect transfer may be subject to the PRC withholding tax at a rate of up to 10%. Additionally, the domestic companies involved in an indirect transfer of equity are required to provide the necessary information to the tax authorities as required. SAT Bulletin 7 also has introduced safe harbors for internal group restructurings and the purchase and sale of equity through a public securities market. However, it also brings challenges to both foreign transferors and transferees (or other persons obligated to pay for the transfer) of taxable assets.

On October 17, 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 (《關於非居民企業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. SAT Bulletin 37 further clarifies the practice and procedure of withholding non-resident enterprise income tax.

We have previously repurchased certain preferred shares from Shareholders, and some Shareholders have not completed the required tax filings and/or payments according to SAT Bulletin 7 as of the Latest Practical Date, and we, as the withholding agent, may be ordered by the competent authorities to rectify within the specified time, or be imposed penalties, if such Shareholders don't fulfill their obligations according to the SAT Bulletin 7. We also face uncertainties regarding the reporting and other implications of future transactions involving PRC taxable assets, such as offshore restructuring, the sale of shares in our offshore subsidiaries, and investments. As a result, we may be required to expend valuable resources to comply with SAT Bulletin 7 and/or SAT Bulletin 37 or to request that the relevant transferors from whom we purchase taxable assets 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.

The M&A Rules and certain other PRC regulations establishing complex procedures for acquisitions could make it more difficult for us to pursue growth through acquisitions in the PRC.

Certain PRC regulations have 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 an impact on national economic security, or (iii) such transaction will lead to a change in control of a domestic enterprise that holds a famous trademark or PRC time-honored brand. Approval from the MOFCOM must 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 exert a 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, the 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. 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 structuring the transaction through a proxy or contractual control arrangement. Furthermore, as required by the Measures for the Security Review of Foreign Investment (《外商投資安全審查辦法》), promulgated by the NDRC and the MOFCOM on December 19, 2020, and effective as of January 18, 2021, investments in military and 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》) were promulgated by the MOFCOM on September 6, 2014, and became effective on October 6, 2014. According to these measures, 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 may from time to time conduct overseas and domestic investment or acquisition through our PRC subsidiaries for 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. The interpretation and application of these regulations remain unclear; as such, there is no assurance that the approval or filing procedure and any amendments under these regulations have been completed or will be completed in a timely manner, which could affect our operations and ability to expand our business or maintain our market share. See "Regulatory Overview — Regulations on M&A and Overseas **[REDACTED]**" and "Regulatory Overview — Regulations on Foreign **[REDACTED]**."

Fluctuations in foreign currency exchange rates may adversely affect our operational and financial results.

We become increasingly exposed to the effects of fluctuations in currency exchange rates, especially regarding their potential impact on our financing arrangements. The value of the Renminbi against the U.S. dollar and other currencies has fluctuated significantly in the past and may continue to do so in the future, influenced by changes in political and economic conditions and the foreign exchange policy adopted by the PRC government. We are a holding company and may rely on dividends paid by our subsidiaries in China for our cash needs. We face translation exposure to fluctuations in currency exchange rates, which could hinder our ability to predict our future results and earnings and affect our operating results. To the extent that we need to convert any foreign currencies we receive from this **[REDACTED]** into Renminbi for our operations, appreciation of the Renminbi against such foreign currencies would adversely affect the Renminbi amount we would receive. We cannot assure you that the Renminbi will not appreciate or depreciate significantly in value against foreign currencies in the future. If we decide to convert our Renminbi into foreign currencies for making payments toward our financing, for dividends on our **[REDACTED]**, or for other business purposes, appreciation of the foreign currency against the Renminbi would negatively affect the foreign currency amount, adversely impacting our financial position. Therefore, any significant fluctuation of the Renminbi against foreign currencies could adversely affect our business, results of operations, financial condition, and the value of any dividends payable in foreign currencies.

RISKS RELATED TO THE [REDACTED] AND OUR SHARES

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

Prior to the **[REDACTED]**, there has been no **[REDACTED]** for our Shares. There can be no guarantee that an active **[REDACTED]** for our Shares will develop or be sustained after the completion of the **[REDACTED]**. The **[REDACTED]** of our Shares is the result of negotiations between our Company and the **[REDACTED]** (acting on their own behalf and on behalf of the **[REDACTED]**), and this price may not be indicative of the price at which our Shares will be **[REDACTED]** following the completion of the **[REDACTED]**. The **[REDACTED]** of our Shares may drop below the **[REDACTED]** at any time after the **[REDACTED]** is completed.

***The price and* [REDACTED] *of our Shares may be volatile, which could result in substantial losses for* [REDACTED] *purchasing our Shares in the* [REDACTED].**

Factors such as fluctuations in our revenue, earnings, cash flows, new investments, regulatory developments, additions or departures of key personnel, or actions taken by competitors could cause the **[REDACTED]** of our Shares or the **[REDACTED]** of our Shares to change substantially and unexpectedly. In addition, stock prices have been subject to significant volatility in recent years. Such volatility has not always been directly related to the performance of the specific companies whose shares are traded. This volatility, along with general economic conditions, may materially and adversely affect the prices of shares, and as a result, **[REDACTED]** in our Shares may incur substantial losses.

Future sale or major divestment of Shares by any of our substantial Shareholders could adversely affect the prevailing* [REDACTED] *of our Shares.

The Shares held by certain Shareholders are subject to specific **[REDACTED]** periods, the details of which are set out in the section titled "**[REDACTED]**" of this Document. However, we cannot assure you that after the restrictions of the **[REDACTED]** periods expire, these Shareholders will not dispose of any Shares. The sale of substantial amounts of our Shares in the public market, or the perception that such sales may occur, may materially and adversely affect the prevailing **[REDACTED]** of our Shares.

Subscribers and purchasers of our Shares under the* [REDACTED] *will experience immediate dilution and may experience further dilution if we issue additional Shares in the future.

The **[REDACTED]** of our Shares is higher than our net tangible assets value per Share immediately prior to the **[REDACTED]**. Therefore, subscribers and purchasers of our Shares under the **[REDACTED]** will experience an immediate dilution. In order to expand our business, we may consider **[REDACTED]** and issuing additional Shares in the future or raising additional funds to finance our business expansion, existing operations, or new acquisitions. If additional funds are raised through our issuance of new equity or equity-linked securities, other than on a pro rata basis to existing Shareholders, then (i) the percentage ownership of the existing Shareholders may be reduced, leading to subsequent dilution and reduction in their earnings per share; (ii) such newly issued securities may have rights, preferences, or privileges superior to those of the Shares held by existing Shareholders; and/or (iii) subscribers and purchasers of our Shares may experience dilution in the net tangible assets value per Share if we issue additional Shares in the future at a price lower than our net tangible assets value per Share.

***The* [REDACTED] *of the Shares when* [REDACTED] *begins could be lower than the* [REDACTED].**

The **[REDACTED]** will be determined on the **[REDACTED]**. However, the Shares will not commence **[REDACTED]** on the Stock Exchange until they are delivered, which is expected to occur a few Business Days after the anticipated **[REDACTED]**. **[REDACTED]** may not be able to sell or otherwise deal in the Shares during that period. Consequently, holders of the Shares are subject to the risk that the price of the Shares when **[REDACTED]** begins could be lower than the **[REDACTED]** due to adverse market conditions or other unfavorable developments that may occur during that time.

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

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

We have no experience of operating as a public company.

We have no experience conducting our operations as a public company. After we become a public company, we may face enhanced administrative and compliance requirements, which may result in substantial costs. In addition, since we are becoming a public company, our management team will need to develop the expertise necessary to comply with the numerous regulatory and other requirements applicable to public companies, including requirements relating to corporate governance, **[REDACTED]** standards, and securities and **[REDACTED]** relationships issues. As a public company, our management will have to evaluate our internal controls system with new thresholds of materiality and implement necessary changes to our internal controls system. We cannot guarantee that we will be able to do so in a timely and effective manner. Failure to effectively manage these new demands could adversely impact our operational efficiency and financial health, affecting our business and market perception.

We may not be able to pay any dividends to our Shareholders.

We cannot guarantee when and in what form dividends will be paid on our Shares following the **[REDACTED]**. The declaration of dividends is proposed by the Board and is based on, and limited by, various factors such as our business and financial performance, capital and regulatory requirements, and general business and operational conditions. We may not have sufficient or any profits to enable us to make dividend distributions to our Shareholders in the future, even if our financial statements indicate that our operations have been profitable.

We have significant discretions as to how we use the net* [REDACTED] *of the* [REDACTED]*, and you may not necessarily agree with how we use them.

Our management may spend the net **[REDACTED]** from the **[REDACTED]** in ways you may not agree with or that do not yield a favorable return. For details of our intended use of **[REDACTED]**, see "Future Plans and Use of **[REDACTED]**" in this Document. However, our management will have discretion as to the actual application of our net **[REDACTED]**. You are entrusting your funds to our management, upon whose judgment you must depend, for the specific uses we will make of the net **[REDACTED]** from this **[REDACTED]**.

Certain statistics contained in this Document are derived from a third-party report which are not independently verified by us. 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 report, contained in this Document.

Certain facts, forecasts, estimates, and other statistics in this Document relating to the economy and the industry in which we operate have been collected from official government sources. While we have exercised reasonable care in compiling and reproducing such information and statistics derived from government publications, we cannot assure you nor make any representation regarding the accuracy or completeness of such information. The information and statistics from official government sources have not been independently verified by the Group, our Directors, the Joint Sponsors, the **[REDACTED]**, the **[REDACTED]**, the **[REDACTED]**, the **[REDACTED]**, the **[REDACTED]**, the **[REDACTED]**, or any other party involved in the **[REDACTED]**, and no representation is given as to its accuracy.

Neither we nor any of our respective affiliates or advisers, nor the **[REDACTED]** or any of their affiliates or advisers, have independently verified the accuracy or completeness of such information directly or indirectly derived from official government sources. In particular, due to potentially flawed or ineffective collection methods or discrepancies between published information and market practice, such information and statistics may be inaccurate or may not be comparable to information and statistics produced with respect to other countries. Statistics, industry data, and other information relating to the economy and the industry derived from official government sources used in this Document may not be consistent with other information available from other sources; therefore, **[REDACTED]** should not unduly rely upon such facts, forecasts, estimates, and statistics when making **[REDACTED]** decisions.

We are a Cayman Islands company and, because judicial precedent regarding the rights of Shareholders is more limited under the laws of the Cayman Islands than other jurisdictions, you may have difficulties in protecting your Shareholder rights.

Our corporate affairs are governed by our Memorandum and Articles of Association, as amended from time to time, and by the Cayman Companies Act and common law of the Cayman Islands. The rights of Shareholders to take legal action against our Directors and us, actions by minority Shareholders, and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority Shareholders differ in some respects from those established under statutes and judicial precedent in existence in the jurisdictions where minority Shareholders may be located. See "Appendix III — Summary of the Constitution of Our Company and Cayman Islands Company Law."

As a result of all of the above, minority Shareholders may have difficulties in protecting their interests under the laws of the Cayman Islands through actions against our management, Directors, or substantial Shareholders, which may provide different remedies to minority Shareholders when compared to the laws of the jurisdiction in which such Shareholders are located.

***You should read the entire Document carefully and should not place any reliance on any information contained in press articles or other media regarding the* [REDACTED].**

Subsequent to the date of this Document but prior to the completion of the **[REDACTED]**, there may be press and media coverage regarding us and the **[REDACTED]**, which may contain, among other things, certain financial information, projections, valuations, and other forward-looking information about us and the **[REDACTED]**. We have not authorized the disclosure of any such information in the press or media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness, or reliability of any of the projections, valuations, or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this Document, we disclaim responsibility for them. Accordingly, prospective **[REDACTED]** are cautioned to make their **[REDACTED]** decisions on the basis of the information contained in this Document only and should not rely on any other information.

You should rely solely upon the information contained in this Document, the **[REDACTED]**, and any formal announcements made by us in Hong Kong when making your **[REDACTED]** decision regarding our Shares. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views, or opinions expressed by the press or other media regarding our Shares, the **[REDACTED]**, or us. We make no representation as to the appropriateness, accuracy, completeness, or reliability of any such data or publication. Accordingly, prospective **[REDACTED]** should not rely on any such information, reports, or publications in making their decisions as to whether to **[REDACTED]** in our **[REDACTED]**. 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.

Forward-looking information in this Document is subject to risks and uncertainties.

This Document contains certain statements and information that are forward-looking and uses forward-looking terminology such as "anticipate," "believe," "could," "going forward," "intend," "plan," "project," "seek," "expect," "may," "ought to," "should," "would," or "will" and similar expressions. You are cautioned that reliance on any forward-looking statement in this Document involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate; as a result, the forward-looking statements based on those assumptions could also be incorrect. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this Document should not be regarded as representations or warranties by us that our plans and objectives will be achieved, and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. Subject to the requirements of the Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this Document, whether as a result of new information, future events, or otherwise. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this Document are qualified by reference to this cautionary statement.

In preparation for the **[REDACTED]**, the Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules and exemption from the Companies (Winding Up and Miscellaneous Provisions) Ordinance:

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

According to Rule 8.12 of the Listing Rules, except as otherwise permitted by the Stock Exchange at its discretion, all applicants applying for a primary **[REDACTED]** the Stock Exchange must have sufficient management presence in Hong Kong. This would normally mean that at least two of an applicant's executive directors must be ordinarily resident in Hong Kong.

Our headquarters and senior management are based, and substantially all of the business operations and assets of our Group, are managed and conducted in the PRC. Our executive Directors ordinarily reside in the PRC and they play very important roles in our Company's business operations. It is in our best interests for them to be based in places where our Group has significant operations. We consider it practically difficult and commercially unreasonable for us to arrange for two executive Directors to ordinarily reside in Hong Kong, either by means of relocation of our existing executive Directors or appointment of additional executive Directors. Therefore, our Company does not have, or does not contemplate in the foreseeable future that we will have sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 of the Listing Rules.

Accordingly, the Company has applied for, and the Stock Exchange [has granted] the Company, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules, provided that the Company will ensure there is an effective channel of communication between the Company and the Stock Exchange by way of the following arrangements:

(i) We have appointed Mr. Chunquan Zhang (張春泉) (our executive Director and chief financial officer) and Ms. Ho Yan Lai (賴浩恩) ("**Ms. Lai**") (our joint company secretary) as our authorized representatives (the "**Authorized Representatives**") pursuant to Rule 3.05 of the Listing Rules. Both Authorized Representatives are authorized to communicate on the Company's behalf with the Stock Exchange, any meetings between the Stock Exchange and the Directors can be arranged through the authorized representatives or the Compliance Adviser or directly with the Directors within a reasonable time frame. The Authorized Representatives will act as our Company's principal channel of communication with the Hong Kong Stock Exchange. The Authorized Representatives will be readily contactable by phone, facsimile and email to promptly deal with inquiries from the Hong Kong Stock Exchange, and will also be available to meet with the Hong Kong Stock Exchange to discuss any matter within a reasonable period of time upon request of the Hong Kong Stock Exchange;

(ii) When the Hong Kong Stock Exchange wishes to contact our Directors on any matter, each of the Authorized Representatives will have all necessary means to contact all of our Directors (including our independent non-executive Directors) and senior management team promptly at all times. Our Company will also inform the Hong Kong Stock Exchange promptly in respect of any changes in the authorized representatives. We have provided the Hong Kong Stock Exchange with the contact details (i.e. mobile phone number, office phone number and email address) of all Directors to facilitate communication with the Hong Kong Stock Exchange. Our Directors will also provide the phone number of the place of his/her accommodation to the Authorized Representatives in the event that any Director expects to travel or otherwise be out of office;

(iii) All Directors who do not ordinarily reside in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and can meet with the Hong Kong Stock Exchange within a reasonable period of time;

(iv) We have appointed Fosun International Capital Limited as our Compliance Adviser upon the **[REDACTED]** pursuant to Rule 3A.19 of the Listing Rules for a period commencing on the **[REDACTED]** and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of the financial results for the first full financial year commencing after the **[REDACTED]**. The Compliance Adviser will have access at all times to our Authorized Representatives, Directors, and members of our senior management, who will act as the additional channel of communication with the Hong Kong Stock Exchange when the Authorized Representatives are not available. The Compliance Adviser will provide the Company with professional advice on continuing obligations under the Listing Rules. The contact details of the Compliance Adviser has been provided to the Hong Kong Stock Exchange and the Company will inform the Hong Kong Stock Exchange promptly in respect of any change in the Compliance Adviser; and

(v) The Company has designated staff members as the communication officer at the Company's headquarters after the **[REDACTED]** who will be responsible for maintaining day-to-day communication with the Authorized Representatives, and the Company's professional advisers in Hong Kong, including our legal advisers in Hong Kong and the Compliance Adviser, to keep abreast of any correspondences and/or inquiries from the Hong Kong Stock Exchange and report to the executive Directors to further facilitate communication between the Hong Kong Stock Exchange and the Company.

WAIVER IN RELATION TO JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, we must appoint a company secretary who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Hong Kong Stock Exchange, capable of discharging the functions of the company secretary. Note 1 to Rule 3.28 of the Listing Rules provides that the Hong Kong Stock Exchange considers the following academic or professional qualifications to be acceptable:

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

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

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

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

(i) length of employment with the issuer and other issuers and the roles he/she played;

(ii) familiarity with the Listing Rules and other relevant laws and regulations including the SFO, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;

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

(iv) professional qualifications in other jurisdictions.

Our Company has appointed Ms. Yaling He (何亞玲) ("**Ms. He**"), as one of our joint company secretaries. Ms. He has sufficient experience in regulatory compliance matters of our Company but presently does not possess any of the qualifications under Rules 3.28 and 8.17 of the Listing Rules, and may not be able to solely fulfill the requirements of the Listing Rules. Therefore, we have appointed Ms. Lai, who is associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom, who fully meets the requirements stipulated under Rules 3.28 and 8.17 of the Listing Rules to act as the other joint company secretary. Ms. Lai will provide assistance to Ms. He for an initial period of three years from the **[REDACTED]** to enable Ms. He to acquire the "relevant experience" under Note 2 to Rule 3.28 of the Listing Rules so as to fully comply with the requirements set forth under Rules 3.28 and 8.17 of the Listing Rules.

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

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

WAIVER AND EXEMPTION IN RELATION TO THE [REDACTED] SHARE INCENTIVE PLANS

Rule 17.02(1)(b) of the Listing Rules stipulates that all material terms of a scheme adopted by a **[REDACTED]** prior to the **[REDACTED]** must be clearly set out in the document and ensure all relevant disclosure are adequately disclosed in the "Statutory and General Information" section and requires a **[REDACTED]** to, inter alia, disclose in this Document full details of all outstanding options and awards and their potential dilution effect on the shareholdings upon **[REDACTED]** as well as the impact on the earnings per share arising from the issue of shares in respect of such outstanding options.

Paragraph 27 of Appendix D1A to the Listing Rules requires a **[REDACTED]** to disclose, inter alia, particulars of any capital of any member of the group which is under option, or agreed conditionally or unconditionally to be put under option, including the consideration for which the option was or will be granted and the price and duration of the option, and the name and address of the grantee, or an appropriate negative statement, provided that where options have been granted or agreed to be granted to all the members or debenture holders or to any class thereof, or to employees under a share option scheme, it shall be sufficient, so far as the names and addresses are concerned, to record that fact without giving the names and addresses of the grantees.

Under section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the document must state the matters specified in Part I of the Third Schedule.

Under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the number, description and amount of any shares in or debentures of the company which any person has, or is entitled to be given, an option to subscribe for, together with the particulars of the option, that is to say, (a) the period during which it is exercisable; (b) the price to be paid for shares or debentures subscribed for under it; (c) the consideration (if any) given or to be given for it or for the right to it; and (d) the names and addresses of the persons to whom it or the right to it was given or, if given to existing shareholders or debenture holders as such, the relevant shares or debentures must be specified in the document.

As of the Latest Practicable Date, our Company had granted outstanding options under the **[REDACTED]** Share Incentive Plans to 71 grantees (the "**Grantee(s)**") to subscribe for an aggregate of 23,181,000 Shares, among which all outstanding options representing 23,181,000 Shares were granted to 71 employees of the Group, who are not Directors, members of senior management, consultants or connected persons of the Company. No outstanding options under the **[REDACTED]** Share Incentive Plans were granted to Directors, members of senior management, consultants or connected persons of the Company.

As of the Latest Practicable Date, no outstanding share awards have been granted under the **[REDACTED]** Share Incentive Plans.

The Shares underlying the outstanding options represent approximately **[REDACTED]**%, of the total number of Shares in issue immediately after completion of the **[REDACTED]** assuming the **[REDACTED]** is not exercised.

It is expected that further grant of options or share awards will be made under the **[REDACTED]** Share Incentive Plans before the **[REDACTED]**. No options or share awards under the **[REDACTED]** Share Incentive Plans will be further granted after the **[REDACTED]**. For more details of the **[REDACTED]** Share Incentive Plans, see "Statutory and General information — D. **[REDACTED]** Share Incentive Plans — 1. Incentive Plan I" in Appendix IV to this Document.

We have applied to (i) the Stock Exchange for a waiver from strict compliance with the requirements under Rule 17.02(1)(b) of and paragraph 27 of Appendix D1A to the Listing Rules; and (ii) the SFC for a certificate of exemption from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance pursuant to section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in connection with the disclosure of certain details relating to the **[REDACTED]** Share Incentive Plans and the Grantees on the ground that full compliance with such disclosure requirements would be unduly burdensome for our Company and the waiver and the exemption would not prejudice the interest of the **[REDACTED]** for the following reasons:

(a) given that 71 Grantees are involved, our Directors consider that it would be unduly burdensome to disclose full details of Grantees (all of whom are not connected persons of the Company) under the Incentive Plan I on an individual basis in this Document, which would involve a substantial number of pages of content to be inserted into this Document, significantly increasing the cost and timing for information compilation and Document preparation and do not provide any material information to the **[REDACTED]**;

(b) the key information of the **[REDACTED]** Share Incentive Plans will be disclosed in this Document, including (i) a summary of the terms of the **[REDACTED]** Share Incentive Plans; (ii) the aggregate number of the Shares subject to the options, the percentage of our Shares of which such number represents, and the details of the options granted under the **[REDACTED]** Share Incentive Plans including the number of underlying Shares, exercise prices, grant dates, vesting periods, and the percentage of our Company's total issued share capital represented upon completion of the **[REDACTED]**; and (iii) the potential dilution effect on shareholdings and the impact on earnings per Share upon full exercise of the options immediately following completion of the **[REDACTED]**;

(c) the grant and exercise in full of the options under the **[REDACTED]** Share Incentive Plans will not cause any material adverse impact to the financial position of our Group;

(d) the lack of full compliance with the disclosure requirements set out above will not prevent potential **[REDACTED]** from making an informed assessment of the activities, assets and liabilities, financial position, management and prospects of our Group and will not prejudice the interests of any potential **[REDACTED]**; and

(e) our Directors consider that the information that is reasonably necessary for the potential **[REDACTED]** to make an informed assessment of the Company in their **[REDACTED]** decision making process has been included in this Document.

In light of the above, Our Directors believe that the grant of the waiver and exemption sought under this application and the non-disclosure of the required information will not hinder potential **[REDACTED]** from making an informed assessment of the activities, assets and liabilities, financial position, management and prospects of our Group and will not prejudice the interest of the **[REDACTED]**.

The Stock Exchange [has granted] to us a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of the Listing Rules and paragraph 27 of Appendix D1A to the Listing Rules with respect to the options granted under the **[REDACTED]** Share Incentive Plans subject to the conditions that:

(a) the grant of a certificate of exemption from strict compliance with the relevant Companies (Winding Up and Miscellaneous Provisions) Ordinance requirements by the SFC;

(b) on an individual basis, full details of all the options granted by the Company under the **[REDACTED]** Share Incentive Plans to each of our connected persons (if any), including all the particulars required under Rule 17.02(1)(b) of the Listing Rules, paragraph 27 of Appendix D1A to the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, be disclosed in this Document;

(c) in respect of the options granted by our Company under the **[REDACTED]** Share Incentive Plans to the remaining Grantees other than those referred to in sub-paragraph (b) above (the "**Other Grantees**"), the following details will be disclosed in this Document, on an aggregate basis: (i) the number of the Other Grantees and the number of Shares underlying the options, (ii) the considerations paid for the grant of options (if any), (iii) vesting period, exercise period and the exercise prices of the options granted, (iv) the range of grant dates, (v) the range of vesting periods, and (vi) the percentage of our Company's total issued share capital represented by such number of Shares upon completion of the **[REDACTED]**;

(d) the aggregate number of Shares underlying the outstanding options granted and the percentages of our Company's total issued share capital represented by such number of Shares as of the date of this Document will be disclosed in this Document;

(e) a summary of the principal terms of the **[REDACTED]** Share Incentive Plans and the dilutive effect and impact on earnings per Share upon full exercise of the options under the Incentive Plan I will be disclosed in the section headed "Statutory and General Information—D. **[REDACTED]** Share Incentive Plans" in Appendix IV to this Document;

(f) the particulars of this waiver and exemption are set out in this Document; and

(g) a full list of all the Grantees who had been granted options to subscribe for the Shares under the **[REDACTED]** Share Incentive Plans, containing all details as required under Rule 17.02(1)(b) of and paragraph 27 of Appendix D1A to the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance be made available for public inspection in accordance with "Documents Delivered to the Registrar of Companies and Available on Display" in Appendix V to this Document.

The SFC [has granted] us a certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting our Company from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, subject to the conditions that:

(a) in respect of the options granted by our Company under the **[REDACTED]** Share Incentive Plans to the Grantees, the following details be fully disclosed in this Document, on an aggregate basis,: (i) aggregate number of Grantees and the number of Shares subject to the options; (ii) the consideration paid for the grant of the options (if any); and (iii) the exercise period and the exercise price for the options;

(b) a full list of all the grantees (including the persons referred to in sub-paragraphs (a) and (b) above) who have been granted options to subscribe for Shares under the **[REDACTED]** Share Incentive Plans, containing all details as required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, be made available for public inspection in accordance with "Documents Delivered to the Registrar of Companies and Available on Display" in Appendix V to this Document;

(c) the particulars of the exemption be set out in this Document; and

(d) this Document is issued on or before **[REDACTED]**.

Further details of the **[REDACTED]** Share Incentive Plans are set out in the section headed "Statutory and General Information—D. **[REDACTED]** Share Incentive Plans" in Appendix IV to this Document.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Jianpeng Chen (陳健鵬)	No. 0052, Eastern Provence No. 88 Dingsi Road Changping District Beijing PRC	Chinese
Ms. Qinghua Song (宋清華)	No. 1002, Building 26B Shangyuan Community No. 28 Anli Road Chaoyang District Beijing PRC	Chinese
Mr. Shimin Lu (呂世民)	No. 2603, Building 28D Shangyuan Community No. 28 Anli Road Chaoyang District Beijing PRC	Chinese
Mr. Chunquan Zhang (張春泉)	30/F, Haiyi Ge, Huijing Garden No. 10 Kexing Road Nanshan District Shenzhen Guangdong Province PRC	Chinese
Independent non-executive Directors		
Mr. Cunwen Tao (陶存文)	No. 1408, Building 2 Maizidian Street Chaoyang District Beijing PRC	Chinese
Ms. Rui Tang (唐蕊)	8124 Isle of Skye the Colony Texas USA	Canadian
Mr. Kelei Xu (徐克磊)	No. 302, Unit 2, Building 1 Shangzhuge No. 5 Sanlihe Road Haidian District Beijing PRC	Chinese

As of the Latest Practicable Date, Mr. Yi Kuang (况奕), Mr. Xiaobo Luo (羅曉波), Mr. Shuo Chen (陳爍), Mr. Frederic Jean Emmanuel Azemard and Mr. Kin Ting Ng (吳建霆) were Directors appointed by our **[REDACTED]** Investors, who will resign from their directorship before **[REDACTED]**. Please see "Directors and Senior Management" for further details of our Directors upon **[REDACTED]**.

PARTIES INVOLVED IN THE [REDACTED]

Joint Sponsors	**CITIC Securities (Hong Kong) Limited** 18/F, One Pacific Place 88 Queensway Hong Kong **Fosun International Capital Limited** Suite 2101-2105, 21/F Champion Tower 3 Garden Road Central Hong Kong
	[REDACTED]
Legal advisers to our Company	*As to Hong Kong and United States laws:* **Davis Polk & Wardwell** 10/F The Hong Kong Club Building 3A Chater Road Central Hong Kong *As to PRC laws:* **Han Kun Law Offices** 9/F, Office Tower C1, Oriental Plaza 1 East Chang An Avenue Dongcheng District Beijing PRC *As to Cayman Islands laws:* **Harney Westwood & Riegels** 3501 The Center 99 Queen's Road Central Hong Kong

Legal advisers to the Joint Sponsors and the [REDACTED]	*As to Hong Kong and United States laws:* **Herbert Smith Freehills** 23rd Floor Gloucester Tower 15 Queen's Road Central Central Hong Kong *As to PRC laws:* **Jingtian & Gongcheng** 34/F, Tower 3 China Central Place 77 Jianguo Road Chaoyang District Beijing PRC
Auditor and Reporting Accountants	**KPMG** ***Certified Public Accountants*** 8th Floor, Prince's Building 10 Chater Road Central Hong Kong
Industry Consultant	**China Insights Industry Consultancy Limited** 10F, Block B, Jing'an International Center 88 Puji Road Jing'an District Shanghai PRC
Compliance Adviser	**Fosun International Capital Limited** Suite 2101-2105, 21/F Champion Tower 3 Garden Road Central Hong Kong

[REDACTED]

Registered Office	Osiris International Cayman Limited Suite#4-210 Governors Square 23 Lime Tree Bay Avenue PO Box 32311 Grand Cayman KY1-1209 Cayman Islands
Head Office and Principal Place of Business in the PRC	No. 311601, Building No. 5, Courtyard No. 1 Futong East Street Chaoyang District Beijing PRC
Principal Place of Business in Hong Kong	Room 1922, 19/F Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
Company's Website	**www.bochewang.cn** *(the information contained on this website does not form part of this Document)*
Joint Company Secretaries	Ms. Yaling He (何亞玲) Room 110 No. 123 Nanyuan Road Futian District Shenzhen Guangdong Province PRC Ms. Ho Yan Lai (賴浩恩) *(ACG, HKACG)* Room 1922, 19/F Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
Authorized Representatives	Mr. Chunquan Zhang (張春泉) 30/F, Haiyi Ge, Huijing Garden No. 10 Kexing Road Nanshan District Shenzhen Guangdong Province PRC

	Ms. Ho Yan Lai (賴浩恩) Room 1922, 19/F Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
Audit Committee	Ms. Rui Tang (唐蕊) *(Chairperson)* Mr. Cunwen Tao (陶存文) Mr. Kelei Xu (徐克磊)
Remuneration Committee	Mr. Cunwen Tao (陶存文) *(Chairperson)* Ms. Qinghua Song (宋清華) Mr. Kelei Xu (徐克磊)
Nomination Committee	Mr. Jianpeng Chen (陳健鵬) *(Chairperson)* Ms. Rui Tang (唐蕊) Mr. Kelei Xu (徐克磊)

[REDACTED]

Principal Bank	**China Merchants Bank Co., Ltd. Beijing Yayuncun Sub-branch** No. 8 Beichen East Road Chaoyang District Beijing China

The information presented in this section, including certain facts, statistics and data, is derived from the market research report prepared by CIC, which was commissioned by us, and from various official government publications and other publicly available publications, unless otherwise indicated. We believe that these sources are appropriate for such information, and we have taken reasonable care in extracting and reproducing such information. The information derived from official government publications has not been independently verified by our Company, the Joint Sponsors, any of our or their respective directors, officers or representatives or any other person involved in the **[REDACTED]** *and no representation is given as to its accuracy.*

AUTO INSURANCE INDUSTRY IN CHINA

Overview of Auto Insurance

The development of the auto insurance industry is reshaping the growth and maturity of China's automotive industry. Auto insurance helps vehicle owners manage risks from economic losses brought by traffic accidents, theft and natural disasters. It also incentivizes safe driving and enhances road safety by charging a lower insurance premium for vehicle owners with low accident history. Moreover, the development of auto insurance has bolstered the automotive aftermarket industries, including, among others, vehicle circulation, vehicle repair and maintenance and auto parts supply.

The vehicle damage insurance, such as collision insurance, is one of the most common and significant type of auto insurance coverages. Following an accident or a natural disaster and after the vehicle owner files a claim, the insurance company needs to assess the extent of damage to such vehicle and determines whether it is economically advantageous to repair it. In general, when a vehicle is only slightly damaged and the vehicle owner wants to repair it, the insurance company generally pays ERC directly. However, in case of serious damage, the insurance company will inspect the vehicle and estimate its ERC, PAV and SV. Generally speaking, if ERC is greater than PAV less SV, the insurance company may deem the vehicle as a total loss and classify it as a salvage vehicle, and assign such vehicle to a salvage vehicle auction platform for further handling. There are also very few cases where the assessment standard for a total loss is that the ERC is higher than certain percentage of PAV, an internal guideline percentage of the insurance company. In addition, end-of-life vehicles, even if they are not covered by insurance or classified by the insurance company, are also categorized as salvage vehicles, representing a minimal proportion of the overall salvage vehicle market.

Challenges in China's Auto Insurance Industry

China had the largest automotive industry in the world with vehicle parc exceeding 330 million units as of December 31, 2023 and total auto insurance premium reaching RMB867.3 billion in 2023. Notwithstanding its size and growth, the auto insurance industry in China faces several challenges, particularly in relation to claims processing and settlement, that impede its development:

- ***High repair cost***. Repair cost is the primary component of insurance companies' claims expenditure, constituting approximately two-thirds of the total amounts. In China, 4S dealerships are the preferred repair locations for vehicle owners due to OEM's authorization and recognition among vehicle owners. However, due to their higher operational and labor costs and higher procurement prices as well as corresponding selling prices for auto parts, 4S dealerships typically charge a higher repair cost as compared to other vehicle repair channels, further increasing the insurance companies' claims burden.

- ***Suboptimal repair solutions***. 4S dealerships are incentivized to replace auto parts directly as opposed to repair as a result of complexities of repairing and higher margins from auto parts selling. In addition, due to limited specifications of auto parts provided by OEMs, 4S dealerships frequently replace the entire assembly as opposed to individual components damaged, such as replacing a headlight assembly due to a broken headlight cover. As a result, the repair solutions of 4S dealerships are not always optimal, with repair scopes often exceeding actual needs, further increasing the insurance companies' claims expenditure.

- ***Complex loss assessment and settlement cycle***. Insurance companies are struggling with efficiently making total loss assessment due to lack of standardized valuation methodology. Insurance companies typically require a significant amount of time to assess losses for a damaged vehicle as such assessment is complex and entails estimation on multiple non-standardized parameters such as PAV, SV and ERC. In addition, insufficient disposal channels for total loss vehicles and difficulties in matching buyers further extend the claims cycle, which may lead to lower user satisfaction and a tendency to repair vehicles directly at 4S dealerships, thus affecting insurance companies' profitability.

- ***High payout for NEVs***. In recent years, China's NEV sales have grown rapidly. In the nine months ended September 30, 2024, NEV sales accounted for more than 40% of new vehicle sales. NEVs have brought new challenges to repair, maintenance and insurance claims process due to the higher degree of integration of auto parts such as motors, batteries and electronic control systems and the extensive use of new technologies and materials such as various kinds of sensors. In addition, the fierce competition in the NEV market, the rapid pace of technology innovation and iteration, and the faster fluctuation of PAV and SV compared with ICEs make it more challenging for insurance companies to reassess risk and adjust premiums for NEVs.

Over the past two decades, China's auto insurance industry has undergone continuous reform, promoting the development of the industry and better safeguarding consumer interests. However, these reforms have also intensified operational pressures on insurance companies. For instance, regulatory authorities have gradually expanded the floating range of discretionary pricing coefficients, which refers to the flexibility granted to insurance companies to independently set auto insurance discount rates within a defined scope taking into account various factors, introducing a more market-oriented approach. While this measure enhances pricing flexibility, it has also intensified price competition within the auto insurance industry. Additionally, the implementation of the comprehensive auto insurance reform in 2020, which increased coverage limits and broadened coverage scopes, has led to a notable rise in insurance companies' loss ratio, which is calculated by dividing claims payouts by insurance premium. Specifically, the loss ratio increased from 58% in 2020 to around 70% in 2021 and has remained at this level ever since. When combined with related expenses, the combined ratio for auto insurance, which is the sum of loss ratio and expense ratio (calculated by dividing costs incurred for selling and managing auto insurance products by insurance premium), has consistently hovered around 95% to 97% of insurance premium in recent years. For many small and medium-sized insurance companies, the combined ratio may even exceed 110%, severely compressing their profit margins.

The Emergence of Salvage Vehicle Auction Platforms

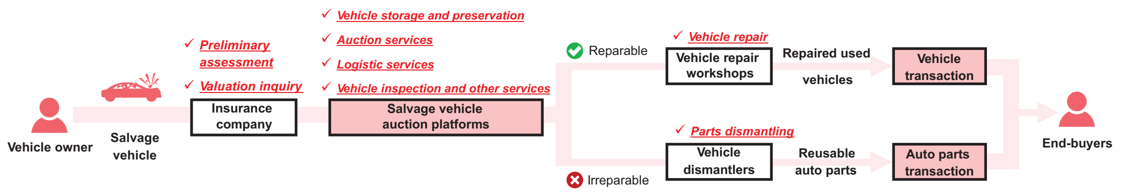
The challenges outlined above underscore the urgent need for insurance companies to adopt effective cost-reduction measures and standardized valuation methodology to maintain financial stability while enhancing the accuracy and efficiency of total loss assessment. In particular, whether a vehicle can be deemed as a total loss is important to insurance companies. Specifically, claims payouts for total loss vehicles are generally lower than ERC for the same, enabling cost reductions. Moreover, by deeming a vehicle as a total loss, insurance companies can avoid prolonged repair time and unnecessary repair scopes during repair process, which help them streamline claims process and enhance settlement efficiency, ultimately improving customer satisfaction.

In recent years, insurance companies have increasingly prioritized the accuracy and efficiency of total loss assessment and promoted standardization of salvage vehicle valuation process by collaborating with platforms with related capabilities. To ensure operational efficiency, insurance companies have rapidly standardized internal processes over the past few years, with most salvage vehicle transactions now conducted through transparent, standardized and market-driven auctions. Salvage vehicle auction platforms are well suited to address the demands from insurance companies.

SALVAGE VEHICLE AUCTION INDUSTRY IN CHINA

The Salvage Vehicle Transaction Flow

As detailed in the below diagram, salvage vehicle auction platforms have played an indispensable role in salvage vehicle transaction processes.



Source: CIC

Following an accident or a natural disaster, the insurance company needs to assess the extent of damage to such vehicle and determine whether it is economically advantageous to repair it. Insurance companies will inspect the vehicle and estimate its ERC, PAV and SV. To determine SV, insurance company will initiate inquiries to salvage vehicle auction platforms for a valuation on the vehicle's salvage value and assign the highest valuation as SV. If ERC is greater than the PAV less the SV, the insurance company may deem the vehicle as a total loss and assign such vehicle to a salvage vehicle auction platform for further auction. The salvage vehicle auction platform will undertake a series of preparatory steps to facilitate the auction process, including storage and preservation, vehicle preparation, record keeping and documentation verification. The salvage vehicle auction platform will categorize salvage vehicles into reparable vehicles or irreparable vehicles based on the condition of the underlying vehicles. The buyers are generally certified repair workshops for reparable vehicles, who generally purchase salvage vehicles to repair and resell, and the buyers are generally licensed vehicle dismantlers for irreparable vehicles, who typically dismantle a salvage vehicle and usually reuse, recycle and refurbish auto parts.

The Value of Salvage Vehicle Auction Platform

While salvage vehicle auction platforms emerged due to insurance companies' demand for an accurate and standardized loss assessment methodology, these platforms have evolved to deliver significant value for all industry participants across the salvage vehicle transaction value chain and the society as a whole.

For insurance companies:

- ***Reducing claims expenditure***. Salvage vehicle auction platforms enable insurance companies to make total loss assessment more accurately and efficiently by leveraging extensive historical transaction data and intelligent valuation systems. As a result, salvage vehicle auction platforms can provide rapid and accurate assessments of parameters such as PAV and SV. This not only helps insurance companies decide whether a vehicle should be deemed as a total loss but also aids in negotiating repair costs with 4S dealerships during repairs, thereby reducing overall claims expenditure. In addition, leading salvage vehicle auction platforms can offer preservation service, allowing insurance companies to secure control over vehicles immediately after accidents, strengthening their position in total loss assessments.
- ***Improving claims settlement efficiency***. By maintaining an extensive and active network of downstream buyers, salvage vehicle auction platforms streamline the disposal cycle, significantly improving claim settlement efficiency and customer satisfaction.
- ***Ensuring compliance***. The transparent and standardized auction processes provided by these salvage vehicle auction platforms ensure compliance when disposing of salvage vehicles, helping insurers mitigate operational and legal risks.

For downstream buyers:

- ***Access to reliable vehicle sources***. The downstream buyers are mainly regional businesses that focus on their localities, who face challenges in sourcing vehicles due to fragmented and dispersed vehicle sources and nontransparent information. Salvage vehicle auction platforms aggregate vehicle sources nationwide, primarily from leading insurance companies, ensuring a stable vehicle supply for buyers. The formal bidding process afforded by the auction platform, coupled with transparent disclosure on vehicle's existing conditions, further empower buyers to make fully informed decisions during auctions.
- ***Provision of facilitation services***. Some leading salvage vehicle auction platforms also offer a comprehensive suite of facilitation services in addition to salvage vehicle auctions, such as logistics services, enhancing the convenience, efficiency, and safety of salvage vehicle transactions.

For the society:

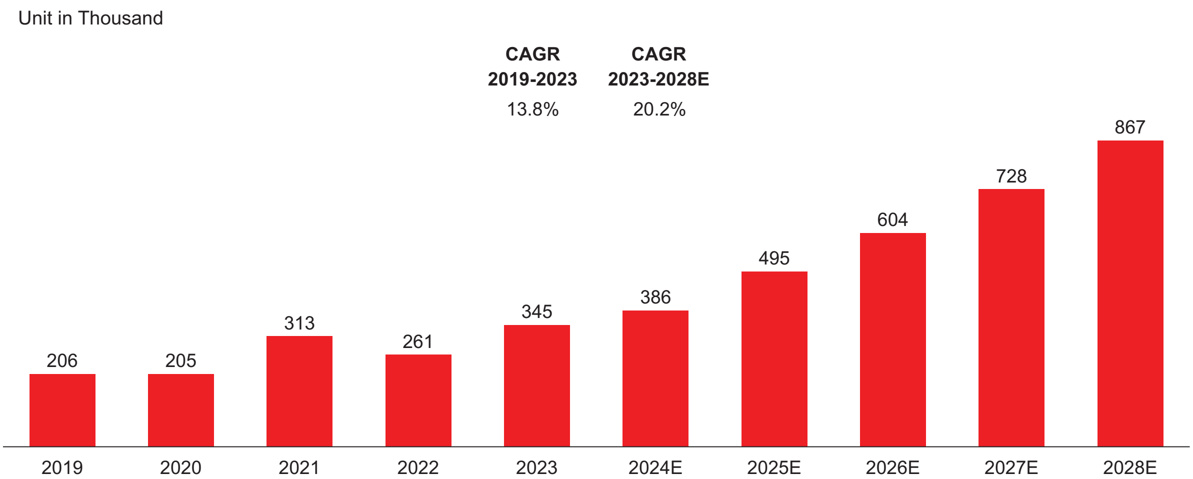
- ***Promoting vehicle reuse***. For reparable salvage vehicles, streamlined and cost-effective restoration processes enable these vehicles to return to roadworthy conditions. This extends vehicles' useable life, reduces the environmental impact associated with manufacturing new vehicles, and lowers overall carbon emissions.
- ***Facilitating auto parts recycling***. Irreparable vehicles and end-of-life vehicles can be disposed by licensed vehicle dismantlers. Auto parts dismantled will be refurbished and reconditioned for re-entering in the market, reducing the carbon emissions associated with the production of new parts.

- ***Disaster relief***. A significant portion of salvage vehicles, such as flood-damaged vehicles, is damaged from natural disasters. Prompt retrieval and disposal of these vehicles support communities in rebuilding while mitigating environmental hazards.
- ***Affordable transportation solutions***. The reconditioned and refurbished vehicles and auto parts re-entering the market are significantly more affordable than new counterparts while maintaining the required functionality. This provides cost-effective alternatives for lower-income groups, improving transportation accessibility while maintaining functionality and safety.

Market Size of China's Salvage Vehicle Auction Industry

The auction volume of salvage vehicles in China increased from approximately 206 thousand units in 2019 to 345 thousand units in 2023, with a CAGR of 13.8%. In comparison, the auction volume of salvage vehicles in the U.S., with a vehicle parc of approximately 290 million units in 2023 — similar to that of China — was nearly seven million units in 2023, which was about 20 times the auction volume of China. This notable difference highlights the significant growth potential in China's salvage vehicle auction industry. The total auction volume of salvage vehicles in China is expected to reach 867 thousand units in 2028, representing a CAGR of 20.2% from 2023 to 2028. The following diagram sets forth the market size of China's salvage vehicle auction industry in terms of transaction volume from 2019 to 2028.

Market size of China's salvage vehicle auction market, in terms of vehicle volume, 2019-2028E



Source: CIC

Market Drivers of China's Salvage Vehicle Auction Industry

In general, the vehicle with lower PAV and higher ERC is more likely to be deemed as a total loss. The following trends in China's automotive industry are expected to directly influence these two parameters, driving an increase in total loss frequency:

- ***Rising average vehicle age***. The average age of vehicles in China was 6.5 years in 2023 and is expected to reach 8.4 years in 2028. This remains significantly below the average vehicle age of over 12 years in the U.S., indicating a substantial growth potential.
- ***Decreasing new vehicle price***. The selling price for new vehicles in China decreased significantly: in the nine months ended September 30, 2024, nearly 200 vehicle models

experienced price reductions, far exceeding 150 models in 2023, with average discounts exceeding 10% and some exceeding 30%. These trends are expected to put downward pressure on used vehicle prices, which could reduce PAV and thereby increase total loss frequency.

- ***Escalating repair costs***. The parts-to-whole ratio, which measures the cost of auto parts relative to the vehicle's sales price, has risen from approximately 330% in 2015 to about 370% in 2023. This represents a 40 percentage points increase in auto parts prices relative to vehicle prices in less than a decade, with certain models' parts-to-whole ratio exceeding 800%. At the same time, average labor costs in the automotive industry have been continuously growing in the past five years. These two factors have significantly driven overall vehicle repair costs.
- ***The prevalence of NEVs***. The claims ratio of NEVs is 1.5-2 times higher than that of ICEs, which means that NEVs generally have a higher probability to be deemed as total loss vehicles. The three-year residual rate of NEVs is less than 50%, nearly 10 percentage points lower than that of ICEs, implying a faster depreciation rate and a lower PAV as compared to ICEs of the same age. In addition, due to the higher degree of integration of auto parts, a single accident may cause greater damage to NEVs, resulting in higher average repair costs for NEVs, typically ranging from 20-30% higher than that of ICEs. All these factors may lead to higher total loss frequency for NEVs, leading to an increase in total loss frequency in the auto insurance industry.
- ***Decreasing reliance on 4S dealerships***. Historically, insurance companies closely collaborated with 4S dealerships because 4S dealerships were critical channels for new auto insurance sales. As a result, vehicles eligible for total loss determination were sometimes repaired at 4S dealerships instead to maintain healthy relationships between insurance companies and 4S dealerships. Consequently, approximately 80% of vehicles that are eligible for total loss determination were actually deemed as total loss vehicles, compared to nearly 100% in mature markets, a 20 percentage points gap. However, due to the decrease in new vehicle sales in the total vehicle parc as well as OEMs' growing direct-to-customer efforts, the importance of 4S dealerships in new auto insurance sales is diminishing. This shift is expected to result in an increase in the proportion of vehicles actually deemed as total loss vehicles.

In addition to the increasing total loss frequency, the growth of China's salvage vehicle auction industry is driven by the following additional factors:

- ***Increased awareness of total loss concepts***. Insurance companies and the society are actively promoting awareness of the total loss concepts. With improved understanding of insurance knowledge and repair costs, vehicle owners may increasingly recognize total loss as a more cost-effective and efficient solution for claims settlement. By receiving payout based on PAV, vehicle owners can replace their vehicles without incurring the prolonged time and implicit depreciation associated with repairs.
- ***Expanding supply of salvage vehicles***. China's increasing vehicle parc and auto insurance coverage drive a continuous expansion of potential supply of salvage vehicles for auction. In the future, salvage vehicles from non-insurance vehicle consignors and end-of-life vehicles are expected to further diversify the supply of salvage vehicles.
- ***Technology advancements***. The development of the salvage vehicle auction industry over the years has resulted in the accumulation of extensive data on loss assessments and

salvage vehicle transactions. Leveraging big data analytics and artificial intelligence, auction platforms can extract valuable insights to refine vehicle valuations, offering valuable and accurate inputs on salvage vehicle valuation and market demand fluctuations. These advancements are propelling the industry toward greater standardization, transparency and operational efficiency.

- ***Export trends***. With the deepening of globalization and development of international trade, China's export market for auto parts and repaired vehicles is also expanding. Many countries and regions increasingly demand cost-effective auto parts and repaired vehicles. This growing demand has drawn more overseas buyers into China's salvage vehicle transaction chain, highlighting significant export opportunities.

Key Costs and Trends of China's Salvage Vehicle Auction Industry

Labor cost is the major cost for companies engaged in China's salvage vehicle auction industry. According to the Auto Talents Committee of China Talents Society, the average labor costs in the automotive industry have grown from RMB205 thousand per employee in 2019 to RMB238 thousand per employee in 2023. Labor cost is expected to remain on a steady upward trend in the future.

Competitive Landscape of China's Salvage Vehicle Auction Industry

The salvage vehicle auction industry in China demonstrates a tiered competitive landscape, with the single largest player capturing a market share of more than 30% in terms of transaction volume in 2023, the top five players possessing a combined market share of approximately 56%, while the rest individual players each holding less than 2% of the market share. The market landscape is similar to the U.S. salvage vehicle auction industry, where the top two players, Copart and IAA, accounted for approximately 70% market share of the U.S. salvage vehicle auction industry in 2023.

The Company ranked the first in China's salvage vehicle auction industry in terms of transaction volume in 2023, with a market share of approximately 31.3%. The table below sets forth the competitive landscape of the top five salvage vehicle auction platforms in China.

Ranking	Players	Number of transacted salvage vehicles in 2023 (thousand units)	Market share in 2023
1	**The Company**	108	31.3%
2	Company A[(1)]	32	9.3%
3	Company B[(2)]	25	7.2%
4	Company C[(3)]	20	5.8%
5	Company D[(4)]	9	2.7%

Notes:

(1) Company A is an automotive aftermarket industrial internet platform founded in China in 2012. It provides salvage vehicle auction services, auto parts transaction services and ERP systems tailored for salvage vehicle clients. It is an unlisted company.

(2) Company B is a salvage vehicle auction platform founded in China in 2016. It primarily offers salvage vehicle auction and facilitation services. It is a subsidiary of a listed company on the Shanghai Stock Exchange.

(3) Company C is a salvage vehicle auction platform founded in China in 2001. It primarily offers salvage vehicle auction and facilitation services. It is an unlisted company.

(4) Company D is a salvage vehicle auction platform founded in China in 2015. It primarily offers salvage vehicle auction and facilitation services. It is an unlisted company.

Source: CIC

Entry Barriers for China's Salvage Vehicle Auction Industry

- ***Close collaboration with insurance companies***. Insurance companies are the primary consignors of salvage vehicles. Establishing long-term and stable partnerships with insurance companies not only ensures a consistent supply of salvage vehicles but also facilitates seamless integration across key processes, including total loss assessment, claims settlement and data exchange. These collaborations help reduce transaction costs, improve transaction efficiency and generate valuable industry insights.

- ***Industry expertise and data accumulation***. Accurately estimating SV is a core competitive strength for salvage vehicle auction platforms. This requires a deep understanding of extent of damage, along with holistic analysis of multiple factors, including used vehicle prices, historical transaction data and repair cost databases. The accumulation of such data over the years enables auction platforms to develop precise valuation tools, improving the accuracy and efficiency of vehicle valuations.

- ***Research and development and digitalization capabilities***. Strong research and development capabilities and robust digitalization systems are cornerstones for efficient operations of salvage vehicle auction platforms. Critical digitalization tools such as valuation modules, online auction platforms, and vehicle information management systems rely on continuous technological innovation and optimization. These advancements ensure seamless and efficient transactions while maintaining data security and privacy.

- ***Nationwide network coverage and management***. A comprehensive network of offline facilities is crucial to the efficient operation of salvage vehicle auction platforms. These offline facilities not only serve as preservation sites for vehicle consignors, but also serve as important locations for necessary preparation, inspections and display, offering downstream buyers the opportunity to preview on-sites. A nationwide network extends the platform's service reach, enabling scalable business expansion, enhancing transaction transparency and efficiency, and fostering trust and satisfaction among different participants. Meanwhile, managing such a large network requires sophisticated management capabilities, including ability on standardized operations, resource coordination and risk management, all of which present significant barriers to replication.

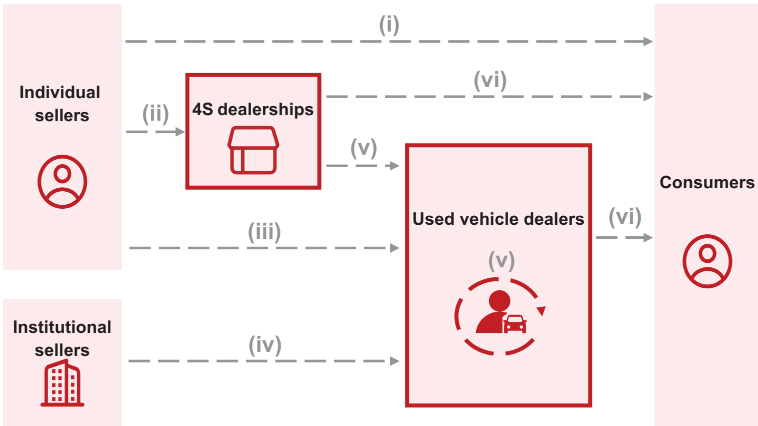
- ***Extensive and active buyer base***. Certified repair workshops and licensed vehicle dismantlers are the primary buyers on salvage vehicle auction platforms, and their retention rate and activeness directly affect the platform's operational scale and efficiency. An extensive and active network of certified repair workshops and licensed vehicle dismantlers ensures that vehicle listed for auction attract sufficient competitive bids, which enables efficient disposal of salvage vehicles and attracts more upstream consignors and downstream buyers.

USED VEHICLE INDUSTRY IN CHINA

Overview of China's Used Vehicle Industry

As China's automotive industry gradually shifts from a blue ocean market to a red ocean market, China's used vehicle industry is also facing significant growth opportunities. The transaction volume of used vehicles in China increased from 12.3 million units in 2019 to 16.1 million units in 2023, with a CAGR of 7.0% from 2019 to 2023 and is expected to reach 30.0 million units in 2028, representing a CAGR of 13.3% from 2023 to 2028.

In general, used vehicles are transacted multiple times before arriving in the hands of consumers. The following diagram sets forth the typical transaction flow and participants of used vehicle transactions in China.

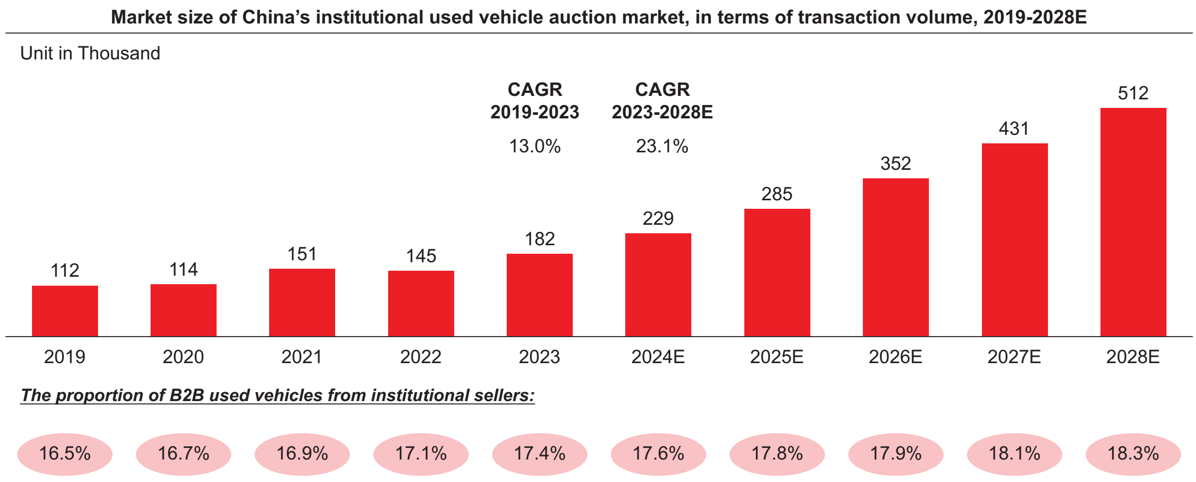


Source: CIC

Based on the nature of business participants in a used vehicle transaction, China's used vehicle industry can be divided into (i) direct sales from individual sellers to consumers, (ii) trade-ins by individual sellers at 4S dealerships, (iii) sales from individual sellers to used vehicle dealers, (iv) sales from institutional sellers to used vehicle dealers, (v) sales from 4S dealerships to used vehicle dealers or inter-dealer transactions, and (vi) sales from 4S dealerships or used vehicle dealers to consumers. Among these, categories (iv) and (v) fall under business-to-business (B2B) transactions. Notably, large-scale used vehicle dealers increasingly favor auction as the preferred transaction channel due to its price transparency and operational efficiency. However, the penetration rate of auctions within the B2B segment remains relatively low in China's current used vehicle industry, largely attributable to the prevalence of a large number of small-scale and regional used vehicle dealers. In 2023, auctions accounted for only 22.3% of total B2B transactions, with a total auction volume of 1,046 thousand units. With the emergence and development of large-scale used vehicle dealers, auctions will become a more important B2B transaction channel. The proportion of B2B transactions conducted through auctions is expected to increase to 30.4% in 2028, with auction volume reaching approximately 2,800 thousand units, representing a CAGR of 21.8% from 2023 to 2028.

In 2023, only 182 thousand vehicles, or 17.4% of the total B2B used vehicle auction volume in China, originated from institutional sellers. This is primarily attributable to the scarcity of large-scale institutional sellers in China's used vehicle industry. By contrast, in more matured markets, institutional sellers account for over 40% of the B2B auction volume. Looking ahead, institutional sellers in China are expected to increasingly dispose of vehicles on a large scale as part of asset optimization strategies, leading to greater demand for institutional used car auction services. The auction volume contributed by institutional sellers is expected to reach 512 thousand units in 2028, accounting for 18.3% of the total B2B auction volume, with a CAGR of 23.1% from 2023 to 2028.

The following diagram sets forth the historical and forecast market size of China's institutional used vehicle auction industry from 2019 to 2028:



Source: CIC

Competitive Landscape of China's B2B Used Vehicle Auction Industry

The B2B used vehicle auction industry in China is relatively concentrated, with the top five market players possessing a market share of 62.3% in terms of transaction volume in 2023. The Company ranked the third in China's B2B used vehicle auction industry in terms of auction volume of B2B used vehicle in 2023, with a market share of approximately 11.4%.

Ranking	Players	The auction volume of B2B used vehicle in 2023 (thousand units)	Market share in 2023
1	Company E[(1)]	176	16.8%
2	Company F[(2)]	170	16.3%
3	**The Company**	119	11.4%
4	Company G[(3)]	117	11.2%
5	Company H[(4)]	70	6.7%

Notes:

(1) Company E is a B2B used vehicle auction platform founded in China in 2014. It provides used vehicle auction and facilitation services, including vehicle appraisal, after-transaction support and logistics. It is a listed company on the Stock Exchange.

(2) Company F is a B2B used vehicle auction platform founded in China in 2011. It primarily offers used vehicle auction and facilitation services, including vehicle appraisal, after-transaction support and logistics. It is an unlisted company.

(3) Company G is a B2B used vehicle auction platform founded in China in 2006. It primarily offers used vehicle auction and facilitation services, including vehicle appraisal, after-transation support and logistics. It is an unlisted company.

(4) Company H is a C2B used vehicle transaction platform founded in China in 2015. It primarily offers used vehicle auction and facilitation services, including vehicle appraisal, after-transaction support and logistics. It is a subsidiary of a listed company on the Stock Exchange and the New York Stock Exchange

Source: CIC

Competitive Landscape of China's Institutional Used Vehicle Auction Industry

The institutional used vehicle auction industry, a subset of B2B used vehicle auction industry where large institutions sell their used or off-lease vehicles through organized auctions, in China is highly fragmented, with the top five market players possessing a market share of 24.9% in terms of transaction volume in 2023. The Company ranked the first in China's institutional used vehicle auction industry in terms of number of used vehicles auctioned in 2023, with a market share of approximately 7.5%.

Ranking	Players	Number of auctioned used vehicles in 2023 (thousand units)	Market share in 2023
1	**The Company**	13.7	7.5%
2	Company H(1)	11.4	6.3%
3	Company F(2)	8.2	4.5%
4	Company E(3)	6.6	3.6%
5	Company I(4)	5.5	3.0%

Notes:

(1) Company H is a C2B used vehicle transaction platform founded in China in 2015. It primarily offers used vehicle auction and facilitation services, including vehicle appraisal, after-transaction support and logistics. It is a subsidiary of a listed company on the Stock Exchange and the New York Stock Exchange.

(2) Company F is a B2B used vehicle auction platform founded in China in 2011. It primarily offers used vehicle auction and facilitation services, including vehicle appraisal, after-transaction support and logistics. It is an unlisted company.

(3) Company E is a B2B used vehicle auction platform founded in China in 2014. It provides used vehicle auction and facilitation services, including vehicle appraisal, after-transaction support and logistics. It is a listed company on the Stock Exchange.

(4) Company I is a B2C used vehicle transaction platform founded in China in 2015. It primarily offers used vehicle auction and facilitation services, including vehicle appraisal, after-transaction support and logistics. It is an unlisted company.

Source: CIC

Market Drivers of China's Used Vehicle Industry

- ***Increasing vehicle supply***. With a growing number of middle- to high-income consumers opting for higher-end vehicles by trading existing ones, it is expected that more used vehicles will enter the market, driving up the overall supply. The introduction of new makes and improved transaction convenience will also drive up the frequency of vehicle trades throughout their lifecycle, which will further accelerate the turnover rate of used vehicles in the market. Additionally, rental companies, auto finance and leasing companies and other institutional consignors will have a growing demand for large-volume disposal of used vehicles, further diversifying the sources of used vehicles in the market.

- ***Increasing consumer demand for used vehicles in lower-tier cities***. The affordability of used vehicles is a compelling value proposition for consumers in lower-tier cities. Although vehicle parc in lower-tier cities remain relatively low, the extension of road networks has made road-based transportation an indispensable part of daily life for residents. This has fueled demand for automotive, including used vehicles, in these areas. Furthermore, the implementation of policies permitting cross-regional transactions of used vehicles has facilitated the inflow of a substantial number of used vehicles from higher-tier cities, driving growth in overall transaction volumes of used vehicles.

- ***Increasing used vehicle transaction service providers***. The emergence of used vehicle transaction service providers can provide used vehicle buyers with a large, stable and nationwide supply of used vehicles. Notably, service providers such as the Company, which have expanded into the used vehicle business based on the expertise in salvage vehicle business, are reinvigorating the used vehicle industry. Capitalizing on existing valuation infrastructures, these service providers can provide precise and rapid pricing for used vehicles. Moreover, it can also provide better fulfillment to customers leveraging its existing offline network of storage and preservation, personnel and logistics. Additionally, compared to traditional used vehicle dealers, these service providers benefit from a broader and more diversified buyer base, allowing them to more flexibility in disposing vehicles of all kinds and nature.

- ***Favorable policies and regulations***. The Chinese government has issued a series of policies to encourage used vehicle transactions, especially, Several Measures for Invigorating the Circulation of Automobiles and Expanding Automobile Consumption (《關於搞活汽車流通擴大汽車消費若干措施的通知》) which was introduced in July 2022. The policy provides official guidelines for registering companies engaged in the business of used vehicle distribution, with an aim to promote the commercialization and facilitate the transaction of used vehicles in China. The policy is expected to create a virtuous cycle that can promote consumer confidence in used vehicle transactions, improve used vehicle transaction efficiency, increase the transaction volume and propel the sustainable growth of the used vehicle industry.

SOURCE OF THE INFORMATION

CIC was commissioned to conduct research, provide an analysis of, and to produce a report on China's salvage vehicle auction industry, and other related economic data, at a fee of RMB550,000. The commissioned report has been prepared by CIC independently without the influence from the Company or other interested parties. CIC offers industry consulting services, commercial due diligence and strategic consulting. With a consultant team actively tracking the latest market trends in various industries such as automotive, consumer goods and services, agriculture, chemicals, marketing and advertising, culture and entertainment, energy and industry, finance and services, healthcare, TMT and transportation, CIC possesses the most relevant and insightful market intelligence in these sectors. Except as otherwise noted, all of the data and forecasts contained in this section are derived from the CIC Report. We have also referred to certain information in the "Summary," "Risk Factors," "Business" and "Financial Information" sections to provide a more comprehensive presentation of the industry in which we operate.

CIC employed both primary and secondary research methods using a variety of resources. Primary research included interviews with key industry experts and leading participants, while secondary research involved analyzing data from publicly available sources, such as the National Bureau of Statistics and General Administration of Customs of the PRC. The market projections in the CIC Report are based on the following key assumptions during the forecast period: (i) that the overall global social, economic, and political environment is expected to maintain a stable trend over the next decade; (ii) that related key industry drivers are likely to continue driving growth in the auto insurance industry, salvage vehicle auction industry and used vehicle auction industry in China during the forecast period; and (iii) that there is no extreme force majeure or set of industry regulations in which the market situation may be affected either dramatically or fundamentally.

Our Directors confirm that, to the best of their knowledge, after making reasonable inquiries, there is no material and adverse change in the market information since the date of the CIC Report, which may qualify, contradict or have an impact on the information in this section.

REGULATIONS ON FOREIGN INVESTMENT

Regulations on Company Establishment and Foreign Investment

The establishment, operation and management of corporate entities in the PRC are governed by the Company Law of the PRC (《中華人民共和國公司法》) (the "PRC Company Law"), which was promulgated by the Standing Committee of the National People's Congress (the "SCNPC") in December 1993 and further amended in December 1999, August 2004, October 2005, December 2013, October 2018, and December 2023, respectively. According to the PRC Company Law, companies are generally classified into two categories: limited liability companies and companies limited by shares. The PRC Company Law also applies to foreign-invested limited liability companies. According to the PRC Company Law, where laws on foreign investment have other stipulations, such stipulations shall prevail.

Investment in the PRC by foreign investors are mainly regulated by the Catalogue of Industries for Encouraging Foreign Investment (2022 Edition) (《鼓勵外商投資產業目錄》(2022年版)), which was promulgated by the MOFCOM and the NDRC on October 26, 2022 and took effect on January 1, 2023, and the Special Administrative Measures (Negative List) for Foreign Investment Access (Edition 2024) (《外商投資准入特別管理措施(負面清單)》(2024年版)) ("Negative List"), which was promulgated by the MOFCOM and the NDRC on September 6, 2024 and took effect on November 1, 2024. The Negative List sets out several restrictive measures in a unified manner, such as the requirements on shareholding percentages and management, for the access of foreign investments in the industries listed in the Negative List and the industries that are prohibited for foreign investment. Any industries not falling in the Negative List shall be administered under the principle of equal treatment to domestic and foreign investment. Under the Negative List, foreign investment in companies providing value-added telecommunications services, excluding e-commerce, domestic multi-party communications, storage-forwarding and call centers, should not exceed 50% of the total equity interests.

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

REGULATIONS ON AUCTION BUSINESS

Pursuant to the Auction Law of the PRC (《中華人民共和國拍賣法》) promulgated by the SCNPC on July 5, 1996, and subsequently amended on August 28, 2004 and April 24, 2015, and the Measures for the Administration of Auctions (《拍賣管理辦法》) promulgated by the MOFCOM on October 2, 1994, and subsequently amended on December 2, 2004, October 28, 2015 and November 30, 2019, a domestic enterprise engaging in auction activities of various products as permitted by auction-related laws of the PRC other than cultural relics shall satisfy various criteria, such as having a registered capital of at least RMB 1,000,000 and having a sufficient number of professionals among whom at least one should be the auction master. Auction activities shall be carried out by the auction masters holding a qualification certificate. To engage in auction activities, domestic auctioneers shall first obtain a license to engage in auction business from MOFCOM and its local counterparts. Enterprises engaging in auction business without approval and registration shall be banned by the administrative department for industry and commerce, the illegal gains shall be confiscated and they may also be fined not less than one time and not more than five times the amount of the illegal gains. Provincial commerce administrative authorities shall issue annual inspection opinions on auctioneer enterprises. Auctioneer enterprises that do not pass inspection shall be ordered to rectify within a time limit and the inspection findings shall be reported to the relevant departments.

REGULATIONS ON THE CIRCULATION OF USED VEHICLES

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

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

These measures primarily include:

- Enabling more participants to engage in used vehicle sales. Previously, local regulations imposed various requirements that were difficult or commercially impracticable for used vehicle business participants to fulfill. For example, in order for corporate entities to conduct used vehicle sales, they are required to have business addresses located in the local used vehicle trading markets. The New Regulations removed these restrictions and corporate entities are now able to conduct used vehicle sales, regardless of whether their business addresses are located in the local used vehicle trading markets.
- More efficient title transfer. Title transfer is a key component of used vehicle transaction and title transfer registration is processed by local used vehicle administration authorities. Previously, in practice, for used vehicle purchased from natural persons, only invoices issued by local used vehicle trading markets were accepted by used vehicle administration authorities for used vehicle title transfer registration. Starting from October 1, 2022, in such case, invoices reversed issued by the registered used vehicle dealers to the natural persons are also accepted for used vehicle title transfer registration purposes, significantly streamlining and improving the efficiency of used vehicle transactions.
- More efficient used vehicle transaction process. Previously, the transfer of used vehicle ownership would require the registration of title transfer of the used vehicle for each and every used vehicle transaction, including transactions among used vehicle dealers (i.e. a used vehicle dealer would need to first transfer the title of a used vehicle to itself, before it can transact such used vehicle with another dealer), making the used vehicle transaction process very time-consuming and cumbersome (because a used vehicle is typically transferred multiples times among dealers before it reaches the end buyer). Starting from October 1, 2022, registered used vehicle dealers can obtain a temporary license plate for small non-operating used vehicle transaction purpose and are no longer required to transfer the title of used vehicles to themselves first, before transferring the same to end buyers, effectively improving the efficiency of used vehicle transactions.
- Title transfer limit. Starting from January 1, 2023, title transfer registration shall not be processed for natural persons who transfer the title of three or more used vehicles that have been held for less than one year within a calendar year (the "Title Transfer Limit"). The Title Transfer Limit is designed to further standardize the administration and enhance the transparency of used vehicle transactions in China by encouraging more used vehicle business participants to register as corporate entities, which makes it easier for the relevant authorities to oversee used vehicle business participants in a more systematic manner.

On January 18, 2022, seven departments including the NDRC issued the Implementation Plan for Promoting Green Consumption (《促進綠色消費實施方案》), which stipulates the promotion of green transformation in key consumption areas. Among them, it specifically stipulates the active development of the used vehicles dealership business, promotes the implementation of the policy to fully cancel the restriction on the transfer of used vehicles, and further expands the circulation of used vehicles.

On April 7, 2021, the MOFCOM, the MPS and the SAT issued the Notice on Promoting the Trans-provincial Registration of Used Vehicles Transactions and Facilitating the Cross-regional Transactions of Used Vehicles 《(關於推進二手車交易登記跨省通辦便利二手車異地交易的通知》) to facilitate used vehicle trading, which allows buyers and sellers of small-sized non-operational passenger vehicles to choose between the original registration location or the buyer's place of residence to complete transactions, and registered at the location where the vehicle is transferred to or from. It also stipulates, among others, that if the operators of the used vehicle trading market, used vehicle dealerships, used vehicle auction companies, etc. fail to verify the transaction information and keep the transaction records according to regulations, the local commercial authorities shall take legal measures such as warning, admonition, and interview. Further, the used vehicle trading market, used vehicle dealerships, used vehicle auction companies, etc. shall bear corresponding compensation responsibility according to law for the losses caused to the parties concerned by the failure to handle the used vehicle transactions in accordance with regulations.

On March 7, 2024, the State Council promulgated the Action Plan to Promote in Large Scale Equipment Renewal and Trade-in of Consumer Goods (《推動大規模設備更新和消費品以舊換新行動方案》), which, among others, requires to enhance the policy support for used vehicle trade-ins. On March 27, 2024, 14 ministerial departments including the MOFCOM issued the Action Plan to Promote Trade-in of Consumer Goods (《推動消費品以舊換新行動方案》), which stipulated that one of its key tasks is to carry out the trade-in of used vehicles in exchange for new vehicles, including promoting the used vehicle transaction process, cultivate and strengthen the used vehicle transaction entities.

Furthermore, on January 20, 2025, eight departments including the MOFCOM jointly issued the Notice on the Launch of the Pilot Reforms for Automobile Circulation and Consumption (《關於開展汽車流通消費改革試點工作的通知》), which requires to promote the efficient circulation of used vehicles, including continuously improve the management system for used vehicle circulation, innovate convenient measures for used vehicle transaction registration, explore the establishment of an online transaction management system, support used vehicle dealers in strengthening entity cultivation and brand building, encourage the implementation of hierarchical and classified management of used vehicle dealers, and promote the growth and strengthening of used vehicle dealers.

REGULATIONS ON VALUE-ADDED TELECOMMUNICATION SERVICES

License for Value-added Telecommunications Services

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

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

Foreign Investment in Value-Added Telecommunications Services

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

REGULATIONS ON ONLINE TRADING

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

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

REGULATIONS ON CYBERSECURITY

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

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

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

On September 24, 2024, the State Council issued the Cyber Data Security Administration Regulations (《網絡數據安全管理條例》) (the "Administration Regulations"), which became effective on January 1, 2025. The Administration Regulations is not only the first at the administrative regulation level specifically for network data security, but it also serves as a comprehensive implementing regulation for the compliance requirements set out by the Cybersecurity Law, Data Security Law, and Personal Information Protection Law. The Administration Regulations introduces several key obligations, including requiring network data handlers to specify the purpose and method of personal information processing, as well as the types of personal information involved, before any personal information is handled. It also clarifies definitions for important data, outlines the obligations of those handling important data, establishes broader contractual requirements for data sharing between data handlers, and introduces a new exemption for regulatory obligations regarding cross-border data transfers. It remains to be seen how this regulation will be interpreted and implemented, and to what extent it will affect our operations.

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

REGULATIONS ON DATA SECURITY AND PERSONAL INFORMATION PROTECTION

Regulations on Data Security

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

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

On August 16, 2021, the CAC, the MIIT, the NDRC, the MPS, the Ministry of Transport promulgated the Several Provisions on Automotive Data Security Management (for Trial Implementation) (《汽車數據安全管理若干規定（試行）》). Pursuant to the Automobile Data Security Provisions, which became effective on October 1, 2021, automotive data operators shall conduct risk assessment for its important data operating activity, and report the annual situation on automotive data processing activities to relevant government authorities.

Regulations on Personal Information Protection

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

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

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

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

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

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

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

Regulations on Data/Personal Information Cross-border Transfer Mechanism

On July 7, 2022, the CAC promulgated the Measures for the Security Assessment of Cross-border Data Transfer (《數據出境安全評估辦法》), which took effect on September 1, 2022. The

Measures for the Security Assessment of Cross-border Data Transfer requires the data processor providing data overseas and falling under any of the following circumstances apply for the security assessment of cross-border data transfer by the national cybersecurity authority through its local counterpart: (i) where the data processor intends to provide important data overseas; (ii) where the critical information infrastructure operator and any data processor who has processed personal information of more than 1,000,000 individuals intend to provide personal information overseas; (iii) where any data processor who has provided personal information of 100,000 individuals or sensitive personal information of 10,000 people to overseas recipients accumulatively since January 1 of the preceding year intends to provide personal information overseas; and (iv) other circumstances where the security assessment of cross-border data transfer is required as prescribed by the CAC. Furthermore, the data processor shall conduct a self-assessment on the risk of cross-border data transfer prior to applying for the foregoing security assessment, under which the data processor shall focus on certain factors including, among others, the legitimacy, fairness and necessity of the purpose, scope and method of cross-border data transfer and the data processing of overseas recipients, the risks that the cross-border data transfer may bring to national security, public interests and the legitimate rights and interests of individuals or organizations as well as whether the cross-border data transfer related contracts or the other legally binding documents to be entered with overseas recipients have fully included the data security protection responsibilities and obligations.

On March 22, 2024, the CAC promulgated the Provisions on Facilitating and Regulating Cross-border Data Flow(《促進和規範數據跨境流動規定》), to further clarify the application scope of the security assessment. According to the provisions, the security assessment is required before any data can be transferred out of China if: (i) a critical information infrastructure operator transfers personal information or important data overseas; (ii) a data processor other than critical information infrastructure operator transfers overseas the important data, or personal information of more than one million individuals (excluding sensitive personal information) or the sensitive personal information of more than 10,000 individuals on a cumulative basis starting from January 1 of a given year.

Other Laws and Regulations

Pursuant to the Ninth Amendment to the Criminal Law of the PRC (《中華人民共和國刑法修正案(九)》), issued by the SCNPC in August 29, 2015, which became effective in November 1, 2015, any Internet service provider that fails to fulfill its obligations related to Internet information security administration as required under applicable laws and refuses to rectify upon orders shall be subject to criminal penalty. Furthermore, Interpretations of the Supreme People's Court and the Supreme People's Procuratorate on Several Issues Concerning the Application of Law in the Handling of Criminal Cases Involving Infringement of Personal Information (《關於辦理侵犯公民個人信息刑事案件適用法律若干問題的解釋》), issued on May 8, 2017 and effective on June 1, 2017, clarified certain standards for the conviction and sentencing of the criminals in relation to personal information infringement. In addition, on May 28, 2020, the NPC adopted the Civil Code of the PRC (《中華人民共和國民法典》) (the "Civil Code"), which became effective on January 1, 2021. Pursuant to the Civil Code, the personal information of a natural person shall be protected by the law. Any organization or individual shall legally obtain such personal information of others when necessary and ensure the safety of such information, and shall not illegally collect, use, process or transmit personal information of others, or illegally purchase or sell, provide or make public personal information of others.

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

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

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

REGULATIONS RELATING TO THE LEASING OF PROPERTY

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

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

REGULATIONS ON INTELLECTUAL PROPERTY RIGHTS

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

Trademarks

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

Patents

According to the PRC Patent Law (《中華人民共和國專利法》) amended by the SCNPC on December 27, 2008 and became effective on October 1, 2009, as well as the Detailed Rules for the Implementation of the PRC Patent Law (《中華人民共和國專利法實施細則》) promulgated by the State Council on January 9, 2010, took effect on February 1, 2010 and was last amended on December 11, 2023, the patent administrative department under the State Council is responsible for administering patents in the PRC. The PRC Patent Law and its implementation rules provide for three types of patents, "invention", "utility model" and "design." The PRC Patent Law was further amended by the SCNPC on October 17, 2020 and became effective on June 1, 2021, pursuant to which, the duration of design patents are changed from ten years to fifteen years, commencing from the date of application.

Copyrights

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

Domain Names

Internet domain name registration and related matters are primarily regulated by the Administrative Measures on Internet Domain Names (《互聯網域名管理辦法》) promulgated by the

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

REGULATIONS ON LABOR PROTECTION

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

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

REGULATIONS ON TAXATION

Enterprise Income Tax

Pursuant to the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) (the "EIT Law"), promulgated by the SCNPC on March 16, 2007, latest amended and effective on December 29, 2018, and the Implementation Regulations of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) (the "EITIR") promulgated by the State Council on December 6, 2007, latest amended on December 6, 2024, the enterprise income tax of both domestic and foreign-invested enterprises is unified at 25% with certain exceptions. Enterprises are classified as "resident enterprises" and "non-resident enterprises." Resident enterprises typically pay an enterprise income tax at the rate of 25% while non-resident enterprises without any branches in the PRC should pay an enterprise income tax in connection with their income from the PRC at the reduced tax rate of 10%. Enterprises established under the law of foreign countries or regions whose "de facto management bodies" which is defined as the management bodies that exercise full and substantial control and overall management over the business, productions, personnel, accounts and properties of the enterprises are located in the PRC are considered as PRC tax resident enterprises, and will generally be subject to enterprise income tax at the rate of 25% of their global income.

Value-added Tax

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

On April 8, 2022, the Relevant Value-Added Tax Policy for the Dealing of Used Vehicles (《關於二手車經銷有關增值稅政策的公告》) was promulgated by the MOF and the SAT, which reduced the value-added tax of taxpayers engaged in the sale of used vehicles acquired by them for resale to 0.5% instead of the previously reduced rate of 2% from the original 3%. On September 22, 2023, the MOF and the SAT promulgated the Renewal of the Implementation of Relevant Value-Added Tax Policy for the Dealing of Used Vehicles (《關於延續實施二手車經銷有關增值稅政策的公告》), which extended the implementation of Relevant Value-Added Tax Policy for the Dealing of Used Vehicles until December 31, 2027.

Dividends Withholding Tax

Pursuant to the EIT Law and the EITIR, dividends generated after January 1, 2008 and payable by foreign-invested companies in China to their foreign investors that are non-resident enterprises as defined under the law are subject to withholding tax at a rate of 10%, unless any such foreign investor's jurisdiction of incorporation has a tax treaty with PRC that provides for a different withholding arrangement. Pursuant to the Arrangement Between the Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷稅漏稅的安排》)

(the "Double Tax Avoidance Arrangement") promulgated on August 21, 2006 and last amended on December 6, 2019, where a Hong Kong resident enterprise that holds more than a 25% equity interest in a PRC resident enterprise at any time within 12 consecutive months before receiving the dividend, the competent PRC tax authority may determine the Hong Kong resident enterprise to have satisfied the relevant conditions and requirements under such Double Tax Avoidance Arrangement, and the withholding tax rate on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5% from 10% applicable under the EIT Law and the EITIR.

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

REGULATIONS ON FOREIGN EXCHANGE

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

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

Institutions and individuals shall register with the SAFE and/or its branches for their direct investment in the PRC. Banks shall process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by the SAFE and its branches.

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

On March 30, 2015, the SAFE issued the Circular of the State Administration of Foreign Exchange on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) (the "SAFE Circular 19"), which took effect and replaced relevant previous regulations from June 1, 2015 and was amended on December 30, 2019 and March 23, 2023. Pursuant to the SAFE Circular 19, up to 100% of foreign currency capital of a foreign-invested enterprise may be converted into RMB capital according to the actual operation of the enterprise within the business scope at its will and the RMB capital converted from foreign currency registered capital of a foreign-invested enterprise may be used for equity investments within the PRC provided that such usage shall fall into the business scope of the foreign-invested enterprise, which will be regarded as the reinvestment of foreign-invested enterprise. Although the SAFE Circular 19 allows for the use of RMB converted from the foreign currency-denominated capital for equity investments in the PRC, the restrictions continue to apply as to foreign-invested enterprises' use of the converted RMB for purposes beyond the business scope, for securities investments, for entrusted loans or for inter-company RMB loans.

On June 9, 2016, the SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (the "SAFE Circular 16"), which was most recently amended on December 4, 2023. The SAFE Circular 16 reiterates some of the rules set forth in Circular 19, but changes the prohibition against using RMB capital converted from foreign currency denominated registered capital of a foreign-invested company to issue RMB entrusted loans to a prohibition against using such capital to issue loans to non-affiliated enterprises. In addition, the SAFE Circular 28, which was promulgated on October 23, 2019 and amended by the Circular Regarding Further Deepening the Reform to Promote the Facilitation Cross-border Trade and Investment (《國家外匯管理局關於進一步深化改革促進跨境貿易投資便利化的通知》) issued on December 4, 2023, expressly allows foreign-invested enterprises that do not have equity investments in their approved business scope to use their capital obtained from foreign exchange settlement to make domestic equity investments as long as there is a truthful investment and such investment is in compliance with the foreign investment-related laws and regulations.

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

REGULATIONS ON DIVIDEND DISTRIBUTION

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

REGULATIONS ON OFFSHORE INVESTMENT BY PRC RESIDENTS

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

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

REGULATIONS ON STOCK INCENTIVE PLANS

On December 25, 2006, the PBOC promulgated the Administrative Measures of Foreign Exchange Matters for Individuals (《個人外匯管理辦法》), setting forth the respective requirements for foreign exchange transactions by individuals (both PRC or non-PRC citizens) under either the current account or the capital account. On January 5, 2007, the SAFE issued the Implementing Rules of the Administrative Measures for Personal Foreign Exchange (《個人外匯管理辦法實施細則》), which was last amended on March 23, 2023. The Implementing Rules of the Administrative Measures for Personal Foreign Exchange specified approval requirements for certain capital account transactions such as a PRC citizen's participation in the employee stock ownership plans or stock option plans of an overseas **[REDACTED]** company. On February 15, 2012, the SAFE issued the Circular of the State Administration of Foreign Exchange on Issues Related to Foreign Exchange Administration in Domestic Individuals' Participation in Equity Incentive Plans of Companies Listed Abroad (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》) (the "Stock Incentive Plan Rules"), which terminated the Operation Rules on the Foreign Exchange Administration of the Participation of Domestic Individuals in Overseas Listed Companies' Employee Stock Ownership Plans and Share Option Schemes (《境內個人參與境外上市公司員工持股計劃和認股期權計劃等外匯管理操作規程》) issued by SAFE on March 28, 2007. The purpose of the Stock Incentive Plan Rules is to regulate foreign exchange administration of PRC domestic individuals who participate in employee stock holding plans or stock option plans of overseas **[REDACTED]** companies. According to the Stock Incentive Plan Rules, if PRC "domestic individuals" (both PRC residents and non-PRC residents who reside in the PRC for a continuous period of not less than one year, excluding the foreign diplomatic personnel and representatives of international organizations) participate in any stock incentive plan of an overseas **[REDACTED]** company, a PRC domestic qualified agent, which could be the PRC subsidiary of such overseas **[REDACTED]** company, shall, among others things, file, on behalf of such individual, an application with SAFE to conduct the SAFE registration with respect to such stock incentive plan, and obtain approval for an annual allowance with respect to the purchase of foreign exchange in connection with stock holding or stock option exercises. With the SAFE registration certificate for stock incentive plan, the PRC domestic qualified agent shall open a special foreign exchange account at a PRC domestic bank to hold the funds required in connection with the stock purchase or option exercise, any returned principal or profits upon sales of stock, any dividends issued upon the stock and any other income or expenditures approved by SAFE. Such PRC individuals' foreign exchange income received from the sale of stock and dividends distributed by the overseas **[REDACTED]** company and any other income shall be fully remitted into a special foreign currency account opened and managed by the PRC domestic qualified agent before distribution to such individuals.

REGULATIONS ON M&A AND OVERSEAS [REDACTED]

On August 8, 2006, six PRC regulatory authorities, including the MOFCOM and other government authorities jointly issued the Rules on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the "M&A Rules"), which became effective on September 8, 2006, and was amended on June 22, 2009. The M&A Rules, and other regulations and rules concerning mergers and acquisitions established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time consuming and complex. On July 6, 2021, the General Office of the Communist Party of China Central Committee and the General Office of the State Council jointly promulgated the Opinions on Strictly Cracking Down on Illegal Securities Activities (《關於依法從嚴打擊證券違法活動的意見》), which emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas **[REDACTED]** of China-based companies, and proposed to take effective measures, such as promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by China-based **[REDACTED]** companies, and provided that the special provisions of the State Council on overseas **[REDACTED]** and **[REDACTED]** by those companies limited by shares will be revised and therefore the duties of relevant domestic authorities and regulatory authorities will be clarified.

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

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

On February 24, 2023, the CSRC, the MOF, the National Administration of State Secrets Protection and the National Archives Administration of China jointly issued the Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the "Confidentiality and Archives Administration Provisions"), which took effect on March 31, 2023.

According to the Confidentiality and Archives Administration Provisions, overseas securities regulators and competent overseas authorities may request to inspect, investigate or collect evidence from a domestic company concerning its overseas **[REDACTED]** and **[REDACTED]** or from the domestic securities companies and securities service providers that undertake relevant businesses for such domestic companies, such inspection, investigation and evidence collection shall be conducted under a cross-border regulatory cooperation mechanism, and the CSRC or other competent Chinese authorities will provide necessary assistance pursuant to bilateral and multilateral cooperation mechanisms. The domestic company, securities companies and securities service providers shall first obtain approval from the CSRC or other competent Chinese authorities before cooperating with the inspection and investigation by the overseas securities regulator or competent overseas authority, or providing documents and materials requested in such inspection and investigation. To be specific, a domestic company that plans to, either directly or through its overseas **[REDACTED]** entity, publicly disclose or provide to relevant individuals or entities including securities companies, securities service providers and overseas regulators, (i) any documents and materials that contain state secrets or working secrets of government agencies, shall first obtain approval from competent authorities and file with competent secrecy administrative department; (ii) any other documents and materials that, if leaked, will be detrimental to national security or public interest, shall strictly fulfill relevant procedures stipulated by applicable national regulations. A domestic company that provides documents and materials to securities companies and securities service providers shall abide by applicable national regulations on confidentiality in handling such documents and materials, and shall provide a written statement to relevant securities companies and securities service providers simultaneously.

OVERVIEW

Tracing back to the year of 2014, we were founded by Mr. Chen, one of our Single Largest Shareholders, with the aim to build the most professional and efficient automotive auction platform in China. Since our inception, we have been effectively connecting upstream salvage vehicle consignors with downstream salvage vehicle buyers, powered by our valuation infrastructure backed by deep data insights and digitalization capabilities and online-offline integrated approach in auctions. After over a decade of development, we have become China's largest salvage vehicle auction platform in terms of transaction volume in 2023, according to CIC.

MILESTONES

The following is a summary of our key business development milestones since our inception:

Time	Milestones
2014	Hengtai Boche was established in Beijing, initiated nationwide expansion, and started the salvage vehicle auction business.
2015	Boche Auction App 1.0 was launched, allowing buyers to participate in vehicle auction via mobile devices.
	We started used vehicle auction business.
2016	We established corporate standards for irreparable salvage vehicle and launched specialized auctions for irreparable salvage vehicle.
2017	We ranked first in terms of transaction volume and transaction amount for salvage vehicles in the PRC.
2018	We entered strategic collaboration with multiple OEMs.
2019	Intelligent Salvage Vehicle Valuation System E-Pricing system was launched, benefiting insurance companies by significant improving total loss claims settlement efficiency.
2020	Boche Auction App 2.0 was launched, offering more features and further enhancing transaction efficiency.
2022	We acquired Carwins, the used vehicle auction and facilitation service provider.
	The reusable auto parts marketplace and E-Report service were fully launched online.
2023	Boche Logistics APP was launched, providing vehicle logistical service for consignors and buyers.
2024	Intelligent used vehicle valuation system E-Value was launched, facilitating insurance companies in making informed decisions during underwriting and claim processing.

OUR MAJOR SUBSIDIARIES

Set forth below are details for each of our major subsidiaries which made a material contribution to our results of operations during the Track Record Period. All of them were wholly-owned by our Company as of the Latest Practicable Date.

Name of Subsidiary	Date of Establishment and Commencement of Business	Principal Business
Beijing Hengtai Boche Auction Co., Ltd. (北京恒泰博車拍賣有限公司, "**Hengtai Boche**")	June 4, 2014	Salvage and used vehicle auction and facilitation services
Beijing Hengtai Boche Online Auction Co., Ltd. (北京恒泰博車網絡拍賣有限公司, "**Boche Online**")	March 13, 2015	Salvage and used vehicle auction and facilitation services
Beijing Hengtai Boche Automobile Sales Co., Ltd. (北京恒泰博車汽車銷售有限公司, "**Boche Sales**")	August 1, 2017	Vehicle sales
Shanghai Carwins Information Technology Co., Ltd. (上海車贏信息技術有限公司, "**Carwins**")	September 28, 2014	Used vehicle auction and facilitation services

For shareholding changes of our major subsidiaries in our corporate development and during the two years immediately preceding the date of this Document, please refer to "—Our Corporate Development" in this section and "Statutory and General Information—A. Further Information about Our Group—3. Changes in the Share Capital of Our Subsidiaries" in Appendix IV to this Document, respectively.

OUR CORPORATE DEVELOPMENT

Establishment of Hengtai Boche

Hengtai Boche was established in June 2014 with an initial registered share capital of RMB12.0 million by Mr. Chen, Xiaobo Luo (羅曉波), Dingbin Feng (馮定兵), Aihui Li (李愛輝) and Jianing Huang (黃佳寧) with equity interests of 60%, 15%, 10%, 10% and 5%, respectively. Jianing Huang is a member of our senior management and Xiaobo Luo is one of our directors who will resign from directorship before **[REDACTED]**. Dingbin Feng and Aihui Li have been external consultants of our Company since our early stage of business development.

Our Series A Financing

In May 2015, four **[REDACTED]** Investors, subscribed shares in Hengtai Boche at a total consideration of RMB94.5 million (the "**Series A Financing**") by way of capital injection.

After the completion of our Series A Financing, the registered share capital of Hengtai Boche was increased to RMB27.5 million.

Share Transfer in 2015

In October 2015, Mr. Chen, Xiaobo Luo, Dingbin Feng and Aihui Li transferred a total of approximately 5.77% of the then registered share capital of Hengtai Boche to one of our **[REDACTED]** Investors at a total consideration of RMB20.0 million with a cost per Share of RMB0.487, which was fully paid up in 2015.

Our Series B Financing

In December, 2015, four **[REDACTED]** Investors subscribed shares in Hengtai Boche at a total consideration of RMB201.6 million (the "**Series B Financing**") by way of capital injection. After the completion of our Series B Financing, the registered share capital of Hengtai Boche were increased to approximately RMB34.0 million.

Our Series C Financing

In August 2017, eight **[REDACTED]** Investors subscribed shares in Hengtai Boche at a total consideration of approximately RMB366.6 million (the "**Series C Financing**") by way of capital injection. After the completion of our Series C Financing, the registered share capital of Hengtai Boche were increased to approximately RMB38.6 million.

Subsequent Change of Share Capital in Hengtai Boche

In August 2019, one of our **[REDACTED]** Investors transferred all of its shares in Hengtai Boche to Qiu Wang (汪球), an Independent Third Party, at a total consideration of approximately RMB22.7 million with a cost per Share of RMB2.4532, which was fully paid up in October 2019. In August 2020, one of our **[REDACTED]** Investors transferred 2,354,800 shares it held in Hengtai Boche to Cheng Qian (錢成) and Yajie Li (李亞傑), both being our Independent Third Parties, at a total consideration of RMB65 million with a cost per Share of RMB2.7603, which was fully paid up in 2020.

In October 2020, we repurchased all shares held by two **[REDACTED]** Investors in Hengtai Boche at a total consideration of RMB322 million, based on pre-existing terms in the shareholders' agreement entered into between Hengtai Boche and its shareholders and arms' length negotiation between the parties, which was fully paid up in April 2021.

Establishment of our offshore structure

In preparation of our overseas **[REDACTED]** and allow for more flexibility in potential business expansion, including such business with PRC restrictions on foreign ownership, we underwent the following reorganization, pursuant to which our Company became the holding company and **[REDACTED]** vehicle of our Group:

(A) Establishment of Our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability in April 2020. Upon incorporation, the authorized share capital of our Company was

US$100,000 divided into 10,000,000 shares of US$0.01 each, and after incorporation, a total of 70,359,400 shares US$0.01 each were issued to the then shareholders of Hengtai Boche pursuant to their respective proportion of equity interest held in Hengtai Boche. After issuance of all aforementioned shares, the shareholding of our Company was as follows:

Name of shareholders	Number of shares	Percentage of shareholding
Rich Winner Limited	23,024,800	32.72%
Grand Choice Investments Limited[(1)]	5,242,800	7.43%
Wise Bond International Limited[(2)]	3,495,200	4.97%
Bright Eagle Investments Limited[(3)]	3,495,200	4.97%
Charm City International Limited[(4)]	1,321,100	1.88%
Grand Faith Trading Limited[(5)]	1,321,100	1.88%
Lucky Shelley Trading Limited[(6)]	1,321,100	1.88%
Sun Central Limited[(7)]	1,321,100	1.88%
Grown Champion Development Limited	1,811,400	2.57%
Best Gold Development Limited	543,400	0.77%
Well Sun Holdings Limited	924,400	1.31%
Shanghai Rui Wang Enterprise Management Partnership ("**Shanghai Rui Wang**")	4,262,900	6.06%
Ruizheng Investment (BVI) Limited ("**Ruizheng Investment**")	1,898,900	2.70%
Tianjin Xinyuanjing Yousheng Equity Investment L.P.	6,161,800	8.76%
Shanghai Rui Wang	1,460,500	2.08%
Super Brim Limited	6,326,300	8.99%
Tianjin Yuanyi Kaiyuan Asset Management Center L.P. ("**Yuanyi Kaiyuan**")	2,757,000	3.92%
Shanghai Rui Wang	438,100	0.62%
Ruizheng Investment	676,800	0.96%
Yuanyi Kaiyuan	403,300	0.57%
Ningbo Meishan Bonded Port Ding Yu Equity Investment L.P. ("**Ningbo Ding Yu**")	652,200	0.93%
Hunan Xiangjiang Kun Zhong Equity Investment L.P.	815,200	1.16%
Jiaxing Suben Tongyuan Phase II Equity Investment Fund L.P. ("**Suben Phase II**")	281,100	0.40%
Jiaxing Suben Tongyuan Phase III Equity Investment Fund L.P. ("**Suben Phase III**")	403,700	0.57%
Total	**70,359,400**	**100%**

Notes:

(1) Grand Choice Investments Limited is wholly-owned by Xiaobo Luo.
(2) Wise Bond International Limited is wholly-owned by Aihui Li.
(3) Bright Eagle Investments Limited is wholly-owned by Dingbin Feng.
(4) Charm City International Limited is wholly-owned by Jianing Huang, our deputy general manager and manager of the used vehicle business department.
(5) Grand Faith Trading Limited is wholly-owned by Xinghua Yuan, our deputy general manager and manager of the salvage vehicle business department.
(6) Lucky Shelley Trading Limited is wholly-owned by Qinghua Song, our executive Director and deputy general manager.
(7) Sun Central Limited is wholly-owned by Shimin Lu, our executive Director and deputy general manager.

(B) Establishment of Boche BVI, Boche HK and WFOE

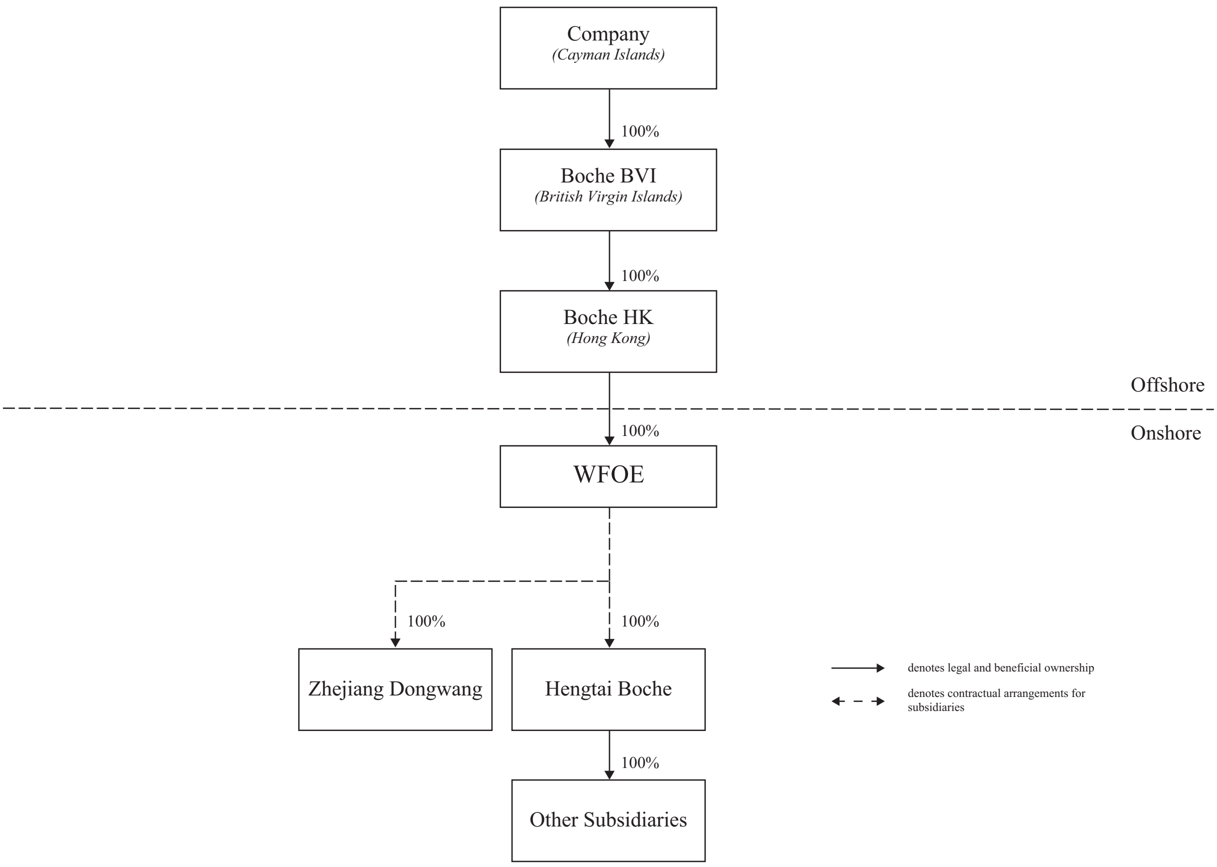
In April 2020, Boche Auction Company Limited ("**Boche BVI**") was incorporated in the British Virgin Islands as an exempted company with limited liability with all of its issued shares held by the Company. In July 2020, Boche Auction HK Company Limited ("**Boche HK**") was incorporated in Hong Kong as an exempted company with limited liability with all of its issued shares held by Boche BVI. In January 2021, Beijing Boche Technology Company Limited (北京博車科技有限公司, "**WFOE**") was established in the PRC with all of its issued shares held by Boche HK.

(C) Establishment of the Contractual Arrangements

To allow for more flexibility in potential business expansion, including such business with PRC restrictions on foreign ownership, in 2021, Hengtai Boche was controlled by WFOE by way of contractual arrangement with its registered shareholders including Mr. Chen, Xiaobo Luo, Dingbin Feng, Aihui Li, Jianing Huang, Shimin Lu, Qinghua Song, Xinghua Yuan, Qiu Wang, Cheng Qian, Yajie Li, Chunquan Zhang and Boche Investment.

Zhejiang Dongwang Internet Technology Company Limited (浙江東旺網絡科技有限公司, "**Zhejiang Dongwang**"), one of our subsidiaries, was also controlled by WFOE in 2021 through contractual arrangements under which Zhejiang Dongwang was held as to 99% by Hua Chen (陳華) and 1% by Gen Xu (許亘), both being registered shareholders of Zhejiang Dongwang and our Independent Third Parties.

Following the establishment of our Company, Boche BVI, Boche HK, WFOE and relevant contractual arrangements, the shareholding structure of our Group was as the following:



(D) Unwinding the Contractual Arrangements

Considering the benefits of the direct equity ownership under applicable laws and regulations in preparation of a **[REDACTED]** in Hong Kong, between May 2024 and July 2024, the registered shareholders of Hengtai Boche and Zhejiang Dongwang transferred all of their equity interests in Hengtai Boche and Zhengjiang Dongwang to WFOE at nil consideration. After the completion of the aforementioned share transfers, Hengtai Boche and Zhejiang Dongwang were wholly-owned by WFOE and the contractual arrangements with respect to Hengtai Boche and Zhejiang Dongwang were subsequently terminated.

Our PRC Legal Adviser has confirmed that the reorganization and all the equity transfers and changes in the registered capital of our PRC subsidiaries as described above have been properly and legally completed, in accordance with applicable laws in all material respects and duly registered with local registration authorities of the PRC.

Our Series C1 Financing and Share Repurchase in 2021

In February 2021, our Company issued a total of 22,375,600 Series C1 Preferred shares of US$0.01 each to four of our **[REDACTED]** Investors at a total consideration of RMB651.0 million. (the "**Series C1 Financing**"). Pursuant to repurchase agreements entered into between the Company and relevant Shareholders, in September 2021, the Company repurchased 15,728,110 shares of US$0.01 each from the controlled entity of Xiaobo Luo, Jianing Huang, Shimin Lu, Qinghua Song, Xinghua Yuan and five **[REDACTED]** Investors at a total consideration of USD7.06 million, based on pre-existing terms in the shareholders' agreement entered into between Hengtai Boche and its shareholders and arms' length negotiation between the parties. The consideration was fully paid up in September 2021.

Our Series C2 Financing and Share Repurchase in 2022

In February 2022, we issued a total of 3,358,330 shares of US$0.01 each to two **[REDACTED]** Investors at a total consideration of RMB103.0 million (the "**Series C2 Financing**"). Between April 2022 and August 2022, we repurchased 4,585,200 shares of US$0.01 each from two of our **[REDACTED]** Investors at a consideration of RMB152.8 million, based on arm's length negotiation between the Company and relevant **[REDACTED]** Investors. The consideration was fully paid up in August 2022.

Acquisition of Carwins

Carwins is a company established in the PRC in 2014. Carwins is mainly engaged in used vehicle auction and facilitation services and was held as to 7.5% by the Group before 2022. To facilitate our business expansion, enhance our strengths in such field and complement our used vehicle businesses, between 2022 and 2024, Hengtai Boche entered into a series of share transfer agreements to acquire all of the rest equity interests in Carwins. Pursuant to the share transfer agreements, Hengtai Boche acquired the entire equity interest held by (i) Muyong Wu (吳木永) a founder and director of Carwins, and Yuxin Sun (孫育新), a founder of Carwins, (ii) Yadong Xingchen Venture Capital Co., Ltd. (亞東星辰創業投資有限公司), Beijing Jinkehuixin Venture Capital Centre (Limited Partnership) (北京金科匯鑫創業投資中心（有限合夥）), Suzhou Qingyan Car Industry Venture Capital (Limited Partnership) (蘇州清研汽車產業創業投資企業（有限合夥）), Ningbo Meishan Free Trade Zone Ruizheng Venture Capital Partnership (Limited Partnership) (寧波梅山保税港區鋭正創業投資合夥企業（有限合夥）), Jing Chen (陳靜), Jing Cao (曹靖), Weifang Zhu (竺為方) and Liyong Zhao (趙李勇), all being Independent Third Parties, (iii) Carwins' employee shareholding platform, at a total consideration of approximately RMB107.17 million, based on arms' length negotiation among the parties. The aforementioned considerations were all fully settled in cash.

Our PRC Legal Adviser have confirmed that all the required authorization or filings in relation to the acquisition described above have been made or obtained and the acquisition has been properly and legally completed in accordance with applicable laws in all material respects.

Share Repurchase in 2023 and 2025

In October 2023, our Company repurchased 1,000,000 series A preferred shares of US$0.01 each from a **[REDACTED]** Investor at a total consideration of RMB30.67 million based on arm's length negotiation. The consideration was fully paid up in June 2023. In January 2025, our Company repurchased 612,008 series C preferred shares of US$0.01 each from five **[REDACTED]** Investors at a total consideration of RMB36.0 million at arm's length negotiation between the parties. The consideration was fully paid up in January 2025.

Share Subdivision in 2025

In January 2025, pursuant to a Shareholders' resolution, each of the shares with a par value of US$0.01 was sub-divided into 10 Shares with a par value of US$0.001 each and the authorized share capital of our Company was US$2,000,000 divided into 2,000,000,000 Shares of US$0.001 each.

[REDACTED] Share Incentive Plans and Establishment of Employee Shareholding Platform

To attract, retain and incentivize selected employees, directors, and consultants of the Company and to further promote the success of the Company's business, we adopted the Incentive Plan I and the Incentive Plan II. For details, please see "Statutory and General Information — D. **[REDACTED]** Share Incentive Plans" in Appendix IV to this Document.

In February 2025 and after the share subdivision as set out below, 47,996,000 Shares were issued to DeXXully Limited, our employee shareholding platform. DeXXully Limited is held by 23 shareholders who are our employees and consultants. None of the shareholders of DeXXully Limited is interested in more than 15% shareholding in DeXXully Limited. Mr. Chunquan Zhang, our executive Director and chief financial officer, and Mr. Wang Lei, our deputy general manager and manager of the membership operations department, holds approximately 8.98% and 6.94% of the equity interests of DeXXully Limited, respectively. Save as disclosed above, none of the shareholders of DeXXully Limited is our connected persons under the Listing Rules.

ACQUISITION, MERGER AND DISPOSAL

Save as disclosed in the section headed " – Our Corporate Development—Acquisition of Carwins and Issuance of Shares to Carwins Founders", throughout the Track Record Period and up to the Latest Practicable Date, we did not conduct any material acquisitions, mergers or disposals. The acquisition of Carwins does not constitute material acquisition of subsidiary or business during the Track Record Period under 4.05A of the Listing Rules.

[REDACTED] INVESTMENTS

Overview

We underwent several rounds of **[REDACTED]** Investments, details of which are set forth in the section headed " – Our Corporate Development" above.

Principal Terms of the [REDACTED] Investments

We have received several rounds of **[REDACTED]** Investments since our inception, the principal terms of which are summarized as below.

	Series A Financing	Series B Financing	Series C Financing	Series C1 Financing	Series C2 Financing
Time of Agreements	May 2015	December 2015	August 2017	February 2021	February 2022
Approximate amount of consideration paid	RMB94.5 million	RMB201.6 million	RMB366.6 million	RMB651.0 million	RMB103.0 million
Post-money valuation	RMB363,861,368	RMB1,052,175,006	RMB3,066,556,467	RMB2,996,803,801	RMB3,170,000,164
Consideration payment date	May 29, 2015	January 29, 2016	September 8, 2017	April 8, 2021	July 28, 2022
Cost per Share(1)	RMB0.487	RMB1.195	RMB3.067	RMB2.909	RMB3.067
Discount to mid-point of the [REDACTED](2)	**[REDACTED]**%	**[REDACTED]**%	**[REDACTED]**%	**[REDACTED]**%	**[REDACTED]**%

Basis of determining the consideration paid: The consideration for the **[REDACTED]** Investments were determined based on arms' length negotiations between our Company and the **[REDACTED]** Investors after taking into consideration the timing of the investments and the status of our business.

Use of proceeds from the [REDACTED] Investments: All of the proceeds from the **[REDACTED]** Investments were utilized for the development and operation of our business. As of the Latest Practicable Date, all of the funds raised from the **[REDACTED]** Investments had been utilized.

Lock-up requirement: Pursuant to the existing Shareholders' agreement of the Company, for a period of one year after the **[REDACTED]**, Mr. Chen will not transfer more than 25% of the Shares he holds immediately upon completion of the **[REDACTED]**.

Strategic benefits of the [REDACTED] Investors brought to our Company: At the time of the **[REDACTED]** Investments, our Directors were of the view that our Company would benefit from the additional capital provided by the **[REDACTED]** Investors' investments in our Company and their industry experience.

Notes:

(1) the cost per Share is was calculated based on the amount of investment made by the relevant **[REDACTED]** Investors and number of Shares held by them immediately before the completion of the **[REDACTED]**.

(2) the discount to the **[REDACTED]** is calculated based on the exchange rate as set out in the section headed "Information about this Document and the **[REDACTED]**".

Special Rights of [REDACTED] Investors

The **[REDACTED]** Investors have been granted certain special rights in relation to our Company, including but not limited to redemption rights, put option, information rights, registration rights, rights of first refusal and director appointment rights. The redemption rights and put option have been suspended immediately prior to the first filing of the **[REDACTED]** and all special rights will be terminated upon **[REDACTED]**.

Joint Sponsors' Confirmations

Based on the documents provided by our Company relating to the **[REDACTED]** Investments, on the basis that (i) the **[REDACTED]**, being the first day of trading of the Shares on the Stock Exchange, will take place no earlier than 120 clear days after completion of the **[REDACTED]** Investments; (ii) the redemption rights and put option granted to the **[REDACTED]** Investors were suspended prior to the first submission of the **[REDACTED]** by our Company to the Stock Exchange; and (iii) all special rights granted to the **[REDACTED]** Investors shall be terminated upon **[REDACTED]**, the Joint Sponsors confirm that the **[REDACTED]** Investments are in compliance with Chapter 4.2 of the Guide for New Listing Applicants issued by the Stock Exchange.

Public Float

Upon the completion of the **[REDACTED]**, assuming the **[REDACTED]** is not exercised, the Shares held by Rich Winner Limited, Lucky Shelley Trading Limited and Sun Central Limited, being the controlled entities of Mr. Chen, Ms. Qinghua Song and Mr. Shimin Lu who are our executive Directors and core connected persons, will not be counted towards the public float.

Save as disclosed above, upon the completion of the **[REDACTED]** and assuming the **[REDACTED]** Option is not exercised, all other Shareholders will be counted towards the public float, representing approximately **[REDACTED]**% of the issued share capital of the Company.

Information on the [REDACTED] Investors

Set forth below are details for each of our **[REDACTED]** Investors. To the best knowledge of our Company, all of our **[REDACTED]** Investors are Independent Third Parties upon **[REDACTED]**.

TR Capital

TR Restore Limited is a limited company incorporated in Hong Kong, which is wholly owned by fund vehicles managed or advised by TR Advisors Limited and its affiliates ("**TR Capital**"). Founded in 2007, TR Capital is a leading pan-Asian secondary private equity firm with six offices across the region. TR Capital provides liquidity solutions to private equity investors through direct and GP-led secondary transactions, focusing on high-quality companies and portfolios. TR Capital has invested in innovative leaders across Technology, Next-Generation Consumer, and Healthcare. With a hands-on secondary investment approach, the firm partners closely with general partners and portfolio companies to create value and deliver shorter-duration, risk-adjusted returns for its investors.

TPG

NewQuest Asia Fund IV (Singapore) Pte. Ltd. ("**NewQuest**") is an affiliate of TPG Inc. ("**TPG**"), a company listed on the NASDAQ (Nasdaq: TPG). TPG is a leading global alternative asset firm founded in 1992 with US$246 billion of assets under management as of December 31, 2024. For many years, TPG has been investing in change, growth, and innovation and aims to build dynamic products and options for its investors while also instituting discipline and operational excellence across the investment strategy and performance of its portfolio.

Fosun International

Shanghai Rui Wang is a limited partnership established in the PRC, with its general partner being Shanghai Rui Xu Management Consulting Co., Ltd. (上海銳煦管理諮詢有限公司), which is wholly owned by Glotech Management Holdings (HK) Limited. Shanghai Rui Wang is held as to 0.01% by Shanghai Rui Xu Management Consulting Co., Ltd. and 99.99% by Shanghai Fosun High-tech (Group) Co., Ltd. (上海復星高科技（集團）有限公司). Both Glotech Management Holdings (HK) Limited and Shanghai Fosun High-tech (Group) Co., Ltd. are wholly owned subsidiaries of Fosun International Limited (復星國際有限公司, "**Fosun International**"). Ruizheng Investment (BVI) Limited ("**Ruizheng Investment**") is a company incorporated in the British Virgin Islands and is wholly owned by Fosun RZ Holdings (HK) Limited, which is in turn wholly owned by Fosun

International. Fosun International is a company listed on the Stock Exchange (stock code: 0656) and mainly involved in health, happiness, wealth and intelligent manufacturing businesses.

Yizhi Ventures and Technovac

Yizhi Ventures Limited ("**Yizhi Ventures**") and Technovac International Limited ("**Technovac**") are companies incorporated in the British Virgin Islands, and are wholly owned respectively by Shanghai Dingyu Cheying Equity Investment Fund L.P. (上海鼎瑜車盈股權投資基金合夥企業(有限合夥), , "**Dingyu Cheying**") and Shanghai Dingchuang Zhiyu Investment L.P. (上海鼎創智瑜投資合夥企業(有限合夥), "**Dingchuang Zhiyi**") which are limited partnerships established in the PRC. Dingyu Cheying and Dingchuang Zhiyu are ultimately controlled by Ping An Insurance (Group) Company of China, Ltd (中國平安保險(集團)股份有限公司), a company listed on the Stock Exchange (stock code: 2318) and Shanghai Stock Exchange (stock code: 601318), which is mainly involved in life and health, property and casualty insurance, and banking businesses.

Jiaxing Zhixiang

Jiaxing Zhixiang Huikai Equity Investment L.P. (嘉興智享輝凱股權投資合夥企業(有限合夥), "**Jiaxing Zhixiang**") is a limited partnership established in the PRC, with its general partner being Zhuhai Runan Mingfeng Private Fund Management Co., Ltd., (珠海潤安銘鋒私募基金管理有限公司, "**Zhuhai Runan**"), which is in turn ultimately controlled by Xiaofeng Zhong, an Independent Third Party. Zhuhai Runan is a private equity fund focused on artificial intelligence and enterprise services. The single largest partner of Jiaxing Zhixiang is Hainan Kepa Sichuang Investment L.P. (海南科帕私創投資合夥企業（有限合夥）), which holds 48.54% of the partnership interests in Jiaxing Zhixiang and is ultimately controlled by Shengyan Zhao (趙盛妍), an Independent Third Party. None of the other partners of Jiaxing Zhixiang holds one-third or more of the interests in Jiaxing Zhixiang.

Yuanyi Kaiyuan

Yuanyi Kaiyuan is a limited partnership established in the PRC, the general partner of which is Tianjin Yuanyi Hong Yang Asset Management Co., Ltd. (天津遠翼宏揚資產管理有限公司) ("**Tianjin Yuanyi**"). Yuanyi Kaiyuan is managed and controlled by Tianjin Yuanyi. Tianjin Yuanyi is a wholly owned subsidiary of Grand Flight Investment Management Co., Ltd.. Grand Flight Investment Management Co., Ltd. was founded in 2015 and sponsored by Far East Horizon Limited (stock code: 3360). It is an emerging venture capital and private equity firm.

Axiom Asia Private Capital

A5J Ltd is a limited company incorporated in Cayman Islands, and is wholly owned by Axiom Asia V, L.P., which is in turn managed by Axiom Asia Private Capital, an independent fund management firm focused on investing in the Asia Pacific region. Established in 2006, Axiom Asia Private Capital currently manages several private equity funds.

Kinzon Capital

Kinzon Capital Venture Partners II, L.P. ("**Kinzon Capital II**") is a limited partnership incorporated in the Cayman Islands with none of its limited partners holds one-third or more of its interests. Its general partner is Kinzon Capital Venture GP II Co. Ltd., which is controlled by Kinzon Capital. Kinzon Capital is a private equity focusing on the investment in early-stage and growth-stage companies in technology innovation.

Zeal Capital

Ningbo Ding Yu is a limited partnership established in the PRC, with its general partner being Shanghai Zeal Capital Co., Ltd. (上海佐譽資產管理有限公司, "**Shanghai Zeal**"), which is ultimately controlled by Dongli Liu (柳東靂), an Independent Third Party. None of the limited partners of Ningbo Ding Yu holds one-third or more of the partnership interests in Ningbo Ding Yu. Shanghai Zeal is controlled by Zeal Capital (佐譽投資), a venture capital specialized in automotive industry.

Suben Investment

Suben Phase II and Suben Phase III are limited partnerships established in the PRC, with both of their general partner being Jiaxing Suben Qiuyuan Investment Mangement L.P. (嘉興溯本求源投資管理合夥企業（有限合夥）), the general partner of which is Jiaxing Suben Investment Management Company Limited (嘉兴溯本投资管理有限公司, "**Jiaxing Suben**"). Jiaxing Suben is controlled by Hao Li (李浩), an Independent Third Party. None of the limited partners of Suben Phase II or Suben Phase III is interested in 30% or more in Suben Phase II or Suben Phase III.

Innoven Capital

Innoven Capital China Pte. Ltd. ("**Innoven**") is a limited company incorporated in Singapore wholly owned by Innoven Capital Pte. Ltd. ("**Innoven Capital**"), which is an Asian leading venture lending platform providing debt capital to high growth, venture-backed technology companies and was owned as to 50% by Seviora (a wholly-owned subsidiary of Temasek) and 50% by United Overseas Bank.

CAPITALIZATION

The following table sets out our shareholding structure as of the date of this Document and immediately upon the completion of the **[REDACTED]** assuming the **[REDACTED]** is not exercised and no further Shares will be issued pursuant to the **[REDACTED]** Share Incentive Plans:

Shareholders	Ordinary Shares	Series A Preferred Shares	Series A+ Preferred Shares	Series B Preferred Shares	Series C Preferred Shares	Series C1 Preferred Shares	Series C2 Preferred Shares	Aggregate number of Shares as of the Latest Practicable Date	Aggregate ownership percentage as of the Latest Practicable Date	Aggregate ownership percentage Upon Completion of the [REDACTED] (assuming the [REDACTED] is not exercised)
Rich Winner Limited[1]	230,248,000	—	—	—	—	—	—	230,248,000	25.53%	**[REDACTED]**%
Grand Choice Investments Limited[2]	48,732,700	—	—	—	—	—	—	48,732,700	5.40%	**[REDACTED]**%
Wise Bond International Limited[3]	31,872,600	—	—	—	—	—	—	31,872,600	3.53%	**[REDACTED]**%
Bright Eagle Investments Limited[4]	31,872,600	—	—	—	—	—	—	31,872,600	3.53%	**[REDACTED]**%
Charm City International Limited[5]	11,324,500	—	—	—	—	—	—	11,324,500	1.26%	**[REDACTED]**%
Sun Central Limited[6]	11,324,500	—	—	—	—	—	—	11,324,500	1.26%	**[REDACTED]**%
Lucky Shelley Trading Limited[7]	11,324,500	—	—	—	—	—	—	11,324,500	1.26%	**[REDACTED]**%
Grand Faith Trading Limited[8]	11,324,500	—	—	—	—	—	—	11,324,500	1.26%	**[REDACTED]**%
Well Sun Holdings Limited[9]	—	9,244,000	—	—	—	—	—	9,244,000	1.02%	**[REDACTED]**%
Technovac	—	29,994,820	—	—	—	—	—	29,994,820	3.33%	**[REDACTED]**%
Shanghai Rui Wang	—	32,629,000	—	14,605,000	4,381,000	—	—	51,615,000	5.72%	**[REDACTED]**%
Ruizheng Investment	—	18,989,900	—	—	4,378,230	—	—	23,367,230	2.59%	**[REDACTED]**%
Yizhi Ventures	—	—	19,992,180	—	—	—	—	19,992,180	2.22%	**[REDACTED]**%
Yuanyi Kaiyuan	—	—	—	27,570,000	2,469,540	—	—	30,039,540	3.33%	**[REDACTED]**%
Ningbo Ding Yu	—	—	—	—	5,823,010	—	—	5,823,010	0.65%	**[REDACTED]**%
Suben Phase II	—	—	—	—	2,077,070	—	—	2,077,070	0.23%	**[REDACTED]**%
Suben Phase III	—	—	—	—	3,303,070	—	—	3,303,070	0.37%	**[REDACTED]**%
TR Restore	—	—	—	—	—	105,863,000	—	105,863,000	11.74%	**[REDACTED]**%
NewQuest	—	—	—	—	—	91,427,000	—	91,427,000	10.14%	**[REDACTED]**%
A5J Ltd	—	—	—	—	—	19,248,000	—	19,248,000	2.13%	**[REDACTED]**%
Kinzon Capital II	—	—	—	—	—	7,218,000	—	7,218,000	0.80%	**[REDACTED]**%
Grown Champion Development Limited[10]	—	—	—	—	—	18,114,000	—	18,114,000	2.01%	**[REDACTED]**%
Best Gold Development Limited[11]	—	—	—	—	—	5,434,000	—	5,434,000	0.60%	**[REDACTED]**%
Jiaxing Zhixiang	—	—	—	—	—	—	32,605,150	32,605,150	3.61%	**[REDACTED]**%
Innoven	—	—	—	—	—	—	978,150	978,150	0.11%	**[REDACTED]**%
Circle Dream Limited[14]	6,520,860	—	—	—	—	—	—	6,520,860	0.72%	**[REDACTED]**%
Global Dreamer Limited[14]	3,091,760	—	—	—	—	—	—	3,091,760	0.34%	**[REDACTED]**%
DeXXully Limited	47,996,000	—	—	—	—	—	—	47,996,000	5.32%	**[REDACTED]**%
Shareholders in the **[REDACTED]**	**[REDACTED]**	—	—	—	—	—	—	—	—	**[REDACTED]**%
Total	**604,782,520**	**90,856,820**	**19,992,180**	**42,175,000**	**22,431,920**	**247,304,000**	**33,583,300**	**1,061,125,740**	**100.00%**	**[REDACTED]%**

Notes:

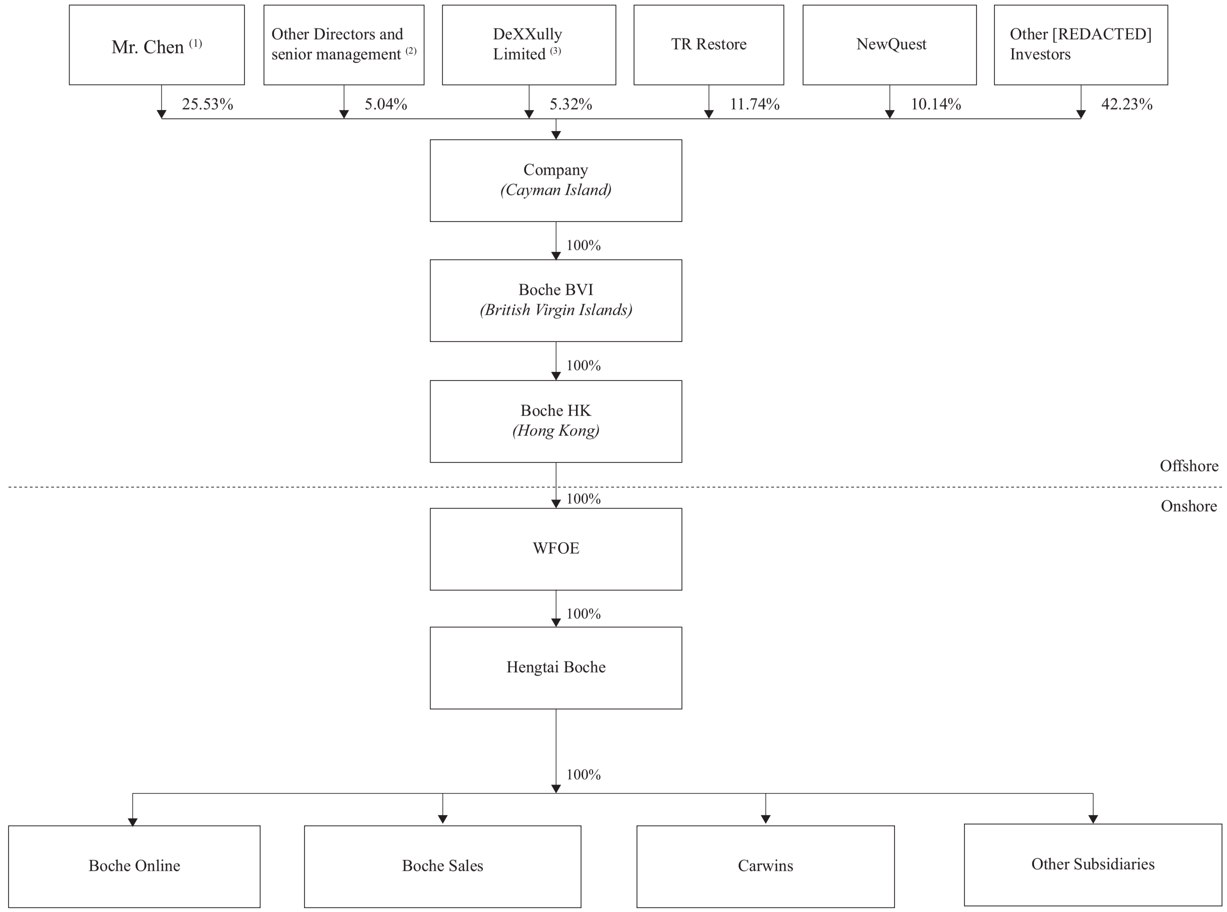
(1) Rich Winner Limited is wholly-owned by Mr. Chen.

(2) Grand Choice Investments Limited is wholly-owned by Xiaobo Luo.
(3) Wise Bond International Limited is wholly-owned by Aihui Li.
(4) Bright Eagle Investments Limited is wholly-owned by Dingbin Feng.
(5) Charm City International Limited is wholly-owned by Jianing Huang, our deputy general manager and manager of the used vehicle business department.
(6) Sun Central Limited is wholly-owned by Shimin Lu, our executive Director and deputy general manager.
(7) Lucky Shelley Trading Limited is wholly-owned by Qinghua Song, our executive Director and deputy general manager.
(8) Grand Faith Trading Limited is wholly-owned by Xinghua Yuan, our deputy general manager and manager of the salvage vehicle business department.
(9) Well Sun Holdings Limited is wholly-owned by Qiu Wang, an Independent Third Party.
(10) Grown Champion Development Limited is wholly-owned by Cheng Qian, an Independent Third Party.
(11) Best Gold Development Limited is wholly-owned by Yajie Li, an Independent Third Party.
(12) Circle Dream Limited is wholly-owned by Muyong Wu, a founder and director of Carwins.
(13) Global Dreamer Limited is wholly-owned by Yuxin Sun, a founder of Carwins.
(14) In order to further incentivize the founders of Carwins, namely Muyong Wu and Yuxin Sun, to further contribute to the business development of Carwins after our acquisition, the Company issued 652,086 and 309,176 shares of US$0.01 each (which were subdivided into 6,520,860 and 3,091,760 Shares) to Circle Dream Limited (a wholly owned company of Wu Muyong) and Global Dreamer Limited (a wholly owned company of Yuxin Sun) in October 2023 at nil consideration, respectively.

CORPORATE STRUCTURE

***Corporate structure immediately before the* [REDACTED]**

The following diagram illustrates the simplified corporate and shareholding structure of our Company immediately prior to the completion of the **[REDACTED]**:



Notes:

(1) through Rich Winner Limited, Mr. Chen's wholly owned company.

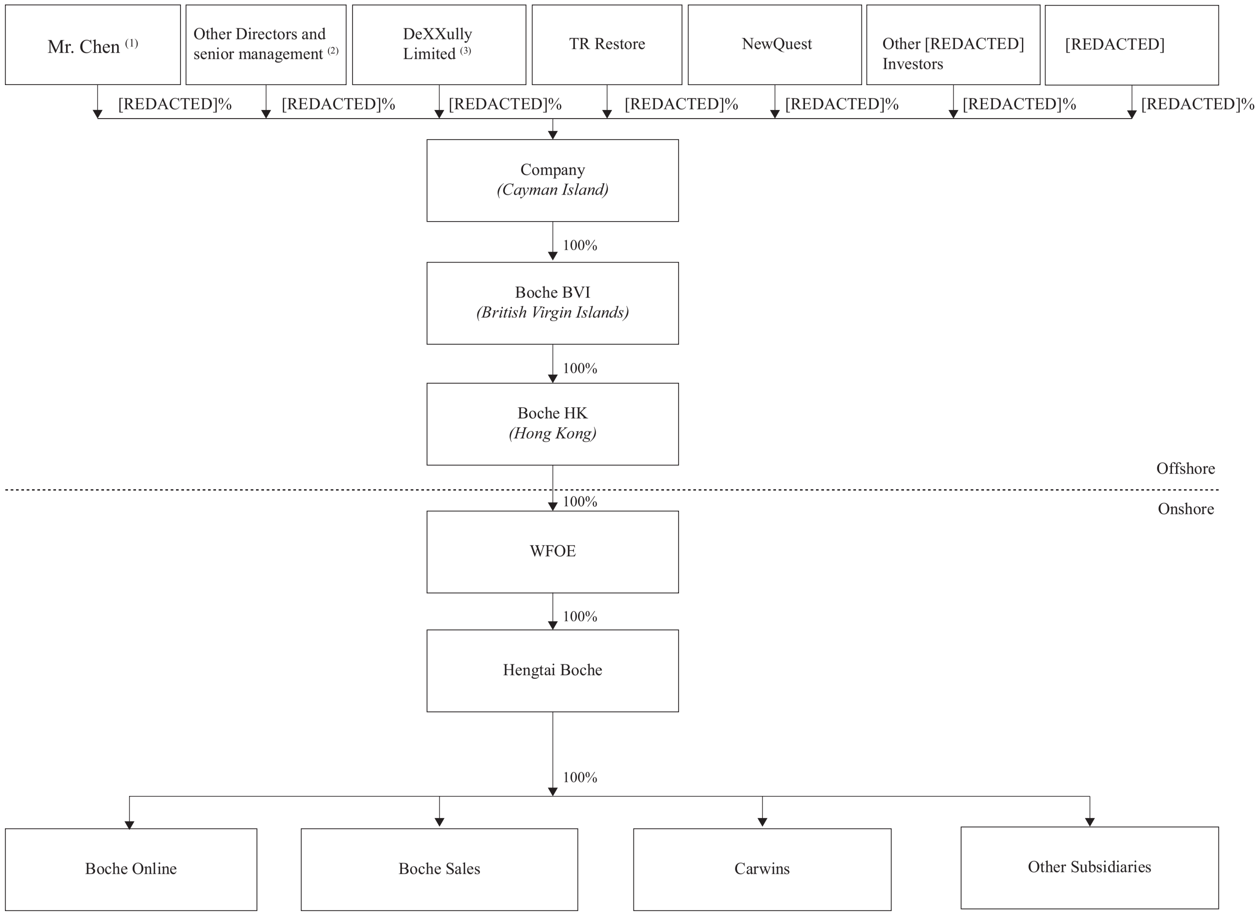
(2) including the controlled entities of Qinghua Song, Shimin Lu, Jianing Huang and Xinghua Yuan, all being our executive Directors and/or senior management.

(3) for details, please refer to the subsection headed " - Our Corporate Development - **[REDACTED]** Share Incentive Plans and Establishment of Employee Shareholding Platform" above.

(4) Carwins is held by Hengtai Boche as to 88.1857% and Shanghai Cheying Enterprise Management Center (Limited Partnership) (上海車贏企業管理中心(有限合夥), "Shanghai Cheying") as to 11.8143%. Shanghai Cheying is held by Hengtai Boche as to 99.4232% and Mr. Chen as to 0.5768%.

***Corporate structure immediately following the* [REDACTED]**

The following diagram illustrates the simplified corporate and shareholding structure of our Company immediately following the completion of the **[REDACTED]** assuming the **[REDACTED]** is not exercised:



Note: please refer to notes under the section headed "— Corporate Structure — Corporate Structure immediately before the **[REDACTED]**".

PRC REGULATORY REQUIREMENTS

According to the M&A Rules jointly issued by MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the SAT, the CSRC, the State Administration of Industry and Commerce of the PRC (which has now been merged into the SAMR) and the SAFE on August 8, 2006, effective on September 8, 2006, and amended on June 22, 2009, a foreign investor is required to obtain necessary approvals when it (i) acquires the equity of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (ii) subscribes the increased capital of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (iii) establishes a foreign-invested enterprise through which it purchases the assets of a domestic enterprise and operates these assets; or (iv) purchases the assets of a domestic enterprise through relevant agreements and then invests such assets to establish a foreign-invested enterprise. The M&A Rules, among other things, further purport to require that an offshore special vehicle, or a special purpose vehicle, formed for overseas **[REDACTED]** purposes and controlled directly or indirectly by PRC companies or individuals, to obtain the approval of the CSRC prior to the **[REDACTED]** and **[REDACTED]** of such special purpose vehicle's securities on an overseas stock exchange, in the event that the special purpose vehicle acquires shares of or equity interests in the PRC companies in exchange for the shares of offshore companies.

As advised by our PRC Legal Adviser, unless new laws and regulations are enacted or MOFCOM and CSRC publish new provisions or interpretations on the M&A Rules in the future, prior CSRC or MOFCOM approval for the **[REDACTED]** is not required under the M&A Rules. However, regulatory environment is under development as to how the M&A Rules will be interpreted or implemented and we cannot assure you that relevant PRC governmental authorities, including the CSRC, would reach the same conclusion as our PRC Legal Adviser.

SAFE REGISTRATION IN THE PRC

Pursuant to SAFE Circular 37, promulgated by SAFE and effective on July 14, 2014, replacing SAFE Circular 75, (i) a PRC resident must register with the local SAFE branch in connection with their contribution of offshore or domestic assets or equity interests in an overseas SPV that is directly established or indirectly controlled by the PRC resident for the purpose of conducting overseas investment or financing, and (ii) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change in respect of the Overseas SPV, including, among other things, a change of the Overseas SPV's PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV's capital, share transfer or swap, and merger or division. Pursuant to SAFE Circular 37, failure to comply with these registration procedures may result in penalties. In addition, due to such failure to comply with the registration procedures, the PRC subsidiaries of that Overseas SPV may be prohibited from distributing their profits and dividends to their offshore parent company or from carrying out other subsequent cross-border foreign exchange activities, and the Overseas SPV and its offshore subsidiary may be restricted in their ability to contribute additional capital to their PRC subsidiaries. Pursuant to the Circular of the SAFE on Further Simplification and Improvement in Foreign Exchange Administration on Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》, "SAFE Circular 13"), promulgated by SAFE and effective on June 1, 2015, the power to accept foreign exchange registration was delegated from local SAFE to qualified banks.

As advised by our PRC Legal Adviser, each of Mr. Chen, Mr. Dingbin Feng, Mr. Jianing Huang, Mr. Aihui Li, Mr. Yajie Li, Mr. Xiaobo Luo, Mr. Shimin Lu, Ms. Qinghua Song, Mr. Xinghua Yuan, Mr. Cheng Qian, Mr. Qiu Wang, Mr. Muyong Wu, and Mr. Yuxin Sun and all the shareholders of DeXXully Limited who are PRC residents, has respectively completed the required initial registration under SAFE Circular 37 and SAFE Circular 13.

OVERVIEW

Our Mission

Embracing green repair and leveraging cutting-edge technology for environmental conservation, we are dedicated to generating value for vehicle owners.

Our Vision

Building the most professional and efficient automotive auction platform in China, offering affordable vehicles and recycled parts for the society.

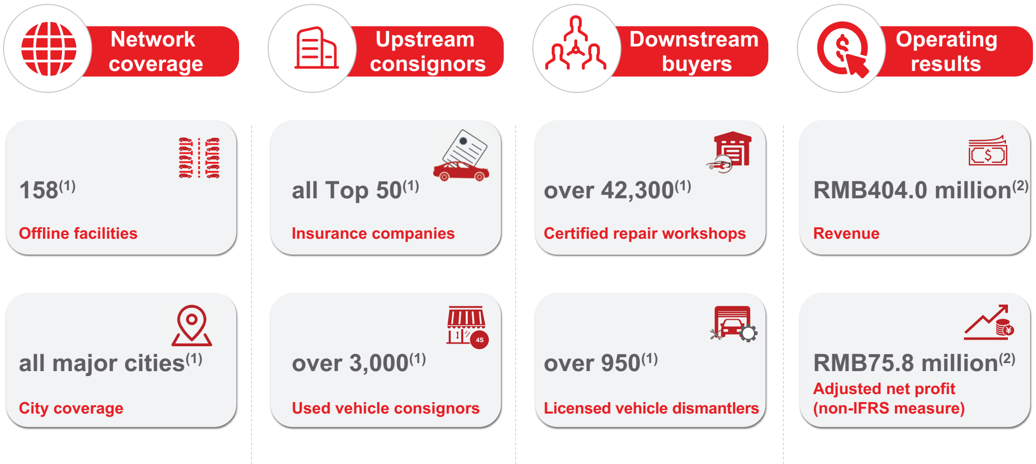
Who We Are

We are China's largest salvage vehicle auction platform. We ranked the first in China's salvage vehicle auction industry in terms of transaction volume in 2023, with a market share of approximately 31.3%, according to CIC. Powered by our valuation infrastructure and online-offline integrated approach in auctions, our salvage vehicle auction platform effectively connects upstream salvage vehicle consignors, primarily insurance companies, with downstream salvage vehicle buyers, primarily certified repair workshops and licensed vehicle dismantlers.

Unlike new vehicles, salvage vehicles lack standardization, and their market prices are heavily influenced by multiple factors, such as, among others, prices of new and used vehicles, extent of damage and prices of auto parts. This complexity presents a significant challenge for all industry participants involved in the salvage vehicle transaction value chain, including upstream vehicle consignors and downstream buyers, especially when assessing the value of salvage vehicles. We believe our auction platform can adequately bridge such challenges. Since our inception in 2014, we have remained committed to enhancing the operational efficiency and transaction transparency within the salvage vehicle auction industry. Capitalizing on our massive, genuine and time-sensitive transaction data on salvage vehicles and pioneering and industry-leading proprietary E-Pricing and E-Value systems, we are able to swiftly deliver valuation estimates of each salvage vehicle, offering valuable insights to both salvage vehicle consignors and buyers. Moreover, through our salvage vehicle auction platform, we have enhanced information transparency and transaction efficiency between vehicle consignors and buyers, leading to quicker salvage vehicle value discovery and better transaction experience for all.

In addition to salvage vehicle auctions, we also facilitate used vehicle transactions through auctions by connecting upstream used vehicle consignors with downstream used vehicle buyers. We were the largest institutional used vehicle auction platform and the third largest B2B used vehicle auction platform in China in terms of auction volume in 2023, according to CIC. To better facilitate auctions, we also offer a comprehensive suite of facilitation services to meet the varied and evolving needs of vehicle consignors and buyers. Our facilitation services cover the entire auction, aimed at optimizing salvage and used vehicle transaction process, shortening transaction turnaround time and enhancing user experience. According to CIC, we are the only salvage vehicle auction platform capable of delivering a comprehensive suite of auction and facilitation services covering the entire salvage vehicle auction process.

The following diagram illustrates our nationwide network coverage, broad consignor and buyer base and key operating and financial results, highlighting our strong capabilities in the salvage and used vehicle auction industry and market leadership therein.



Notes:

(1) As of September 30, 2024.
(2) For the nine months ended September 30, 2024.

Market Opportunities

As of December 31, 2023, China had the largest automotive market in the world with vehicle parc exceeding 330 million units. Driven by the continued growth of the automotive market, China's automotive insurance market is also evolving rapidly. In recent years, insurance companies have been continuously refining their claims settlement mechanisms, standardizing claims processes, and actively promoting the awareness of total loss concepts in China. By deeming certain damaged vehicles with potential excessive repair costs as total loss vehicles, insurance companies can minimize their claims amounts and streamline claims process. Concurrently, insurance companies are actively utilizing auctions to dispose of salvage vehicles, with a goal of obtaining fair market value, standardizing disposal procedures, and improving overall claims settlement efficiency. Auctions are favored for their well-established and standardized processes in this regard.

Driven by the aforesaid industry background, the auction volume of salvage vehicles in China increased from approximately 206 thousand units in 2019 to 345 thousand units in 2023. In comparison, the auction volume of salvage vehicles in the U.S., with a vehicle parc of approximately 290 million units in 2023 — similar to that of China — was nearly seven million units in 2023, which was about 20 times the auction volume of China. Copart, as the largest salvage vehicle auction platform in the U.S., captured approximately half of the U.S. market in 2023, according to CIC. This notable difference highlights the significant growth potential in China's salvage vehicle auction industry. The total auction volume of salvage vehicles in China is expected to reach 867 thousand units in 2028. Looking ahead, factors, such as, among others, aging vehicle parcs, growing repair costs, prevalence of NEV with higher claim frequency, growing direct-to-consumer efforts by insurance companies, rising labor costs and increased awareness of auto insurance, will all drive the growth of China's salvage vehicle auction industry.

Industry Challenges

Despite such growth potentials, industry participants of China's salvage vehicle auction industry are all longing for an auction service provider that can effectively address the following challenges:

For upstream salvage vehicle consignors:

- ***Low settlement efficiency and high settlement costs***. Insurance companies need to comprehensively analyze parameters such as PAV, ERC and SV of damaged vehicles before deciding whether it is economically advantageous to deem a damaged vehicle as a total loss. However, constrained by lack of standardized methodology, insurance companies struggle with efficiently making the above total loss assessments. In addition, the growing presence of NEVs with high repair costs and decreasing new vehicle sales price further complicate insurance companies' analysis.
- ***Extended disposal cycle***. Even if a damaged vehicle is deemed as a total loss, the underdeveloped salvage vehicle disposal process results in prolonged disposal durations as well as challenges in matching buyers. This further extends the salvage vehicle disposal cycle, which, in turn, affects insurance companies' customer satisfaction.

For downstream salvage vehicle buyers:

- ***Lack of stable and reliable supply***. The buyers of salvage vehicles, primarily certified repair workshops and licensed vehicle dismantlers are mainly regional businesses with a focus on their localities. However, the origins of salvage vehicles span across a diverse geographic range. Due to such geographic mismatch, buyers encounter difficulties in accessing a stable and reliable supply of salvage vehicles timely.
- ***Lack of comprehensive facilitation services***. Facilitation services, such as, among others, storage and preservation, towing and logistics, are essential to facilitate salvage vehicle transactions. However, there are only a limited number of providers who can provide such comprehensive facilitation services effectively and efficiently.

Our Solutions

Salvage Vehicle Auction and Facilitation Services

Leveraging our valuation infrastructure backed by data insights and digitalization capabilities as well as online-offline integrated approach in auctions, we have built a professional and efficient salvage vehicle auction platform to address challenges faced by salvage vehicle consignors and buyers. In conjunction with our core salvage vehicle auction services, we also offer a comprehensive suite of facilitation services including storage and preservation and logistics, to streamline the transaction process and enhance the user experience. We aim to lead and transform China's salvage vehicle auction industry through the followings:

Valuation Infrastructure Backed by Data Insights and Digitalization Capabilities

- ***Data insights.*** We believe our data insights are our key edges. We collate and harness extensive amounts of massive, genuine and time-sensitive salvage vehicle and used vehicle transaction data on our auction platform from our years of online and offline operations. We believe this gives us unparalleled insights into and a holistic view of the entire salvage vehicle transactions and services value chain. Such insights could be further utilized to educate our valuation personnels and to train our proprietary digitalization tools. By doing so, we can offer quicker and more accurate valuation estimates for insurance companies and other upstream vehicle consignors, enhance the efficiency of the auction cycles, and improve our understandings over the latest market trends.

- ***Digitalization capabilities.*** The digitalization capabilities are the foundation of our service offerings. Benefiting from deep data insights, coupled with our big data analytics and cloud computing capabilities, we have independently developed our proprietary E-Pricing and E-Value systems. These systems are instrumental in determining the value of salvage vehicles and used vehicles. For instance, our E-Pricing and E-Value systems enable us to efficiently provide insurance companies a vast quantity of valuation estimates of SV and PAV of salvage vehicles in a short period of time. As a result, insurance companies have reliable pricing reference during internal loss assessment and claims processing, which further expedites claims settlement and salvage vehicle disposal cycle. Furthermore, an accurate and reliable valuation estimate that resembles fair market value of the underlying vehicles can also improve auction efficiency, providing better transaction experience for buyers. All these benefits substantially enhance the loyalty and satisfaction of users of our auction platform, thereby entrenching our leadership position in the salvage vehicle auction industry.

Online-Offline Integrated Approach

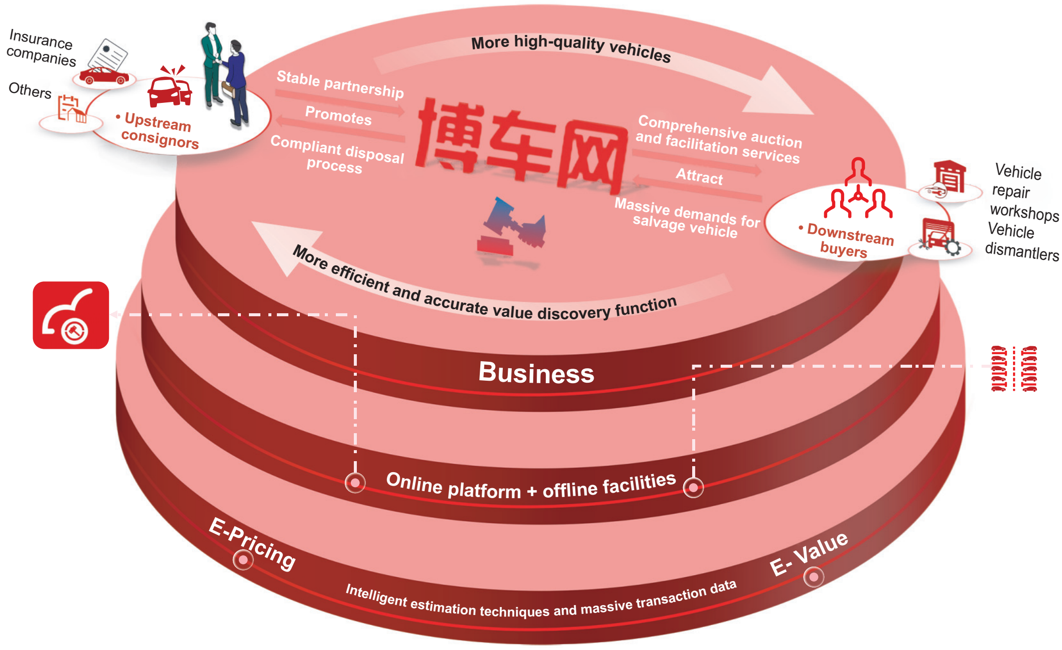
- ***Online platform with proven digitalization capabilities.*** We have developed a transparent and efficient online auction platform which helps determine fair market value of salvage vehicles through a market-driven and competitive auction process. It effectively connects a broad range of salvage vehicle consignors with buyers nationwide. Such process enhances disposal efficiency, increases disposal proceeds and ensures compliance during the disposal process.
- ***Offline facilities with wide geographic coverage.*** As of September 30, 2024, we have established 158 offline facilities covering all major cities in China. This nationwide network of offline facilities serves as valuable storage and preservation sites for vehicle consignors as well as valuable preview locations for buyers before auctions, which further fosters trusts between vehicle consignors and buyers and enhance auction efficiency and transparency. Furthermore, leveraging such facilities, we can provide better fulfillment experience by providing a comprehensive suite of facilitation services for vehicle consignors and buyers.

As a result of the above, we have effectively bridged vehicle consignors and buyers together by providing an easily accessible nationwide sales channel and a stable and abundant source of salvage vehicles:

- ***For vehicle consignors***. As of September 30, 2024, we have served a total of over 160 salvage vehicle consignors, comprising of insurance companies, rental companies, auto finance and leasing companies and others. Among them, as of the same date, we have provided salvage vehicle auction services to over 95% of the insurance companies which operate automotive insurance business in China, and covered all Top 50 insurance companies.
- ***For buyers***. We have cultivated a network of diverse buyers of salvage vehicles. As of September 30, 2024, we have served a total of over 44,000 salvage vehicle buyers, primarily comprising over 42,300 certified repair workshops and over 950 licensed vehicle dismantlers.

In addition, to better serve such buyers, we have also formed multiple membership tiers catering to their specific auction needs. See "— Our Membership System."

The following diagram illustrates our key roles in the salvage vehicle auction process as well as how we connect different industry participants together during salvage vehicle auctions.



Used Vehicle Auction and Facilitation Services

Benefiting from our expertise and know-how in salvage vehicle auction industry accumulated over the years, our expanding online presence and offline facilities network, and our proprietary digitalization tools, we have expanded our service offerings to cover used vehicle auctions industry. We have built a used vehicle auction platform that connects used vehicle consignors such as dealership groups, OEMs, rental companies and auto finance and leasing companies with used vehicle buyers, primarily franchised car dealers and independent used car dealers. We were the largest institutional used vehicle auction platform and the third largest B2B used vehicle auction platform in China in terms of auction volume in 2023, according to CIC. The auction platform offers real-time, transparent and efficient used vehicle auction services as well as accompanying facilitation services to help vehicle consignors dispose of and buyers access used vehicles. As of September 30, 2024, we have served a total of over 3,000 used vehicle consignors and over 58,900 used vehicle buyers.

Other Services

In addition, we also offer a wide range of other services, such as, among others, E-Report, auto parts marketplace and documentation review to help vehicle consignors and buyers complete vehicle transactions, which further entrench our presence in auto commerce industry.

Vehicle Sales

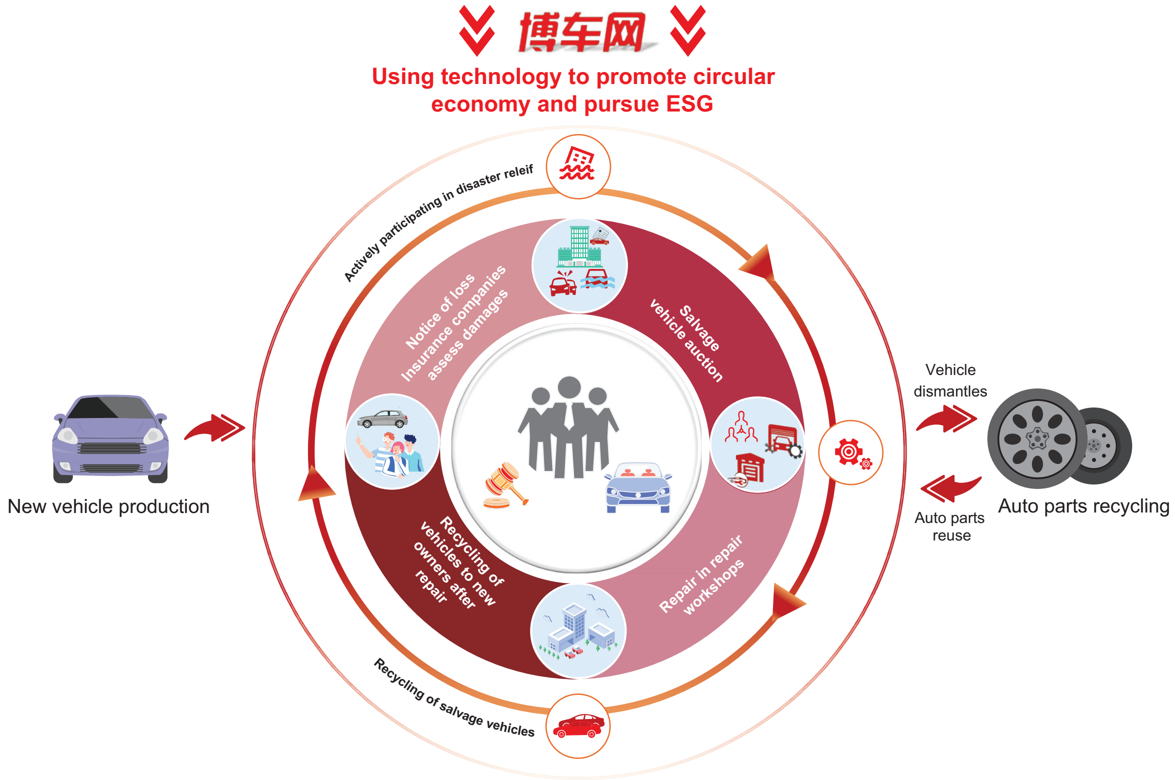
During the process of disposing of salvage and used vehicles, certain upstream consignors approach us to purchase vehicles from them to help them manage and dispose of their vehicle assets efficiently. In response to such requests with a goal to maintain healthy relationship with upstream vehicle consignors, we launch vehicle sales where, we purchase damaged new vehicles mainly from franchised car dealers, and retired used vehicles mainly from rental companies and then sell the vehicles for our own account.

Our Value Propositions

We believe our success lies upon our unique value delivered:

- ***For upstream vehicle consignors***. In the realm of salvage vehicle auctions, we, through our massive, genuine and time-sensitive transaction data, proprietary digitalization tools and established auction procedures, provide vehicle consignors, especially insurance companies an efficient, effective and compliant method to optimize their claim process. This includes determining the best claims options, enhancing loss assessment and claim settlement efficiency, reducing claim costs and improving customer satisfactions. In the realm of used vehicle auctions, we, through our auction platform, offer upstream vehicle consignors such as dealership groups, OEMs and rental companies an efficient, transparent and market-driven disposal and remarketing solution for their vehicles.
- ***For downstream buyers***. Our extensive vehicle supply network provides downstream buyers with an easily accessible, steady and sufficient supply of quality vehicles. Through our comprehensive suite of facilitation services, we expedite and streamline the vehicle transaction process and enhance transaction experience for buyers.
- ***For auto part providers***. The extensive demand for reusable auto parts generated by our auction platform, in particular from certified repair workshops, effectively promotes the reused, recycled, refurbished and reconditioned auto parts, playing a pivotal role in preventing excessive repairs and facilitating sustainable practices within the automotive industry.

We champion the circular economy, an economic system that eliminates waste by reusing, repairing, recycling, and regenerating resources to create a closed-loop, sustainable cycle. We aim to avoid excessive repairs for reparable vehicles and unsafe repairs for irreparable vehicles and create positive social impacts.



- ***Salvage vehicles reuse and recycling.*** Our business at core enables the reuse and recycling of salvage vehicles, by extending their end-of-life cycles to reduce carbon emissions that would have resulted from *de novo* manufacturing of new vehicles. Furthermore, through reuse and recycling of salvage vehicles, we create more cost-effective vehicle purchase options for consumers, unleashing potential consumption vitality.

- ***Auto parts reuse and recycling.*** We established an auto parts marketplace that promotes the reused, recycled, refurbished and reconditioned auto parts. The marketplace offers certified repair workshops cost-effective auto parts options, eliminating the carbon emission resulting from *de novo* manufacturing of parts, which further optimizes resource allocation and reduces wastes. In addition, through auto-parts reuse, recycling, refurbishment and reconditioning, we effectively lower repair costs for consumers.

- ***Disaster relief.*** We are capable of responding to mass damages to vehicles resulting from natural disasters timely and efficiently. We have ample experience as well as infrastructure in relation to disaster relief. We have historically cooperated and will actively cooperate with insurance companies and other participants on inspection, estimation, recycle and processing of vehicles damaged by natural disasters.

- ***Promoting domestic consumption.*** As we continuously work towards creating a growing salvage and used vehicle ecosystem, we believe we are making substantive contributions to the growth of the economy. By facilitating transactions of salvage and used vehicles as well as auto parts, we facilitate vehicle circulations, promote more affordable transportation options and optimize resource allocations, echoing PRC government's commitment to make the economy more resilient by boosting domestic consumptions.

Our Operation and Financial Performance

We have and will continue to lead the industry standard for salvage auctions. Our operating and financial performances have further reinforced our industry leading position. In 2022, 2023, and for the nine months ended September 30, 2023 and 2024, our revenue was RMB388.1 million, RMB518.3 million, RMB391.1 million and RMB404.0 million, respectively. During the same periods, we maintained high and stable gross profit margin of 44.4%, 49.9%, 51.1% and 47.3%, respectively. We recorded loss for the year/period of RMB180.2 million, RMB121.5 million and RMB39.5 million in 2022, 2023, and for the nine months ended September 30, 2023 and profit for the period of RMB1.4 million for the nine months ended September 30, 2024. Our historical loss-making positions were primarily attributable to changes in carrying amount of financial instruments issued to **[REDACTED]**. For details, see "Financial Information — Description of Major Components of Our Results of Operations." Nevertheless, our adjusted net profit (non-IFRS measure) increased significantly during the Track Record Period. Our adjusted net profit (non-IFRS measure) amounted to RMB50.2 million, RMB81.7 million, RMB73.8 million and RMB75.8 million in 2022, 2023, and for the nine months ended September 30, 2023 and 2024, respectively. For a reconciliation of our non-IFRS measure to its most directly comparable IFRS Accounting Standards financial measure, see "Financial Information — Non-IFRS Measure."

OUR COMPETITIVE STRENGTHS

China's Largest Salvage Vehicle Auction Platform, Pioneering and Leading the Industry

We are China's largest salvage vehicle auction platform. We ranked the first in China's salvage vehicle auction industry in terms of transaction volume in 2023, with a market share of approximately 31.3%, according to CIC. In 2023, approximately 108 thousand units of salvage vehicles were transacted on our auction platform, reaching a market share of 31.3% among China's salvage vehicle auction platforms. Moreover, according to CIC, we were also the largest institutional used vehicle auction platform and the third largest B2B used vehicle auction platform in China in terms of auction volume in 2023.

We are a pioneer in building the salvage vehicle auction infrastructure and standards in China. Since our inception in 2014, we have been committing to leading the standardization of salvage vehicle disposal procedures through auctions. By doing so, we aim to reduce claims costs and improve settlement efficiency for insurance companies. We have set multiple industry precedents: we were one of the first salvage vehicle auction platform with nationwide offline presence, one of the first salvage vehicle auction platform that provides preservation and storage services for vehicle consignors, the FIRST auction platform that offered digitalization tools to insurance companies to assess PAV of salvage vehicles, the FIRST salvage vehicle auction platform that offers door-to-door logistics services, and the FIRST auction platform that introduced the standards for irreparable salvage vehicles.

Proprietary Digitalization Tools Developed Based on Deep Data and Industry Insights

We have been and will continue to invest in research and technology. We have successfully refined our deep industry insights and massive, genuine and time-sensitive transaction data accumulated into proprietary digitalization tools to support our operations.

Our R&D Investment and Roadmap

We have assembled a research and development team comprising seasoned experts, programmers and designers, who possess comprehensive capabilities in software architecture, design, research and development and testing. Two of our subsidiaries were recognized as national high and new technology enterprises as of September 30, 2024. Currently, all of our operating systems are self-developed. We have also made significant investments and accumulated deep know-hows in areas like big data analytics and cloud computing, which we believe will further empower our operations by improving transaction efficiency, thereby elevating user experience.

Digitalization Tools Based on Massive, Genuine and Time-Sensitive Transaction Data

Drawing on our massive, genuine and time-sensitive transaction data on salvage vehicles and used vehicles, coupled with our big data analytics and cloud computing capabilities, we independently developed our intelligent salvage vehicle valuation system E-Pricing and intelligent used vehicle valuation system E-Value. In particular:

- ***E-Pricing system***. Our E-Pricing system can swiftly estimate the SV of salvage vehicles based on multiple factors, such as, among others, make, age, fair market value of re-sale price and extent of damage. The system helps insurance companies make informed and efficient judgment during claim and total loss assessment process. Meanwhile, the SV can also assist us in estimating final auction price, thereby improving our auction efficiency.

- ***E-Value system***. Our E-Value system assists swift fair market value discovery for used vehicles. Through E-Value System, users, primarily insurance companies, can make informed decisions during insurance underwriting and claim processing, especially when determining PAV. Our E-Value system is also open to financial institutions to better assess risks during loan issuance, loan management and vehicle remarketing and other used car dealers to get guided price reference for used vehicles transacted.

The aforesaid digitalization tools have laid solid bedrock for our valuation infrastructure. Benefiting from such tools, our valuation personnel can process a large quantity of valuation estimates in a short period of time. For instance, we can provide up to approximately 6,600 valuation estimates in a day, which is higher than industry average, according to CIC. Our valuation infrastructure significantly improved the claim and total loss assessment process for insurance companies, thereby avoiding repetitive routines, lengthy claim cycles, and other claim related expenses on vehicle storage and preservation. This also facilitates disposal of more total loss vehicles. As a result, we became the preferred disposal channel of salvage vehicle for insurance companies, ensuring a stable source of vehicles that can further drive up our buyer base and auction volumes.

Digitalization Empowerment for Vehicle Consignors

Drawing on years of industry experience and data accumulated, we have developed multiple digitalization empowerment systems for upstream vehicle consignors, enhancing their operational efficiency while strengthening our relationships with them. For instance, we have designed our Carwins Cloud, an all-in-one business solution system for OEMs and dealership groups' used vehicle business. This system integrates multiple functions including customer and leads management, vehicle management, sales pricing reference, order management, financial management, auction management and data board, to streamline and refine OEMs' and dealership groups' overall used vehicle operation. Our digitalization empowerment services are widely recognized. As of September 30, 2024, a total of over 260 OEMs and dealership groups used our Carwins Cloud.

Online-Offline Integrated Approach

With our unique online-offline integrated approach in auctions as well as comprehensive suite of facilitation services, we successfully attracted and retained a growing base of loyal vehicle consignors and buyers, and our operating results and financial condition improved significantly during the Track Record Period. In particular:

Online platform. Our online auction platform enables buyers across China to participate in auctions in real-time and access vehicle sources far beyond their local reach. As a result, we broaden our buyer base and enhance buyer engagement, building solid foundation for adequate value discovery through competitive bidding during auctions. In the meantime, our online auction platform effectively reduces our liquidity and capital resources required to host physical auctions offline, ultimately optimizing our operating expenses and improving our operating efficiency.

Offline facilities. We were the salvage vehicle auction platform with the broadest coverage in terms of numbers of offline facilities in 2023, according to CIC. Our nationwide offline facilities network provides vehicle consignors with storage and preservation sties and buyers with opportunities to physically preview pre-auctioned vehicles, enhancing auction transparency and efficiency while boosting trust and satisfaction levels for both vehicle consignors and buyers. Meanwhile, capitalizing on our offline facilities, we are able to provide a comprehensive suite of facilitation services for both consignors and buyers, thereby broadening and deepening the breadths and depths of our overall service offerings and fulfillment capabilities, which would further drive our growth. In addition, we have successfully standardized our operations, implemented a visual supervision mechanism, optimized resource allocation, and ensured meticulous risk control at our offline facilities, all of which collectively form a competitive advantage that is challenging to replicate.

Intrinsic Flywheel Driven by Long-term and Established Consignor Base as well as Loyal and Engaged Buyer Base

We have built a long-term and established consignor base and a loyal and engaged buyer base with an intrinsic flywheel effect through our online-offline integrated approach: our efficient auction process, premium service quality and established valuation infrastructure enable us to become the partner-of-choice for insurance companies and various other vehicle consignors, bringing massive quality vehicles onto our auction platform. Such massive quality vehicles, coupled with our premium services, further contribute to a broad base of buyers that are both loyal and highly engaged. These loyal and engaged buyers, in turn, further ensure adequate bidding activities and enhance value discovery and auction efficiency for vehicles. As such, more vehicle consignors are willing to engage us for long-term services.

Long-term and Established Vehicle Consignors Ensuring Massive and Stable Vehicle Sources

The upstream vehicle consignors of salvage vehicles mainly include insurance companies. Benefiting from our valuation infrastructure, we are able to respond to SV inquiries from insurance companies efficiently on a mass scale. This ability empowers us to promptly respond to insurance companies' needs and participate in their public tender process of salvage vehicles anytime, anywhere, in large amount, forming an entry barrier that is hard to replicate. As a result, we are able to form long-term and strong relationships with such insurance companies. As of September 30, 2024, we have provided salvage vehicle auction services to over 95% of the insurance companies which operate automotive insurance business in China, and covered all Top 50 insurance companies. In 2022, 2023, and for the nine months ended September 30, 2023 and 2024, a total of 68,166, 108,114, 78,806 and 87,391 salvage vehicles were successfully auctioned on our auction platform. We have also formed long-term and strong relationships with upstream used vehicle consignors. Benefiting from such relationship, in 2022, 2023, and for the nine months ended September 30, 2023 and 2024, a total of 78,051, 119,148, 85,226 and 84,388 used vehicles were successfully auctioned on our auction platform.

Active Buyers with High Retention Rate Ensuring Sufficient Demand

Benefiting from our massive quality vehicle sources, we attracted and retained an active and loyal buyer base with high retention rates. As of September 30, 2024, a total of over 42,300 certified repair workshops, over 950 licensed vehicle dismantlers, over 1,500 franchised car dealers and over 57,300 independent car dealers were our members and transacted on our auction platforms. In 2022, 2023, and for the nine months ended September 30, 2023 and 2024, we had approximately 88,700, 99,100, 86,100 and 77,000 active members, respectively. In 2022, 2023, and for the nine months ended September 30, 2023 and 2024, the repurchase rate of our members was 71.2%, 74.1%, 71.9% and 70.7%, respectively, which were higher than the industry average, according to CIC.

Experienced Senior Management Team Back by Renowned Investor Base

We are led by a professional and dedicated senior management team who have over 20 years of industry knowhows in automotive aftermarket, insurance and auto repairs and extensive management experience in multi-national corporations. Our founder, Mr. Jianpeng Chen, has over thirty years of experience in the automotive aftermarket industry, capable of offering profound and unique insights on salvage vehicle auctions. When we were founded, there were only a handful of companies exploring salvage vehicle industry in China. With the leadership from Mr. Jianpeng Chen, we have transformed the industry landscape and are now China's largest salvage vehicle auction platform.

Our success and rapid growth in recent years are also backed by investment from well-known domestic and international investors. Our strategic investors support us through referring and integrating various resources in insurance and automotive industries. Our financial investors have enhanced our corporate governance capabilities, elevating our recognition and influence in the industry. Looking ahead, we believe our investors will continue to offer robust support in terms of technology, industry insights, and business development opportunities.

OUR GROWTH STRATEGIES

Expand Consignor and Buyer Base

We plan to continuously expand our consignor and buyer base.

For upstream vehicle consignors, we plan to continuously expand and deepen our collaborations with upstream vehicle consignors such as insurance companies, OEMs and dealership groups through exploring additional business opportunities and offering further operation empowerment services. This aims to broaden the variety and quantity of vehicles on our auction platform. Notably, with increasing vehicle parcs of NEVs, which exhibit higher accident and total loss rates compared to ICEs, we are planning to expand our investment and presence in salvage vehicles auctions for NEVs and deepen our collaborations with upstream vehicle consignors of NEVs.

For downstream buyers, we plan to continuously broaden our buyer base and offer more facilitation services to boost both the number and engagement of our buyers. We believe as our business expands alongside our growing member base, we will benefit from economies of scale, further propelling our operational performance.

In addition, we are closely monitoring business opportunities in international markets and aim to explore overseas opportunities in the future.

Continue to Invest in Digitalization and Technology

We will continue to invest in research and technology to empower our business, solidifying our industry leading position. We intend to enhance our E-Pricing system through big data analytics and artificial intelligence, improving our valuation accuracy and fairness. In particular, we are dedicated in advancing image recognition technology to facilitate the rapid estimation of salvage value for damaged vehicles through direct image comparisons. This is expected to significantly streamline and expedite the salvage value estimation process, enhance the efficiency and accuracy of salvage analysis, and allow us to determine SV more precisely. We intend to further refine our E-Value system to offer insurance companies precise price references when determining PAVs. We also plan to continuously upgrade our mobile application to enhance its user-friendliness and introduce new features from time to time.

Expand and Upgrade Offline Facilities to Enhance Local Service Capabilities

We plan to expand our offline facilities through establishing new self-operated facilities and partnership facilities, expanding our reach both in terms of cities and preservation capabilities. This expansion includes reaching more cities and implementing localized services to improve operational efficiency. The broader offline coverage and quicker response times empowered by offline presence are expected to enhance our service reach and fulfillment efficiency, elevate user experience and satisfaction, foster greater member loyalty, and uplift our member base.

Diversify Our Service Offerings and Improve Profitability

We endeavor to diversify our comprehensive suite of auction-related facilitation services to meet our evolving business demands, enhance vehicle consignor and buyer loyalty and drive ultimate profitability. We intend to implement the following indicatives:

- We will broaden and refine our facilitation services covering the full salvage vehicle transaction cycle. We will continue to promote our facilitation services, such as, among others, inspection and logistics. In particular, we intend to expand our offline facilities to house inspection stations on-site at our facilities and build our own logistics network to offer better door-to-door experience for customers.
- We will strive to optimize our auto parts marketplace. The rising vehicle parcs in China drives the substantial demand for reusable and recyclable auto parts generated from vehicle dismantling, refurbishing and remanufacturing. To address such demand, our auto parts marketplace aims to provide an information and transaction platform of reusable and recyclable auto parts, particularly those dismantled from salvage vehicles auctioned on our online platform. Our auto parts marketplace endeavors to bridge information disparities between auto parts sellers and buyers, boost transaction efficiency, and reduce the procurement costs of auto parts.

- We will further upgrade our E-Report by building our own database housing real-time transaction data as well as historical information on salvage and used vehicles, allowing vehicle consignors and buyers to generate customized *ad hoc* reports catered to their specifications.

Strategic Partnerships or Acquisitions

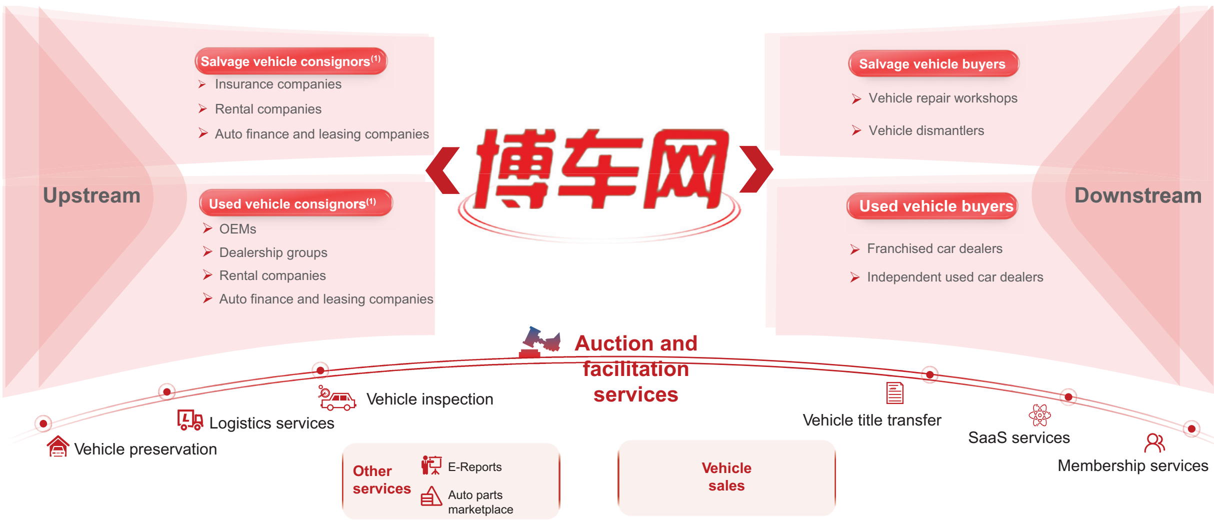
We plan to expand our market recognition and influence through strategic partnerships and acquisitions. We intend to strategically and prudently invest in or enter strategic partnership with companies that (i) are engaged in auto insurance underwriting and claims settlement processes, (ii) has proven track records of facilitating used vehicle transactions by providing value-added services such as logistics, inspection and data, and (iii) are proficient recycled auto part trading.

We will consider the scope of business of potential target companies as well as their competitive strengths and only acquire or invest in those companies that we believe are complementary to our existing business and generate synergies. We will carefully consider our options and conduct thorough due diligence before making an acquisition or investment decision. As of the Latest Practicable Date, we have not identified or confirmed any targets.

OUR SERVICE OFFERINGS

We are China's largest salvage vehicle auction platform. We ranked the first in China's salvage vehicle auction industry in terms of transaction volume in 2023, with a market share of approximately 31.3% according to CIC. We act as a pivotal intermediary linking upstream salvage vehicle consignors with downstream salvage vehicles buyers. Through our valuation infrastructure and online-offline integrated approach, we enhance operating efficiency of upstream salvage vehicle consignors, notably benefiting insurance companies by significantly improving claims settlement efficiency and streamlining disposal cycle. Building upon our established salvage vehicle auction platform, we further venture into used vehicle auction and facilitation services by connecting dealership groups, OEMs, rental companies and auto finance and leasing companies with downstream franchised car dealers and independent used car dealers. In addition, we also offer a wide range of vehicle-related services to meet the varied and evolving needs of vehicle consignors and buyers.

The following diagram illustrates our service offerings.



Note:

(1) Consignors are not necessarily our suppliers, as we may not directly procure vehicles from them. For example, under certain consignment arrangements, we procure vehicles from the actual sellers rather than from the insurance companies that referred the vehicles from actual sellers to us.

Specifically, our service offerings primarily include the following:

- ***Salvage vehicle auction and facilitation services.*** Our salvage vehicle auction and facilitation services connect upstream salvage vehicle consignors, including, among others, insurance companies, rental companies, auto finance and leasing companies and others, with downstream buyers of salvage vehicles, such as certified repair workshops and licensed vehicle dismantlers. A majority of our revenue is generated from our salvage vehicle auction and facilitation services, consisting of (i) auction fee and auction-related sales transaction fees charged to buyers for successful salvage vehicle auctions on our auction platform, (ii) service fees charged to buyers, who engage our diverse services in connection with salvage vehicle transactions, including, among others, storage and preservation and logistics, and (iii) membership fees paid by salvage vehicle buyers. Our salvage vehicle auction and facilitation services are our core business, and we expect revenue contribution from such services to grow in absolute amount going forward.

- ***Used vehicle auction and facilitation services.*** Our used vehicle auction and facilitation services connect upstream used vehicle consignors, including, among others, dealership groups, OEMs, rental companies and auto finance and leasing companies with downstream used vehicle buyers, primarily including franchised car dealers and independent used car dealers, to facilitate efficient and transparent used vehicle transactions. We generate revenue from our used vehicle auction and facilitation services primarily from (i) auction fees and auction-related sales transaction fees charged to buyers for successful used vehicle auctions on our auction platform, (ii) services fees charged to vehicle consignors or buyers, who utilize our used vehicle auction facilitation services, including, among others, storage, title transfer and various operation support, and (iii) membership fees paid by used vehicle buyers.

- ***Other services.*** Our other services include E-Report, auto parts marketplace, and others. We either charge service fees based on the nature and complexity of the services involved or offer such services free of charge to enhance vehicle consignor and buyer loyalty to our auction platform.
- ***Vehicle sales***. In response to demand from upstream vehicle consignors, we purchase damaged new vehicles mainly from franchised car dealers and retired used vehicles mainly from rental companies and then sell such vehicles for our own account.

The following table sets forth a breakdown of our revenue by service offering, in absolute amounts and as percentages of our total revenue, for the periods indicated.

	For the Year Ended December 31,				For the Nine Months Ended September 30,			
	2022		2023		2023		2024	
	RMB	%	RMB	%	RMB	%	RMB	%
					(unaudited)			
	(in thousands, except for percentages)							
Vehicle service:								
Salvage vehicle auction and facilitation services	241,108	62.1	332,879	64.2	259,296	66.3	217,992	54.0
Used vehicle auction and facilitation services	66,141	17.0	112,376	21.7	78,528	20.1	92,403	22.9
Other services	10,604	2.7	10,302	2.0	9,656	2.5	10,309	2.6
Total service	**317,853**	**81.9**	**455,557**	**87.9**	**347,480**	**88.8**	**320,704**	**79.4**
Vehicle sales	**70,260**	**18.1**	**62,772**	**12.1**	**43,659**	**11.2**	**83,274**	**20.6**
Total	**388,113**	**100.0**	**518,329**	**100.0**	**391,139**	**100.0**	**403,978**	**100.0**

SALVAGE VEHICLE AUCTION AND FACILITATION SERVICES

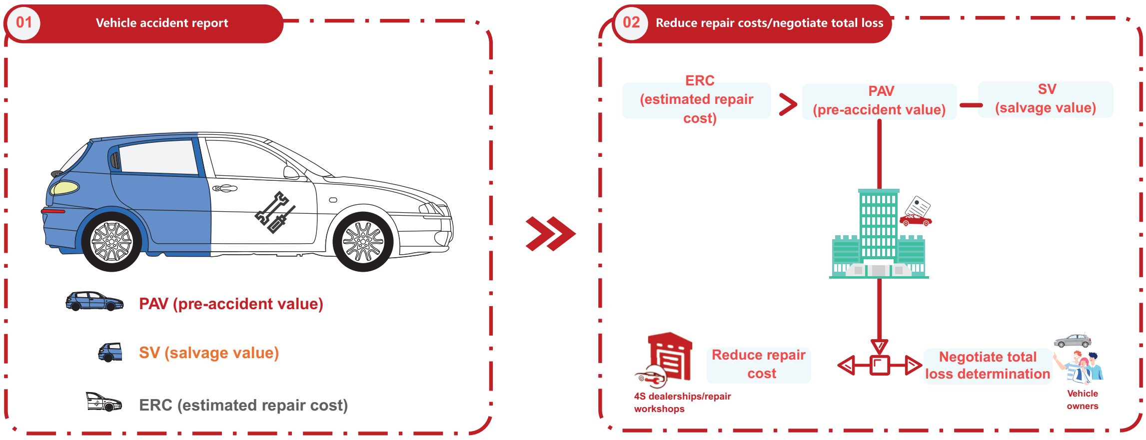
Salvage Vehicle Auction Services

Overview

We launched our salvage vehicle auction platform in 2015. We are China's largest salvage vehicle auction platform. We ranked the first in China's salvage vehicle auction industry in terms of transaction volume in 2023, with a market share of approximately 31.3% according to CIC. Leveraging our valuation infrastructure supported by data insights and digitalization capabilities as well as online-offline integrated approach, we facilitate the reuse and recycling of salvage vehicles, which primarily include damaged vehicles deemed as total loss vehicles by the insurance companies, but also damaged vehicles deemed as total loss vehicles for business purpose or end-of-life vehicles. We connect upstream salvage vehicle consignors and downstream salvage vehicle buyers and facilitate efficient and transparent salvage vehicle auctions in large quantities. Our upstream salvage vehicle consignors consist primarily of insurance companies, but also include rental companies, auto finance and leasing companies and others. The primary buyers of salvage vehicles are certified repair workshops and licensed vehicle dismantlers. Certified repair workshops generally purchase salvage vehicles to repair and resell. Licensed vehicle dismantlers typically dismantle a salvage vehicle and sell parts to part dealers, repair workshops, or to the public.

Valuation Infrastructure

When a vehicle is damaged in an accident or in a natural disaster, the insurance company needs to assess the extent of damage to such vehicle and determine whether it is economically advantageous to repair it. Insurance companies will inspect the vehicle and estimate its ERC, PAV and SV. If ERC is greater than the PAV less the SV, meaning it is not economically advantageous to repair, insurance companies generally will either (i) deem the vehicle as a total loss and settle PAV amount or (ii) negotiate with repair workshops for a reduced repair costs. For details, see "— Salvage Vehicle Auction and Facilitation Services — Salvage Vehicle Transaction Process."



The valuation of a damaged vehicle's SV and PAV is a significant challenge for all industry participants involved in the salvage vehicle transaction value chain. Insurance companies are struggling with efficiently making total loss assessment due to lack of market-oriented and standardized valuation methodology for SV. Moreover, the rapid and dynamic movements on the fair market value of used vehicles further complicates the valuation process for PAV. This challenge hinders efficient reuse and recycling of damaged vehicles and leads to underdevelopment of total loss frequency in China's auto insurance industry.

We believe the key to solving this industry challenges lies in the ability to provide insurance companies an infrastructure that offers a compliant and efficient methodology for valuating damaged vehicles. With years of development, we have formulated a standardized salvage vehicle valuation infrastructure where our valuation personnel, with support of massive, genuine and time-sensitive transaction data and proprietary E-Pricing and E-Value digitalization tools, is able to accurately provide valuation estimates in large quantities to insurance companies in a short period of time. We collect and analyze extensive amounts of real-time auction data on our auction platform from our years of online and offline operations, which gives us unparalleled insights into the entire salvage vehicle transaction value chain. We further utilize our massive, genuine and time-sensitive data to run our proprietary E-Pricing and E-Value systems to optimize our valuation methodology, guide efficient valuation proposals and develop unique insights for market value fluctuations of damaged and used vehicles.

Our valuation capabilities set us apart. Our valuation infrastructure significantly reduces insurance companies' time required for total loss assessment, enabling us to secure more collaborations with insurance companies. Furthermore, such infrastructure allows us to maintain diverse and abundant salvage vehicle sources and helps us set reasonable reserve price, the minimum price at which the salvage vehicle can be sold, for auctions, further facilitating smooth and efficient auctions on our auction platform.

Online-Offline Integrated Approach

In China, salvage vehicles consignors span across a diverse geographical range while buyers are mainly regional businesses that focus on their localities. Overtime, this geographic mismatch hinders reuse and recycling of salvage vehicles. Moreover, lack of local facilitation services on storage, preservation, and logistics further makes salvage vehicle transactions more challenging.

To that end, we provide an online-offline integrated approach for our auctions. Our online auction capabilities allow buyers to participate in a greater number of auctions than if physical attendances were required. Our offline facilities allow buyers to preview vehicles, thus enabling them to make fully informed bidding decisions. Furthermore, we can better provide superior customer fulfillment at our offline facilities. The integrated approach aims to boost vehicle visibility, transaction efficiency and auction transparency, ensuring our services are properly delivered to vehicle consignors and buyers.

Online Auction

Leveraging our research and development capabilities, we operate online auctions through our online auction platform, known as the Boche Auction APP. This platform increases the exposure of salvage vehicles and improves salvage vehicle transaction efficiency. See "— Research and Development — The Boche Auction APP."

- ***Regular auctions.*** Interested members can visit our online auction platform and browse profiles of salvage vehicles. They may also search and discover salvage vehicles through customized filters, such as make, location, age and price. Members can click on the salvage vehicle of their interest to access such vehicle's basic information, such as, among others, its make, age, cause of the accident, extent of damage and storage location. Through viewing pictures and videos we posted, members are better informed about the extent of damage of salvage vehicles auctioned. Furthermore, if members visiting our offline facilities are interested in any vehicle, they may use the scanning function in Boche Auction APP, scan the QR code on the front windshield of the vehicle, and grasp the vehicle's basic information, photos and the auction progress.

  For interested members to have a detailed preview, each pre-auctioned vehicle along with its basic information is available online for preview at least three days prior to the auction. Members may set up auction beginning alerts for their interested vehicles. Our auction platform will send phone call alerts to members five minutes before auctions, reminding them of timely participation. Once salvage vehicles are put up for auction, members can place bids and compete against each other. Since our online auction is an open auction, interested bidders know the current highest bid.

  Generally, we set up a reserve price, representing the minimum price at which the salvage vehicle can be sold, for every vehicle. Bidding typically starts at a price is at or lower than the reserve price. Once the reserve price is reached, the highest bid will win.

- ***Customized auctions.*** In addition to the regular auctions, we also provide customized auctions for salvage vehicles. For instance, we host auctions specifically for certain unique salvage vehicles, such as, among others, flood-damaged vehicles, irreparable vehicles, damaged new vehicles and NEVs. These specialized auctions cater to buyers interested in these unique salvage types, ultimately boosting auction appeal and effectiveness. For instance, we conduct specialized auctions for irreparable vehicles, catering to a strong buyer base that comprises exclusively licensed vehicle dismantlers. These irreparable vehicles are identified based on our own standards, with the purpose to avoid uneconomical and unsafe repair. Such kind of vehicles can be efficiently taken apart, with their components recycled as accessories. Additionally, the scrap materials can be transformed into raw materials, thereby lessening the necessity for additional exploitation of new resources.

In 2022, 2023, and for the nine months ended September 30, 2023 and 2024, an average of approximately 12,000, 14,500, 15,000 and 14,900 members view salvage vehicles each day, and an average of approximately 3,800, 5,000, 4,900 and 5,100 members place bids for salvage vehicles each month, respectively.

Offline Facilities

We were the salvage vehicle auction platform with the broadest geographical coverage in terms of numbers of offline facilities in 2023, according to CIC. As of September 30, 2024, we had an aggregate of 158 offline facilities covering all major cities in China, including 51 self-operated facilities, and 107 partnership facilities.

- ***Self-operated facilities.*** We operate a number of offline facilities ourselves. Our offline facilities are typically located in cities that have relatively large and stable salvage vehicle and used vehicle transaction volume. Depending on the size of the facilities, we may assign approximately two to thirty employees overseeing various responsibilities of general management, auctions, storage, preservation, service fulfillment and business development.
- ***Partnership facilities.*** Our partnership facilities are typically located in tier-three and tier-four cities. These facilities are operated by our business partners, primarily logistics and towing companies. Each of our partnership facilities site is required to provide storage and preservation sites and meet safety compliance standards, with designated personnel who has access to our operational platform. We provide regular trainings for partners to ensure consistency with our high service standards. We generally pay towing fee and outsourced service fee to the partners.

The following map illustrates the locations of our offline facilities across China as of September 30, 2024.

Our offline facilities currently span across major tier-one and tier-two cities nationwide. We have also strategically located in major tier-three cities where there is a significant demand for salvage vehicles. Our nationwide offline facilities serve as an essential infrastructure for our business model, helping us better connect vehicle consignors and buyers nationwide. With our nationwide network of offline facilities, we can reach a substantial majority of insurance companies, rental companies, auto finance and leasing companies, certified repair workshops and licensed vehicle dismantlers in China, capturing significant transaction opportunities. Furthermore, such infrastructure allows us to complete our auction process more effectively and provide vehicle consignors and buyers a comprehensive suite of services required in connection with the auction:

- ***Important preservation sites.*** Our offline facilities serve as important preservation sites for salvage vehicles, shielding them from future damage caused by, among others, natural disasters, environmental hazards, theft or vandalism. Such capabilities are important for insurance companies and other upstream vehicle consignors, who need to preserve vehicles for further loss assessment and investigation, if necessary. As a result, leveraging our offline presence, we deepen our cooperation with insurance companies and other upstream vehicle consignors, making us the go-to-platform for salvage vehicle auctions.

- ***Valuable preview opportunities.*** Vehicles are marketed at each respective offline facilities as well as via online pictures and videos that allow prospective buyers to preview vehicles prior to the actual auction event. This in-person preview opportunity allows potential buyers to better observe salvage vehicles' condition, assess the impact of accidents on vehicle values and then make their own decisions. The availability of such offline preview opportunities build trust between the buyers and us, enables buyers to make well-informed decisions when participating in our auctions and increases our transaction efficiency, transparency and effectiveness.

- ***Better fulfillment experience.*** Our offline facilities are essential for enhancing the fulfillment experience for vehicle consignors and buyers nationwide. These facilities serve as crucial storage and preservation sites for salvage and used vehicles sourced from a variety of vehicle consignors, including insurance companies. Furthermore, our offline facilities strengthen the relationship between us and downstream buyers by offering diverse services like door-to-door logistics services, thereby enriching the overall fulfillment experience. Additionally, leveraging its relatively closer location to consignors and buyers, these physical facilities help us reduce logistics costs significantly. With a nationwide presence, our employees can engage with vehicle consignors and buyers throughout the country, conducting targeted visits to gather crucial insights on operations, local market dynamics, and best practices. This approach allows us to better cater to the needs of our customers, improve services, and enhance our reputation within the industry.

We plan to selectively expand the geographic coverage of our offline facilities network to cover additional cities and strengthen our positioning in certain existing markets as the market demand for our salvage vehicle auction and facilitation services increase.

Fund Flow and Fee Basis

We auction salvage vehicles on a consignment basis. Under our typical consignment arrangement, the actual seller, which is typically the insured or the actual title holder of salvage vehicles, enters into a consignment agreement with us pursuant to a master consignment framework agreement we had with institutional upstream salvage vehicle consignor such as insurance companies. Upon a successful auction, we remit the actual seller or the insurance companies, the SV provided during the total loss assessment, and certain percentage of the amount by which the auction price exceeds the SV, depending on specific arrangements. See "— Industry Participants — Upstream Vehicle Consignors."

For each successful auction, we generally charge downstream buyers (i) a variable auction fee based on the final auction price to downstream salvage vehicle buyers and (ii) an auction-related sales transaction fee. Such fees are built into the auction price paid by downstream buyers and we only recognize such fees as our revenue. We price our auction fees and auction-related sales transaction fees primarily based on (i) our costs for providing the relevant auction services and other ancillary services, and (ii) prevailing market prices of such services and competitive landscape. During the Track Record Period, the rate of auction and auction-related sales transaction fee we charged typically ranged between 6% to 10% of final auction price.

We see various benefits to the consignment arrangement. Most importantly, the consignment arrangement allows us to maintain a healthy working capital as our working capital is usually not tied up in purchasing salvage vehicles. Even when required to prepay, we can promptly auction the underlying vehicles, avoiding holding them as inventory for a long time. This flexibility enables us to allocate resources strategically across different aspects of our business, fostering growth and mitigating financial risks associated with stockpiling salvage vehicles.

Salvage Vehicle Auction Facilitation Services

During the salvage vehicle transaction process, we also provide a comprehensive suite of salvage vehicle auction facilitation services, including storage and preservation service and other ancillary services, covering everything from storage and preservation, to logistics, and others.

Storage and Preservation Services

Following an accident or a natural disaster involving an insured vehicle, the damaged vehicle, especially the one that is seriously damaged and likely to be deemed a total loss vehicle, is generally required to be towed to a storage facility or a vehicle repair facility for temporary storage and preservation pending insurance company's further examination. The storage and preservation services are important during the salvage vehicle transaction process because such services help safeguard salvage vehicles from additional harm caused by environmental factors, theft or vandalism, and ensure the vehicles are properly delivered to buyers. Moreover, it prevents premature repairs conducted by repair workshops, incurring unnecessary costs for insurance companies.

Leveraging our nationwide offline facilities network, we, as an entrusted business partner of insurance companies, provide them storage and preservation services. Insurance companies may contact us immediately upon receiving first notice of claims from accident and natural disasters, and we will transport the vehicle from the accident scene or current locations to our offline facilities directly, even before insurance companies determine salvage value. If insurance companies subsequently decide to repair the vehicle or assign the salvage vehicle for others to auction, we will charge relevant storage and preservation service fees depending on, among others, length of storage and costs for transportation. If insurance companies subsequently assign the salvage vehicles to us, we typically embed our service charge in auction-related sales transaction fees.

Other Ancillary Services

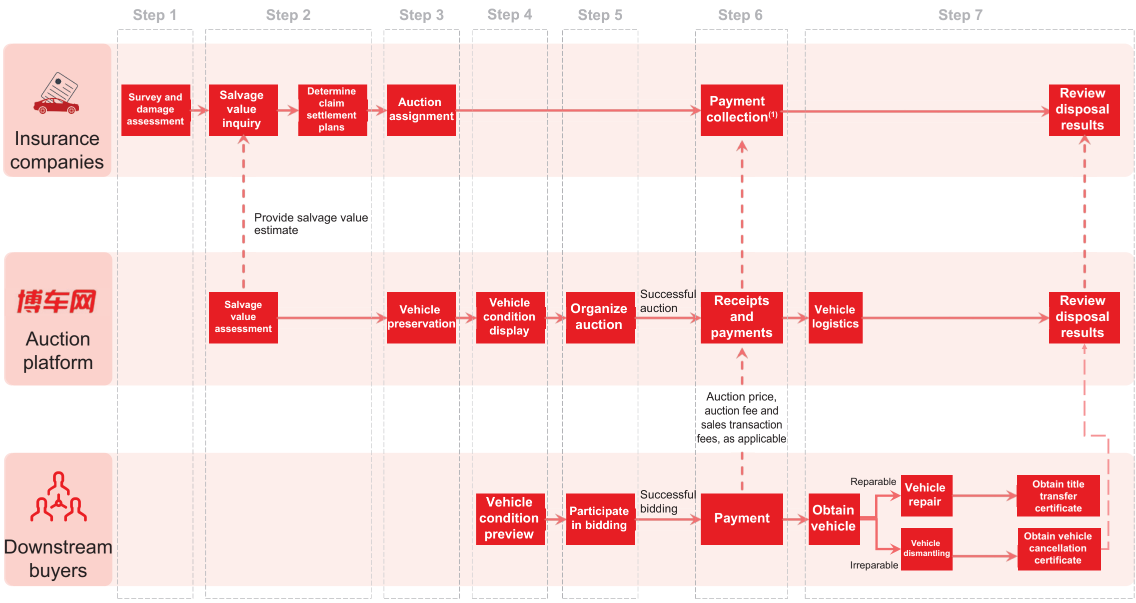
To facilitate salvage vehicle auction transactions, we also offer a comprehensive suite of other ancillary vehicle auction facilitation services, which expedite each stage of salvage vehicle transaction process.

- ***Logistics services***. We provide logistics services through a combination of third-party logistics companies. Such third-party logistics companies help (i) inbound logistics from accident sites to our offline facilities and (ii) door-to-door outbound logistics from our offline facilities to members' designated locations. Our logistics service integrates multi-channel logistics resources, allowing our members the flexibility to choose the option that best suits their needs. We charge our members services fees for the logistics services, depending on, among others, the number of vehicles involved and the length of transportations.

- ***Annual membership.*** We provide downstream salvage vehicle buyers a tiered membership system whereby they can enjoy different rights and benefits provided by our auction platform. Our registered members are free of charge, and we charge basic members and premium members annual fees. For details, see "— Our Membership System."

Salvage Vehicle Transaction Process

The following diagram illustrates the entire salvage vehicle auction process together with our value added alongside the transactions:



Note:

(1) Depending on the consignment agreements, such payments may be made to the insurance companies or directly to the actual sellers.

Step One: Survey and Damage Assessment

Following an accident or a natural disaster involving an insured vehicle, the damaged vehicle, especially one that is seriously damaged and likely to be deemed as a total loss vehicle, is generally required to be towed to a parking space or a vehicle repair shop for temporary storage and preservation pending insurance company survey and damage assessment. Such storage and preservation are important processes during the insurance claim because proper storage and preservation ensure evidence integrity for survey and damage assessment and prevent further degradation or damage caused by environmental hazards, theft or vandalism.

We, as an entrusted business partner of insurance companies and various other upstream salvage vehicle consignors, provide storage and preservation service to help vehicle consignors preserve value of salvage vehicles, facilitating the reuse and recycling of such vehicles. For details, see "— Salvage Vehicle Auction and Facilitation Services — Salvage Vehicle Auction Facilitation Services — Storage and Preservation Services."

Step Two: Total Loss Assessment

The insurance company will inspect the vehicle and estimate its ERC, PAV and SV to determine whether it is economically advantageous to repair a damaged vehicle. While insurance companies can determine ERC utilizing its own systems, determining PAV and SV is challenging due to the non-standardized nature of salvage vehicles. To determine PAV, the insurance company will look into fair market price of comparable used vehicles as well as insured amount. To determine SV, insurance company will initiate inquiries to companies specializing in disposing of salvage vehicles, like us, for a valuation on the vehicle's salvage value and assign the highest valuation as SV. If ERC is greater than the PAV less the SV, the insurance company generally will either (i) deem the vehicle as a total loss or (ii) negotiate with repair workshops to a reduced cost of repairing damaged vehicles. See "— Salvage Vehicle Auction and Facilitation Services — Salvage Vehicle Auction Services — Valuation Infrastructure."

We, with the help of our proprietary E-Pricing system, provide salvage valuations for insurance companies. For further details, see "— Salvage Vehicle Auction and Facilitation Services — Salvage Vehicle Auction Services — Valuation Infrastructure." We implement a back-to-back valuation mechanism in our valuation process, wherein valuation personnel from our local facilities generates initial valuation and personnel at headquarters formulates another independent valuation. This dual-valuation system to some degree ensures a robust valuation estimate, allowing for comprehensive market analysis and reducing the risk of mispricing. The final determination of the valuation amount rests with the employees at our local facilities, who assess both valuations in conjunction with market conditions and other relevant factors. Specially, the valuation personnel relies on our proprietary pricing system, E-Pricing, to help determine SV, which is then manually adjusted based on vehicle's specific features as well as local market conditions. For details on E-Pricing system, see "— Research and Development — E-Pricing System."

In addition, insurance companies can also use our E-Value system when making decisions during insurance underwriting and claims. For instance, E-Value system can effectively assist insurance companies' value discovery of PAV, which further streamlines the total loss assessment process.

Step Three: Salvage Vehicle Assignment

When the insurance company deems the damaged vehicle as a total loss, the insurance company will thereafter collaborate with the salvage vehicle auction company with the highest valuation on the vehicle's salvage value, i.e., the highest SV, and assign such vehicle to the salvage vehicle auction company for further handling. Depending on different fee arrangements, simultaneously with such assignment, insurance companies may either (i) pay the PAV directly to the actual seller first and then entrust the salvage vehicle auction company with the highest valuation estimate for subsequent settlement, or (ii) pay the difference between PAV and SV to the actual seller and ask the actual seller to settle the remaining SV with the salvage vehicle auction company.

If an insurance company or an actual seller assigns the vehicle to us for further auction, we will enter into an agreement with the insurance company and/or the actual seller (normally the title holder) and obtain the exclusive right to auctioning the vehicle. Upon receiving assignment, unless we provide prior storage and preservation services, we arrange for the in-bound logistics of the salvage vehicle from the original storage places, normally a franchised repair workshop, to our nearest offline facilities. During the assignment process, we will categorize salvage vehicles into reparable vehicles or irreparable vehicles, and the downstream buyers would be different: the downstream buyers are generally certified repair workshops for reparable cars, and licensed vehicle dismantlers for irreparable vehicles.

Step Four: Auction Preparation

Generally, after being transported to and inspected at our offline facilities, the vehicle remains in our storage and preservation areas for our potential buyers to preview in-person when it is to be auctioned. Given the damaged nature of the salvage vehicles, the salvage vehicles are auctions as-is with no additional certifications required. Nonetheless, we typically host preview sessions both online at our auction platform through uploading a variety of pictures and videos displaying vehicle's current conditions and offline at our facilities for at least three days for potential buyers to inspect and appraise the value of the salvage vehicle prior to the actual auction. Upon request, we may also furnish potential buyers vehicle history reports from third parties, outlining accident records and any damage incurred by the vehicle. This preview opportunity allows potential buyers to better observe salvage vehicles' condition, assess the impact of accidents on vehicle values and then make their own decisions, which also builds trust between the buyers and us and increases our transaction efficiency, transparency and effectiveness.

Step Five: Auction and Bidding

With sufficient introduction and exhibition for assessment by potential buyers, the salvage vehicles are listed on our online auction platform, with details about the make, age, cause of the accident, extent of damage and any other relevant information.

Generally, we set up a reserve price, representing the minimum price at which the salvage vehicle can be sold, for every vehicle. Bidding typically starts at a price is at or lower than the reserve price. Once the reserve price is reached, the highest bid will win. If the highest bid fails to reach the reserve price, we may adjust the reserve price and place it for another round. If the vehicle is not successfully auctioned off through more than two rounds, we may put up it for one-price auction for speedy disposal.

Step Six: Payment

Once the salvage vehicle is successfully auctioned off, the buyer is typically required to pay the final auction price for the auctioned vehicle within two days, and we generally thereafter remit to the insurance companies or the actual seller our valuation estimates, which is also the SV, during the total loss assessment, and certain percentage of the amount by which the final auction price exceeds the SV, depending on the specific agreements.

Step Seven: Delivery, Title Transfer and Others

The buyer is typically required to take possession of the sold vehicle within three days after the payment. Upon full payment and possession, the ownership of the vehicle is transferred from the actual seller to the buyer of the vehicle. Depending on whether the salvage vehicle is internally classified as reparable vehicles or irreparable vehicles, we adopt different title transfer procedures:

- For reparable vehicles, after payment by buyers, which are typically certified repair workshops, buyers can collect vehicles from our offline facilities. Although the ownership right is transferred from the actual seller to the buyer upon full payment and possession, we hold documentations on title transfer to ensure that the vehicle will be ultimately repaired and deemed road-worthy. Following collection, vehicle repairs shall be conducted, and we actively monitor the repair process to ensure that buyers can complete the repair process within the specified timeframe. Upon completion of the repairs, buyers notify us that vehicles are ready for title transfer at local authorities. We will release documentations to buyers only after vehicles are finally repaired and deemed road-worthy. Once the title transfer is registered, we submit the transfer documentations to the actual seller or the institutional upstream salvage vehicle consignors such as insurance companies. We believe this process ensures that all reparable salvage vehicles auctioned through our auction platform will not cause improper public damages; and

- For irreparable vehicles, given such vehicles will be further dismantled and will never be road-worthy, we adopt a streamlined title transfer process and allow the buyer to receive the title document upon a successful auction. Once the vehicle is dismantled, we submit the de-registration documentations to the upstream salvage vehicle consignors.

To facilitate auction transactions, we also offer logistics services for downstream salvage vehicle buyers to help close the transactions. For details, see "— Salvage Vehicle Auction and Facilitation Services — Salvage Vehicle Auction Facilitation Services — Other Ancillary Services."

Key Operating Metrics

The following table sets forth certain key operational metrics of our salvage vehicle auction and facilitation services.

	Year Ended December 31,		Nine Months Ended September 30,	
	2022	2023	2023	2024
Number of salvage vehicle transacted in auction *(units)*	68,166	108,114	78,806	87,391
Salvage vehicle GTV *(RMB in millions)*	2,908.4	4,799.5	3,526.0	3,282.3
Salvage vehicle average auction price (*RMB*)	42,666	44,393	44,741	37,559

Number of salvage vehicles transacted in auctions increased from 68,166 units in 2022 to 108,114 units in 2023, and increased from 78,806 units for the nine months ended September 30, 2023 to 87,391 units for the nine months ended September 30, 2024, primarily due to our business expansion.

Our salvage vehicle GTV increased from RMB2,908.4 million in 2022 to RMB4,799.5 million in 2023, primarily due to an increase in number of auctioned salvage vehicles, resulting from our business growth. Our salvage vehicle GTV decreased from RMB3,526.0 million for the nine months ended September 30, 2023 to RMB3,282.3 million for the nine months ended September 30, 2024, primarily due to price fluctuations in the China's automotive and, to a lesser extent, increasing number of irreparable salvage vehicles auctioned, which generally has lower average auction price per vehicle than reparable salvage vehicles.

Our salvage vehicle average auction price increased from RMB42,666 in 2022 to RMB44,393 in 2023, primarily attributable to an increase in the amount of higher value salvage vehicles auctioned that were damaged during flood and/or typhoon seasons, and decreased from RMB44,741 for the nine months ended September 30, 2023 to RMB37,559 for the nine months ended September 30, 2024, primarily attributable to price fluctuations in the China's automotive industry which led to changes in the average auction price on our platform as well as, to a lesser extent, higher sales contribution from irreparable salvage vehicles, which generally have a lower auction price.

USED VEHICLE AUCTION AND FACILITATION SERVICES

Leveraging our expertise and know-how in salvage vehicle auction industry accumulated over the years, expanding online presence and offline facilities network, our proprietary digitalization tools and vehicle consignor and buyer base, we further venture into used vehicle auction and facilitation services by connecting dealership groups, OEMs, rental companies and auto finance and leasing companies with downstream franchised car dealers and independent used car dealers. We believe used vehicle auction and facilitation services are natural extensions to our core business of salvage vehicle auction and facilitation services, primarily because (i) our existing salvage auction platform already possessed necessary technologies and resources to host online auctions efficiently, which can easily be adapted for used vehicles; (ii) the buyer base and network that the auction platform has cultivated in the salvage vehicle auction industry can be leveraged to propel the used vehicle auctions, especially given the fact that the certified repair workshops need a channel to dispose repaired vehicles; (iii) our existing offline facilities and logistics network established for salvage vehicles can be repurposed for transporting, delivering and storing used vehicles; and (iv) our deep industry insights over automotive industry over the years provide a solid foundation of successfully entering the used vehicle auction market.

Used Vehicle Auction Services

Overview

We were the largest institutional used vehicle auction platform and the third largest B2B used vehicle auction platform in China in terms of auction volume in 2023, according to CIC. Our auction platform provides upstream used vehicle consignors with an efficient channel to dispose of used vehicles in large volume and access to a wide range of downstream used vehicle buyers. As of September 30, 2024, we have served over 3,000 upstream used vehicle consignors and over 58,900 downstream used vehicle buyers. In 2023, a total of 119,148 units of used vehicles were transacted through our auction platform, with the GTV of RMB4,868.7 million.

Our online-offline integrated auction approach for salvage vehicles is also suited for merchandizing used vehicles. Our online auction capabilities provide the convenience of listing, viewing and comparing vehicles on a nationwide scale and our offline facilities can draw upstream used vehicle consignors and downstream used vehicle buyers to our physical locations to preview vehicles.

Consignors of used vehicles are primarily dealership groups and institutional consignors such as OEMs, rental companies and auto finance and leasing companies. Our used vehicle auction services address the remarketing needs of upstream used vehicle consignors because:

- For dealership groups, our used vehicle auction services provide them disposal solutions for the sale of consumer trade-in vehicles. These used vehicles are entrusted to us by different dealership groups and subsequently disposed of mainly through our online auction platform. As of September 30, 2024, we served 73% of top 100 auto dealership groups in China; and
- For institutional consignors, our used vehicle auction services provide them remarketing solutions for the sale of retired rental vehicles, retired program fleet vehicles, off-lease vehicles, and repossessed vehicles that have reached a predetermined age or mileage.

For a typical used vehicle consignor on our auction platform, the selling journey is as follows:

- *Consignment arrangement.* The consignors engage in consignment agreement with us, outlining the auction process for their used vehicles.
- *Inspection and pricing.* Once a consignor intends to sell used vehicles, we will arrange a standard inspection by our experienced employees or third parity inspectors. We will

discuss with consignors to set a reserve price based on historical transaction data, vehicle's specific conditions and the assistance from our proprietary E-Value system.

- *Preview and auction*. After being introduced and displayed for preview, used vehicles are listed on our online platform with detailed information for auctions by buyers.
- *Title transfer and delivery*. The upstream used vehicle consignor holds the title of the vehicle until the vehicle is ultimately auctioned off through our auction platform. Buyers will obtain title of the vehicle upon full payment and possession, at which point title transfer can be registered at local authorities.

Buyers of used vehicles on our auction platform primarily include franchised car dealers and independent used car dealers. For a typical buyer of used vehicle, the buying journey is as follows:

- *Online search and notification.* A buyer can search and receive notifications of upcoming used vehicle auctions through our online auction platform.
- *Inspection and pricing*. The buyer can inspect the photos and videos we posted on our online auction platform or choose to inspect the used vehicle in person in our offline facilities or where the vehicle is located.
- *Auction*. The buyer can then bid on our online auction platform.
- *Transfer and delivery*. Once a buyer wins the auction, the buyer enters into an agreement to purchase the vehicle, after full payment and taking possession of the vehicle, the title is transferred from the vehicle consignor to the buyer, at which point title transfer can be registered at local authorities.

Fee basis

We auction used vehicles on a consignment basis. We generate revenue from our used vehicle auction services primarily from auction fees and auction-related sales transaction fees charged to buyers for successful auctions on our auction platform. Under the consignment arrangement, in return for agreed upon fees, we auction vehicles on behalf of vehicle consignors, which continue to own the vehicles until they are transacted to buyers. Depending on different arrangements, we charge a variable auction fee and auction-related sales transaction fee based on the final auction price to downstream buyers.

We price our auction fees and auction-related sales transaction fees primarily based on (i) our costs for providing the relevant auction services and other ancillary services; and (ii) prevailing market prices of such services and competitive landscape. During the Track Record Period, our auction fees were approximately from 1.5% to 3% of final auction price.

Used Vehicle Auction Facilitation Services

During the used vehicle transaction process, we also provide a comprehensive suite of used vehicle auction facilitation services to cover the full transaction cycle of used vehicles.

Digitalization Empowerment Services

With our strong technology capabilities, we also offer our used vehicle consignors, in particular dealership groups, digitalization empowerment services (Saas services), such as our Carwins Cloud, which provides intuitive, easy-to-use digital tools that enable their headquarters to centrally manage their used vehicle business and enhance the overall operating efficiency.

The Carwins Cloud provides an integrated business solution covering used vehicle's entire lifecycle with various functions, covering, among others, customer relationship management, leads management, vehicle management, sales pricing reference, order management, financial management, auction management and data board. Integrated with our auction platform, Carwins Cloud enables relevant dealership groups to monitor real-time auction status and conveniently dispose of vehicles when necessary, streamlining processes. This all-in-one system empowers upstream consignors and enhances the overall transparency, efficiency and profitability of their used vehicle business. See "— Research and Development" for details.

We believe our digitalization empowerment services will play a pivotal role in driving the organic and sustainable growth of dealership groups' used vehicle businesses. As their used vehicle businesses continue to grow, we expect more used vehicles from dealership groups utilizing our digitalization empowerment services will be listed on our auction platform.

We may offer our digitalization empowerment services free of charge because we expect such services can enhance vehicle consignors' loyalty, which enables us to secure a stable and robust supply of used vehicles on our auction platform.

Other Ancillary Services

To facilitate used vehicle auction transactions, we also offer a comprehensive suite of other ancillary vehicle auction facilitation services, which expedite each stage of used vehicle sales process, helping us maximize returns and minimize costs.

- ***Storage services.*** Leveraging our nationwide offline facilities network, we provide storage services to upstream used vehicle consignors for the purpose of storage and pre-auction inspection and estimation. We charge either the upstream used vehicle consignors or the ultimate assignees of used vehicles relevant storage fees depending on, among others, length of storage and costs for transportation.
- ***Operation support services***. We provide upstream used vehicle consignors, primarily institutional consignors such as OEMs and rental companies, various operation support services, such as, among others, door-to-door vehicle inspection, vehicle appraisal and logistics support. We charge institutional consignors service fees for such services based on the nature of the services provided.
- ***Annual membership.*** We provide downstream used vehicle buyers a tiered membership system whereby they can enjoy different rights and benefits provided by our auction platform. Our registered members are free of charge, and we charge basic members and premium members annual fees. For details, see "— Our Membership System."

Key Operating Metrics

The following table sets forth certain key operational metrics of our used vehicle auction and facilitation services.

	Year Ended December 31,		Nine Months Ended September 30,	
	2022	2023	2023	2024
Number of used vehicles transacted in auction *(units)*	78,051	119,148	85,226	84,388
Used vehicle GTV *(RMB in millions)*	3,454.8	4,868.7	3,640.8	3,098.7
Used vehicle average auction price *(RMB)*	44,263	40,862	42,719	36,720

Number of used vehicles transacted in auctions increased from 78,051 units in 2022 to 119,148 units in 2023, primarily due to our business expansions and the acquisition of Carwins in 2022. Number of used vehicles transacted in auctions decreased from 85,226 for the nine months ended September 30, 2023 to 84,388 for the nine months ended September 30, 2024, primarily due to price fluctuations in the China's automotive industry which made buyers more conservative in purchasing vehicles from June 2024 to August 2024.

Our used vehicle GTV increased from RMB3,454.8 million in 2022 to RMB4,868.7 million in 2023, primarily due to the increase in number of auctioned used vehicles, resulting from our business expansion and the acquisition of Carwins. Our used vehicle GTV decreased from RMB3,640.8 million for the nine months ended September 30, 2023 to RMB3,098.7 million for the nine months ended September 30, 2024, primarily due to price fluctuations in the China's automotive industry.

Our used vehicle average auction price decreased from RMB44,263 in 2022 to RMB40,862 in 2023, and from RMB42,719 for the nine months ended September 30, 2023 to RMB36,720 for the nine months ended September 30, 2024, primarily attributable to price fluctuations in the China's automotive industry which led to changes in the average auction price on our platform.

OTHER SERVICES

We offer a comprehensive suite of other services to supplement our current service offerings, which include, among others, E-Report and auto parts marketplace. We either charge service fees based on the nature and complexity of the service involved or offer such services free of charge to enhance consignor and buyer loyalty to our auction platform.

E-Report

We provide E-Report, which is a vehicle history report provided to upstream vehicle consignors and downstream buyers. We provide such service either based on our own database, with support from third-party data modeling, by offering vehicle risk level reports and a summary of transaction history from our auction platform, or in collaboration with authorized third parties by channeling vehicle accident history from other authorized data sources. The E-Report shows historical information of salvage and used vehicles since their first registration, including, among others, age, make, model, registration date, vehicle identification number, claim history and overall risk assessment.

The E-Report could be a simplified version which is generated entirely from our own database, or a detailed version which we obtain from authorized third parties. We charge fees based on the type of E-Report requested.

The E-Report holds significant value for both buyers and vehicle consignors. For buyers, this report serves as a crucial tool for risk assessment when considering salvage or used vehicles, providing vital insights into the condition and history of the vehicle. On the other hand, for vehicle consignors, presenting a detailed vehicle report not only showcases confidence in the vehicle's quality but also helps justify a higher selling price by transparently highlighting its condition and maintenance history, ultimately instilling trust and attracting potential buyers' willingness to pay a premium for a well-documented vehicle.

Auto Parts Marketplace

We establish an online auto parts marketplace to promote the recycling of reusable auto parts and reduce the cost of vehicle repairs, which is in line with our ESG policies. With the circulation of dismantled vehicles and dismantled parts, our auto parts marketplace can effectively reduce the production of new parts, see "— Environmental, Social and Corporate Governance." As of September 30, 2024, our auto parts marketplace offered an extensive catalog of over 57,800 auto parts for sale, covering refurbished auto parts, rebuilt and reconditioned auto parts, defective auto parts, and others.

Our auto parts marketplace connects buyers with a network of reliable sellers, including certified repair workshops, licensed vehicle dismantlers, recyclers, and auto parts remanufacturers. As of September 30, 2024, there were more than 3,300 auto parts sellers on our auto parts marketplace. As of the same date, over 246,100 quotations were given by auto parts sellers on our auto parts marketplace.

Furthermore, our marketplace offers flexible purchase options such as direct order of single auto part or even a whole set of auto parts from one salvage vehicle.

Our auto parts marketplace is currently free of charge because it was initially designed to offer certified repair workshops and licensed dismantlers a channel for purchasing cost-effective auto parts and merchandising dismantled salvage vehicles, thereby enhancing buyer loyalty to our salvage vehicle auction and facilitation services. For instance, certified repair workshops and licensed vehicle dismantlers can exchange and transact reusable auto parts on our marketplace, saving repair workshops' operating costs in relation to repair and driving vehicle dismantler's revenue, respectively. Nonetheless, we believe our auto parts marketplace is poised to introduce additional revenue streams in the future.

Other Miscellaneous

In addition to the aforesaid services, we also occasionally offer a wide variety of other miscellaneous services such as documentation review to help vehicle consignors and buyers complete vehicle transactions. We charge service fees for such services based on the nature of the services provided.

VEHICLE SALES

During the process of disposing of salvage and used vehicles, certain upstream consignors approach us to purchase vehicles from them to help them manage and dispose of their vehicle assets efficiently. In response to such requests, we launch vehicle sales where, we purchase damaged new vehicles mainly from franchised car dealers, and retired used vehicles mainly from rental companies and then sell the vehicles for our own account.

We are well-positioned to address the vehicle disposal demands from upstream consignors because we possess the infrastructure and capabilities to navigate such business effectively. Vehicle sales involve a large transaction volume and requires comprehensive services, including vehicle inspection, preservation, logistics, and title transfer, all of which we are able to handle ourselves leveraging our offline facilities. Importantly, there are significant entry barriers in this space, as consignors typically select partners with whom they have established relationships and who can provide comprehensive solutions for large-volume disposals. By offering these comprehensive capabilities and maintaining trusted partnerships, we have become the preferred channel for consignors to dispose of vehicles in a timely and efficient manner.

Under vehicle sales, we purchase vehicles at a price based on market price of comparable vehicles on our platform, historical transaction records and reasonable estimated profit. We then sell such vehicles either directly to buyers based on our own channels or to buyers on our online platforms. We do not profit by charging a fee to the seller or the buyer, but profit from the difference between the buying and selling price. Working capital requirements for vehicle sales are greater. Nevertheless, vehicle sales are strategic important additions for our auction platform, enabling us to address consignors' needs comprehensively, improve consignor retention, expand business relationship, secure more vehicle supply and diversify revenue stream from consignors.

INDUSTRY PARTICIPANTS

The primary businesses involved in the salvage vehicle auction and used vehicle auction industry include vehicle auction companies like us, upstream vehicle consignors and downstream buyers.

Upstream Vehicle Consignors

Salvage Vehicle Auction Industry

Insurance Companies and Other Institutions

The primarily salvage vehicle consignors are insurance companies who engage us to auction damaged vehicles deemed as total loss vehicles. Leveraging our robust valuation infrastructure, we have cultivated robust partnerships with a select number of insurance companies across the country. As of September 30, 2024, we have provided salvage vehicle auction services to over 95% of the insurance companies which operate automotive insurance business in China, and covered all Top 50 insurance companies. Over the years, the majority of salvage vehicles were sourced from such insurance companies, demonstrating a reliable and consistent flow of salvage vehicles into our auction platform. In 2022, 2023, and for the nine months ended September 30, 2023 and 2024, insurance companies disposed of 64,576, 94,316, 69,461 and 74,727 units of salvage vehicles through our auction platform, respectively, representing 94.7%, 87.2%, 88.1% and 85.5% of our total number of salvage vehicles transacted in auctions during the respective periods.

The following sets forth material terms of our agreements with insurance companies:

Scope of service. Insurance companies entrust us for providing objective and fair value assessment of damaged vehicles. Once our valuation estimates are accepted, we shall provide relevant salvage vehicle auction and facilitation services either for insurance companies and/or the actual seller of the damaged vehicles.

Duration and termination. The term of our agreements with insurance companies generally ranges from one to three years. The agreements may generally be terminated upon mutual consent, and either party is generally entitled to terminate in the event of the other party's material breaches.

Payment. We are generally obliged to pay SV to the applicable consignors and certain percentage of the amount by which the final auction price exceeds the SV, to the insurance companies after we receive the auction proceeds from the downstream buyer.

Principal obligations of parties. The insurance companies are obliged to provide accurate information related to the vehicle and provide necessary assistance in completing the title transfer. We are obliged to comply with agreed time limits for vehicle disposal.

Anti-bribery. Either us or the insurance companies are generally prohibited from offering any improper benefits to the other party and their staff.

Additional institutional consignors include (i) auto finance and leasing companies which process repossessed salvage vehicles, (ii) rental companies, which process self-insured salvage vehicles and occasionally process retired fleets, and (iii) other companies which entrust us to process certain salvage vehicles.

Actual Seller

The actual seller of a salvage vehicle is typically the insured or the actual title holder of such vehicle. After a salvage vehicle being deemed as a total loss, the insurance company will obtain the disposal right of such vehicle while the actual seller still holds the title of such vehicle. If the insurance company or other institutional consignors assign the vehicle to us for further auction, we will enter into a consignment agreement with the actual seller pursuant to the master consignment framework agreement we had with the upstream institutional consignors and obtain the exclusive right to auction the vehicle. For details, see "— Salvage Vehicle Auction and Facilitation Services — Salvage Vehicle Transaction Process."

The following sets forth material terms of our agreements with the actual seller:

Scope of service. We are consigned by the actual seller to dispose of the underlying vehicles.

Termination. We are entitled to terminate the agreement if (a) the actual seller violates his representations and warranties, (b) the actual seller causes or may cause the value of the vehicle to be depreciated and/or the registration of the vehicle to be impossible (regardless of whether or not the vehicle has been auctioned), and (c) the title transfer cannot be completed due to the actual seller's reasons.

Payment. We are typically obliged to pay SV to the actual seller after we receive the auction proceeds from the downstream buyer.

Principal obligations of parties. The actual seller is obliged to provide accurate information related to the vehicle and provide necessary assistance in completing the title transfer. We are obliged to make timely payments of the amount predetermined in case of successful auctions.

Used Vehicle Auction Industry

Consignors of used vehicles are primarily dealership groups and institutional consignors such as OEMs, rental companies and auto finance and leasing companies.

Dealership Group

Dealership groups is our largest consignor of used vehicles. Dealership groups benefit from our used vehicle auction services by utilizing them as disposal solutions for consumer trade-in vehicles.

These vehicles, sourced from various dealership groups, are efficiently managed and auctioned off predominantly through our online auction platform, streamlining the process for both vehicle consignors and buyers. As of September 30, 2024, we served 73% of top 100 auto dealership groups in China. In 2022, 2023, and for the nine months ended September 30, 2023 and 2024, these dealership groups disposed of 69,725, 112,191, 79,998 and 79,190 units of used vehicles through our auction platform, respectively, representing 89.3%, 94.2%, 93.9% and 93.8% of our total number of used vehicles transacted in auctions during the respective periods.

The following sets forth material terms of agreements with dealership groups:

Scope of service. We provide the dealership group with used vehicle auction services to dispose of their vehicles through our online auction platform.

Duration. We typically enter into one-year agreement with dealership groups.

Payment. We charge service fees to downstream buyer after the vehicle is successfully auctioned off based on the final auction price.

Deposit. The dealership group shall pay a certain amount of security deposit, which is to be used to offset corresponding amount in event of default by the dealership group.

Principal obligations of parties. The dealership group is obliged to obtain the authorization from the vehicle owner, provide accurate information related to the vehicle and provide necessary assistance in completing the title transfer.

Institutional Consignor

For institutional consignors, our used vehicle auction services offer comprehensive remarketing solutions tailored for retired rental vehicles, retired program fleet vehicles, off-lease vehicles, and repossessed vehicles that have met specific age or mileage criteria. By leveraging our services, institutional consignors can effectively market and sell these vehicles to a broad audience of potential buyers, maximizing their returns and streamlining the disposal process. As of September 30, 2024, we provided used vehicle auction services to approximately 900 institutional consignors in China.

The following sets forth material terms of agreements with institutional consignors:

Scope of service. We provide the institutional consignor with used vehicle auction and facilitation services to dispose of their vehicles through our online auction platform.

Duration and termination. We typically enter into one- or two-year agreement with the institutional consignor. The agreement may be terminated by either party by serving an one-month prior written notice to the other party.

Payment. We charge auction and auction-related sales transaction fees as well as services fees for each successful auctions. After receiving advances from buyers, we are entitled to deduct our fees and then remit the net advances received by the institutional consignor.

Principal obligations of parties. The institutional consignor is required to provide necessary assistance in completing the title transfer.

Downstream Buyers

We have a wide range of diverse but loyal network of buyers on our auction platform. The buyers of our salvage vehicles are primarily certified repair workshops and licensed vehicle dismantlers. The buyers for used vehicles are primarily franchised car dealers and independent used car dealers. These buyers are only allowed transact on our auction platform once become our basic or premium members. To initiate transactions, a buyer needs to place with us a security deposit. The basic members need to pay different deposits for each transaction according to the price of the vehicle, and the premium members pay a fixed deposit of RMB10,000 when they first become our premium members. See "— Our Membership System."

During the Track Record Period, the buyers of our salvage vehicles were primarily certified repair workshops and licensed vehicle dismantlers. Certified repair workshops generally purchase salvage vehicles to repair and resell. Licensed vehicle dismantlers dismantle a vehicle and sell parts individually to part dealers, repair workshops, or to the public. As of September 30, 2024, over 42,300 members were certified repair workshops and over 950 were licensed vehicle dismantlers.

During the Track Record Period, the buyers for used vehicles were primarily franchised car dealers and independent used car dealers. Our auction platform enables our used car dealers to conveniently and efficiently identify used vehicle offerings and place bids on used vehicles that meet their specific needs and requirements from a vast and expanding inventory of various brand, make, model, price, age, mileage and specifications either online or offline. As of September 30, 2024, over 1,500 members were franchised car dealers and over 57,300 were independent used car dealers.

RESEARCH AND DEVELOPMENT

Our operations are supported by technologies throughout all stages of the salvage and used vehicle auction process. We believe that research and development is critical to our business operation, future growth and ability to remain competitive in the industry. We place significant emphasis on research and development to continuously improve our technologies, develop new technologies and services that are complementary to existing ones and find ways to better support, and meet the evolving demands of, our buyers and vehicle consignors.

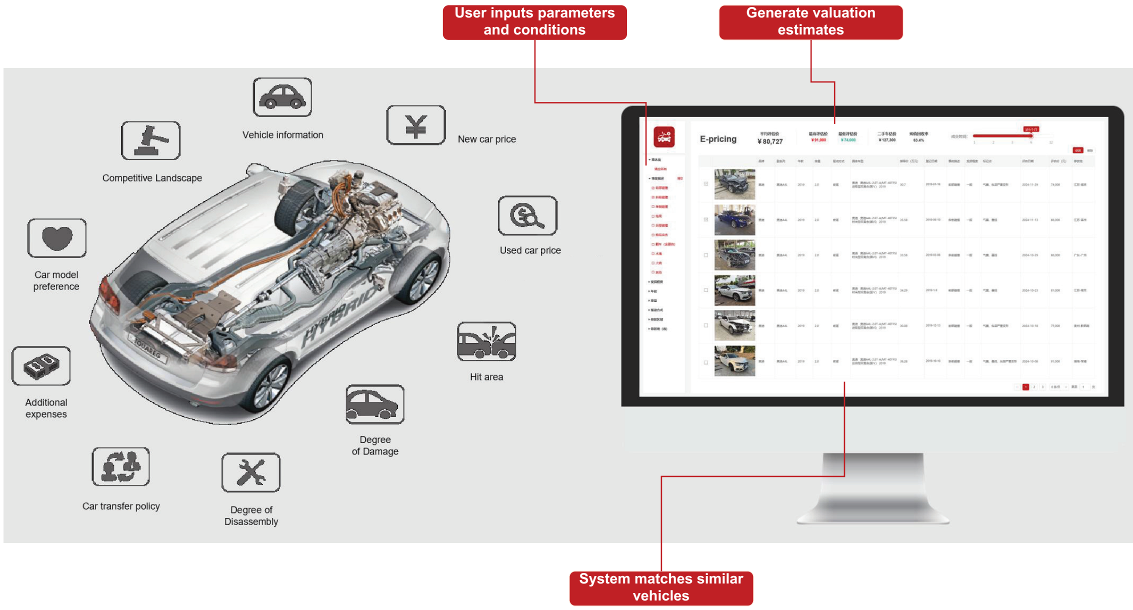
We have assembled a research and development team with 51 employees comprising seasoned experts, programmers and designers, who possess comprehensive capabilities in software architecture, design, research and development and testing. Currently, all of our operating systems are self-developed.

Our R&D Focus

We are committed to developing research and development capabilities with a focus on the application of the latest technologies, including big data and artificial intelligence, to drive the upgrade and innovation of our service offerings, optimize our auction platform and enhance our consignor and buyer experience and operation efficiency. Over the years, we have introduced a variety of proprietary systems and applications that help facilitate the salvage and used vehicle auction process.

E-Pricing System

Our proprietary E-Pricing system is an intelligent salvage value estimation system, with the help of which we can quickly estimate the approximate SV of each salvage vehicle and provide reference for insurance companies. Our valuation infrastructure is greatly supported by E-Pricing system based on massive, genuine and time-sensitive transaction data we have accumulated over the years, see "— Salvage Vehicle Auction and Facilitation Services — Salvage Vehicle Auction Services—Valuation Infrastructure."



In the process of salvage value estimation, the E-Pricing system utilizes extensive array of information, including vehicle information, vehicle make preference, additional expenses, vehicle transfer policy, degree of disassembly, degree of damage, hit area, price of accident vehicle after repair and new vehicle price. The system incorporates a sophisticated analysis of the accident type and the extent of damage sustained by the vehicle, offering a comprehensive understanding of its condition. Furthermore, it utilizes a thorough examination of comparable vehicle bid histories, enabling users to make informed decisions based on past market trends and pricing data. Moreover, the E-Pricing system includes a robust market value analysis component, which factors in various market dynamics to ensure that the valuation is aligned with current industry standards and trends. This analytical framework is further enhanced by manual inspection and examination processes, which add a layer of human expertise and verification to the valuation process, ensuring that the value estimation is as accurate and reliable as possible. By combining advanced data analysis with manual inspection, our E-Pricing system sets a new standard for precision and transparency in the valuation of salvage vehicles, empowering stakeholders with the information they need to make informed decisions in the salvage vehicle marketplace.

The E-Pricing system is crucial in our valuation process, allowing us to deliver fair and accurate SV estimation to insurance companies. This capability significantly improves our success rate in securing collaborations with insurance companies, as it demonstrates our commitment to accuracy and strengthens insurance companies' confidence in our services, Furthermore, an accurate and reliable valuation estimate that resembles fair market value of the underlying vehicles can also improve auction efficiency, providing better transaction experience for buyers, further solidifying our industry leadership position.

E-Value System

Our independently developed E-Value system is a used vehicle valuation tool, which is purposed to provide accurate and reliable price assessments for used vehicles. We primarily use it in total loss assessment step during our salvage vehicle auction services to help insurance companies determine PAV and in inspection and pricing step during our used vehicle auction services to determine fair market value of a used vehicle to be sold.

The E-Value system is supported by a complete set of genuine transaction data on our auction platform, including used vehicle trade-in price, used vehicle B2B auction price, retail used vehicle price, vehicle appraisals and certified pre-owned price, making it able to automatically generate a suggested price for a particular used vehicle based on our historical transaction data and the specific condition of the used vehicle, which further enhances the efficiency and effectiveness of our auctions.

The E-Value system's core strength lies in its access to a broad and current dataset. It utilizes over 4,000 daily transactions in the used vehicle market, capturing real-time price fluctuations and market trends to refine its estimation accuracy continually as market price of used vehicles fluctuate daily. This ongoing stream of data from our auction platform provides a reliable foundation, as it reflects actual trade behaviors and market conditions, giving users a credible benchmark for vehicle values across various conditions and categories.

Except for our internal use, the E-Value system can also be used for insurance companies and financial institutions. Insurance companies rely on it to make informed decisions during insurance underwriting and claims assessment, especially when determining PAV of salvage vehicles. Additionally, the E-Value system serves as a reliable price reference tool for other consumer-facing automotive and insurance related applications to help their direct-to-consumer services, guiding used vehicle purchases and retail pricing decisions.

The Boche Auction APP

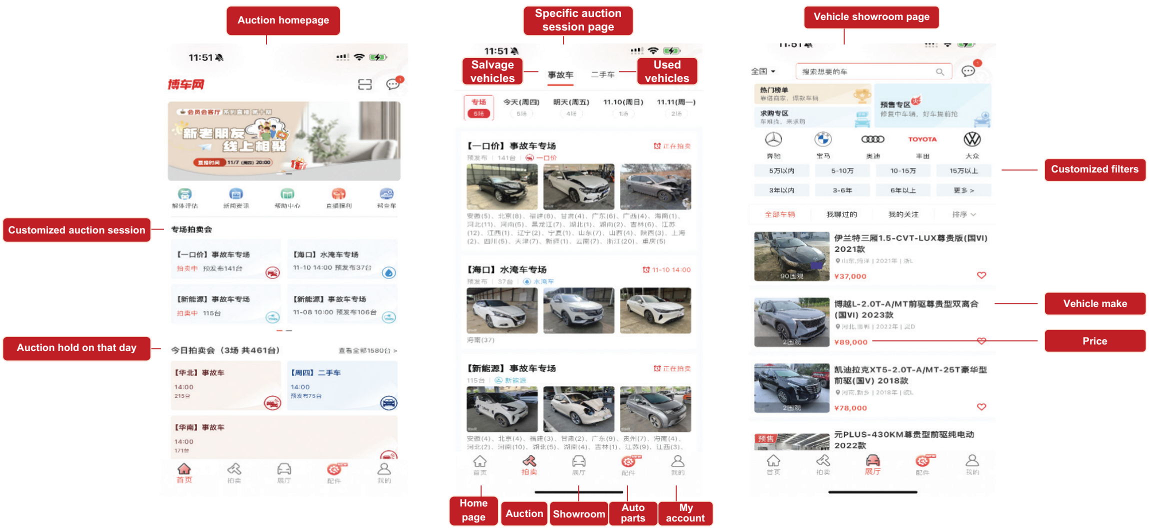
Our Boche Auction APP enables our members to conveniently navigate through an extensive selection of salvage vehicle and used vehicle resources both inside and outside their local market, allowing buyers to participate in auctions in real time.

In our Boche Auction APP, interested members can browse salvage vehicles and used vehicles, and they may also search and discover vehicles through customized filters, such as make, location, age and price. Members can click on the vehicle of their interest to access the basic information of such vehicle, such as, among others, its make, age, cause of the accident and storage location. Members may also know extent of damage of the salvage vehicle through pictures or videos online in addition to observe onsite. Furthermore, if members are interested in a vehicle at our offline facilities, they may use the scanning function in Boche Auction APP, scan the QR code on the front windshield of the vehicle, and grasp the vehicle's basic information, photos and the auction progress.

For interested members to have a detailed preview, each pre-auctioned vehicle along with its basic information, is available online at least three days prior to the auction. Members may set up auction beginning alerts for their interested vehicles, and our auction platform will trigger a phone call to the members five minutes before auctions, reminding them to participate in auctions in a timely manner. Once salvage vehicles are put up for auction, members can place bids and bid against each other. Since our online auction is an open auction, interested bidders knows the highest bid made.

Our members can also participate in auto parts transactions on our auto parts marketplace in our Boche Auction APP, see "— Other Services — Auto Parts Marketplace."

The pictures below set forth a sample interface of our Boche Auction APP.



Carwins Cloud

Carwins Cloud is a comprehensive used vehicle SaaS system tailored for upstream used vehicle consignors, in particular dealership groups, providing intuitive digital tools that enable their headquarters to centrally and systematically manage their used vehicle business and enhance the overall operation efficiency. Our Carwins Cloud has been widely recognized by industry participants, and has been adopted by a total of over 260 OEMs and dealership groups as of September 30, 2024.

By harnessing the power of big data analytics and cloud computing technologies, the Carwins Cloud delivers an all-encompassing solution for the entire lifecycle of used vehicles. This includes seamless management from initial leads to final sales, enhancing operational efficiency and decision-making capabilities. The primary functions of Carwins Cloud include:

- ***Customer relationship management.*** The Carwins Cloud possesses robust customer relationship management capabilities, utilizing big data to accurately map out customer profiles, enabling us to better understand and serve our clients.
- ***Leads management.*** The Carwins Cloud assists users in tracking procurement and sales leads, consolidating upstream and downstream demands centrally on the system platform. Utilizing advanced analytics and computing capabilities, it automatically generates, tracks and analyzes potential leads and orders, thereby facilitating vehicle transactions and ensuring that no opportunity is missed.
- ***Vehicle management.*** The Carwins Cloud enables robust vehicle management capabilities, including AI-powered image recognition for automatic data entry. Users can swiftly upload vehicle information in bulk with a single click, and benefit from a built-in vehicle database for easy access and addition of various vehicle details. Furthermore, the system supports efficient management of vehicle inventory, streamlining the process and enhancing operational efficiency.
- ***Sales pricing reference.*** The Carwins Cloud offers advanced sales pricing reference, incorporating recent wholesale procurement prices and retail sales prices as reference points. Users can easily conduct price inquiries, manage retail and wholesale transactions, set auction reserve prices, reference third-party platform quotes, and track transaction prices, empowering them to make well-informed pricing decisions and effectively manage sales processes.
- ***Order management.*** The Carwins Cloud streamlines order management by facilitating tasks such as order approval, vehicle returns, through which users can monitor orders in real-time. Moreover, it automatically generates sales orders upon selling a vehicle, providing a seamless and efficient workflow for managing all aspects of vehicle sales transactions within the platform.
- ***Financial management.*** The Carwins Cloud enhances financial management by streamlining payment, collection and financial data entry processes. This improves financial visibility and control, streamlines time-consuming processes, and minimizes manual errors.
- ***Auction management.*** The Carwins Cloud can integrate our online auction platform into users' own interface, enabling users to conveniently monitor auction status and manage auctions.
- ***Data board.*** Users can access real-time vehicle metrics, such as total inventory and total payables, customer insights like the cumulative total number of customers, and financial details including gross profit and gross margin.

The pictures below set forth a sample user interface of Carwins Cloud.

This all-in-one system empowers upstream consignors and enhances the overall transparency, efficiency and profitability of their used vehicle business. We believe our Carwins Cloud can contribute to the organic and sustainable growth of the dealership groups' used vehicle business. As their used vehicle businesses continue to grow utilizing our Carwins Cloud, their used vehicle inventory is expected to increase, for which they may choose to dispose of through our auction platform that has been seamlessly integrated with the Carwins Cloud.

OUR MEMBERSHIP SYSTEM

All the downstream buyers are required to become our members before utilizing our auction platform. We offer three tiers of membership, including registered members, basic members and premium members, each with different rights and benefits catering to buyers of different sophistications.

- ***Registered members***. By uploading business qualification, any user can become our registered member free of charge after we certify their qualification. Registered members enjoy a host of advantages, including free access tailored for new users seeking to explore the platform, the ability to browse both vehicles on our online platform and our offline facilities, and the option to purchase auto parts from our auto parts marketplace. As of September 30, 2024, we had approximately 284,600 registered members.
- ***Basic members***. By paying an annual fee of RMB599 or security deposits, basic members can participate in salvage and used vehicles auctions hosted on our online auction platform. Any basic members are able to participate in used vehicle auctions, and only the basic members with salvage vehicle enterprise qualification, such as certified repair workshops and licensed vehicle dismantlers, are able to participate in salvage vehicle auction. Moreover, for irreparable vehicles, since such vehicles will be further dismantled, only licensed vehicle dismantlers are able to participate in such salvage vehicle auction. Basic membership is recommended for less frequent buyers. To engage in auctions, basic members are required to prepay a temporary security deposit for each vehicle being auctioned and can bid on up to five vehicles simultaneously. Sufficient security deposits are required to bid on vehicles corresponding to their values. The primary benefits of basic

membership include low capital commitment, with refundable security deposits for unsuccessful bids, offering basic members flexibility and ease in participating auctions. As of September 30, 2024, we had approximately 70,000 basic members.

- ***Premium members***. By paying higher annual fees, premium membership can enjoy more benefits. Premium membership is recommended for frequent buyers. With a fixed security deposit of RMB10,000, premium members can bid on multiple vehicles concurrently, with bidding limits reaching up to RMB1.0 million. The key advantage lies in the convenience and cost-effectiveness of requiring only a single substantial deposit, eliminating the need for frequent deposit payments. Historically, we also had premium members most of whom paid security deposit of RMB20,000 but no annual fee. We only accept new premium member with annual fee since April 2022. As of September 30, 2024, we had approximately 10,000 premium members.

The following sets forth material terms of agreements with members:

Disclaimer. We shall not guarantee the quality of the auction subject and is not liable for defects of the auction subject.

Payment. Members are required to prepay a security deposit to participate in the auctions. Members shall pay for the sold vehicle within two days once the salvage vehicle is successfully auctioned off. Depending on different arrangements, we would generally charge an auction fee of no more than 15% of the final auction price and other auction-related sales transaction fees for each successful transaction.

Title transfer. The upstream vehicle consignors and members are responsible for the title transfer, and we shall not bear the risk of title transfer. Members are required to upload relevant legal documents to our online platform within three days after completing the title transfer.

Termination. We are entitled to terminate the agreements in cases of material breaches of agreements by members.

Our members are loyal to our auction platform and we witnessed strong repurchase of members during the Track Record Period. In 2022, 2023, and for the nine months ended September 30, 2023 and 2024, the repurchase rate, calculated as members who have successfully purchased more than two vehicles divided by members who have successfully purchased at least one vehicle for the relevant period, of our members was 71.2%, 74.1%, 71.9% and 70.7%, respectively, which were higher than the industry average, according to CIC.

IMPACTS OF THE DEVELOPMENT OF NEVS

The recent surge in NEV sales has significantly transformed the landscape of China's automotive industry. In the nine months ended September 30, 2024, NEV sales accounted for more than 40% of new vehicle sales. These new NEVs will eventually become salvage or used vehicles and in turn impact China's salvage and used vehicle industry. Fluctuations in market trends and industry policies that impact the demand and supply dynamics of new vehicle sales (including new NEVs), as well as the behavior of insurance companies towards these vehicles, may indirectly affect the salvage and used vehicle industry in China and our operational performance over the long term. We believe the increasing popularity of NEVs brings both opportunities and challenges to our business and impact our business segments in various aspects.

In general, however, salvage vehicles and used vehicles — regardless of used ICEs or used NEVs — are highly technical and non-standard products and generally require a different set of talent, skills and experience from new vehicle sales and routine repair and maintenance of the respective type of vehicles. As such, we believe that after NEVs start to enter the circulation of used vehicles in a large volume, similar to the situation in salvage and used ICEs, upstream consignors of used NEVs (including NEV OEMs) will increasingly need services from third-party used vehicle transaction service providers to assist these consignors in various aspects of their used NEV trade-in transactions and subsequent disposal of used NEVs. Specifically, the increasing popularity of NEVs is expected to impact our services in the following manner:

- ***Salvage vehicle auction and facilitation services***. The loss ratio of NEVs is 1.5-2 times higher than that of ICEs, which means that NEVs generally have a higher probability to be deemed as total loss vehicles. The three-year residual rate of NEVs is less than 50%, nearly 10 percentage points lower than that of ICEs, implying a faster depreciation rate and a lower PAV as compared to ICEs of the same age. In addition, due to the higher degree of integration of auto parts, a single accident may cause greater damage to NEVs, resulting in higher average repair costs for NEVs, typically ranging from 20-30% higher of that of ICEs. Insurance companies may need to adjust their valuation methodologies to account for the specialized nature of NEVs. All these factors may lead to higher total loss frequency for NEVs, leading to an increase in total loss frequency in the auto insurance industry. This provides new opportunities for salvage auctions but also requires adjustments in the valuation and auctioning processes to account for the unique characteristics of NEVs.
- ***Used vehicle auction and facilitation services***. According to CIC, it is common for NEV OEMs to collaborate with used vehicle auction platforms for the disposal of used NEVs. Currently, used NEVs still accounts for a small part of the total used vehicle sales. According to CIC, in 2023, the transaction volume of used NEVs was approximately 763 thousand units, accounting for 4.7% of total used vehicle sales in 2023. Moreover, due to the faster upgrade of new makes and shorter battery life, NEVs are expected to enter the used vehicle market earlier in their lifecycle. As such, given the rapidly increasing new NEV sales in recent years, we expect that a corresponding and rapidly increasing number of used NEVs will enter the used vehicle market in the next few years and the demand for transaction platforms like ours for the disposal of used NEVs will accordingly increase.
- ***Research and development***. We need to continue to invest in used NEV-related facilities and R&D activities in preparation for increasing salvage and used NEV transaction needs. The development of NEVs demands us to continuously upgrade our technologies, especially vehicle estimation methodologies to address the complexities of NEV-specific components, such as battery health, software systems and autonomous driving capabilities. See "Future Plans and Use of **[REDACTED]**."
- ***Regulatory developments***. Various government policies, regardless of whether they are aiming at directly boosting new vehicle sales, may impact China's automotive industry in general and China's salvage and used vehicle industry in particular, thereby affecting our business operation as a result. For example, on March 7, 2024, the State Council promulgated Action Plan to Promote Large-Scale Equipment Renewal and Trade-in of Consumer Goods (《推動大規模設備更新和消費品以舊換新行動方案》), which, among others, stipulates enhancing the policy support for used vehicle trade-ins. On March 27, 2024, fourteen departments including the MOFCOM, jointly issued the Action Plan to Promote Trade-in of Consumer Goods

(《推動消費品以舊換新行動方案》), which stipulates that one of its key tasks is to carry out the trade-in of used vehicles for new vehicles, and it further stipulates certain specific requirements to facilitate this key task, including, to the extent relevant to our industry: to increase the relevant fiscal and financial policy support to used vehicle trade-ins; to encourage qualified local governments to provide support to vehicle trade-ins; to further uphold the standards in the automotive field; to promote convenient transactions of used vehicles; to grow and expand used vehicle business entities; and to promote the innovative development of used vehicle circulation and consumption. These policies may indirectly lead to an increase in the demand for renewals of NEVs.

SALES AND MARKETING

Our sales and marketing efforts are primarily focused on attracting new and maintaining existing vehicle consignors onto our auction platform. As of September 30, 2024, we had 266 employees responsible for sales and marketing activities. We enhance the awareness of our brand and promote our reputation among both vehicle consignors and buyers through both offline and online channels.

- ***Online channels***. We primarily conduct online marketing and promotion through platforms such as WeChat official accounts and the Boche Auction APP to promote our recent movements and high-quality vehicles.
- ***Offline channels***. We regularly participate in industry conferences, product launches and industry salons, such as China Vehicle Auction Industry Conference (中國機動車拍賣行業大會) and China Scrap Vehicle Recycling and Dismantling Industry Conference (中國報廢汽車回收拆解行業大會), to showcase our auction capabilities and develop relationships with industry participants, keep abreast with the latest industry policies and trends and communicate with peer companies and potential customers in our industry. We attend such events to actively market and promote our auction platforms for insurance companies, OEMs and auto dealers. We use this strategy to expand our presence in the automotive industry. In addition, we have benefited from word-of-mouth referrals by the large number of vehicle consignors and buyers who were pleased with our services.

ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE

Overview

We consider environmental, social and corporate governance ("ESG") matters as an integral part of our operations. We advocate the circular economy, committed to accurately evaluating the vehicle value through technology, avoiding excessive repair of reparable vehicles and unsafe repairs of dismantlable vehicles. We will establish a set of ESG policies ("ESG Policy") in accordance with the standards of Appendix C2 to the Listing Rules, which outlined, among others, (i) the appropriate risk governance on ESG matters, including climate-related risks and opportunities, (ii) ESG strategy formation procedures, (iii) ESG risk management and monitoring, (iv) the identification of key performance indicator ("KPI") and (v) the relevant measurements and mitigating measures.

We have incorporated ESG management into our development strategy, our business and daily operations. Our ESG Policy will set out different parties' respective responsibilities and authority in managing ESG matters. Our Board will have overall responsibility for overseeing and determining our environmental, social, and climate-related risks and opportunities impacting us, establishing and adopting the ESG Policy and our targets, and estimating our ESG-related risks. Our Board will establish an ESG working group to support our Board in implementing the agreed ESG Policy, targets and strategies; conducting materiality assessments of ESG related risks; collecting ESG data from different parties while preparing for the ESG report; and continuous monitoring of the implementation of measures to address our Group's ESG-related risks. Our ESG working group is responsible for supporting our Board in implementing the agreed ESG Policy, targets and strategies. Our ESG working group is responsible for ensuring that ESG Policy, targets and strategies are integrated into daily business operations.

During the Track Record Period and up to the Latest Practicable Date, we were not subject to any material claim or penalty or accident in relation to health, work safety, social and environmental protection, as advised by our PRC Legal Adviser we had been in compliance with the relevant PRC laws and regulations in all material aspects.

Environment

We are an environmental-friendly company as demonstrated by the following efforts and measures. With a sustained focus on the effects of climate change on our business operations, we, with reference to the four core pillars of Task Force on Climate-related Financial Disclosures ("TCFD") recommendations, namely Governance, Strategy, Risk Management and Metrics and Targets, assesses and implements a variety of climate change risk management measures. These efforts aim to ensure our long-term resilience to climate risks and maintain vigilance in responding to the potential climate-related impacts and risks.

Climate-related Risk and Risk Assessment & Management

We are adopting various strategies and measures to identify, assess, manage and mitigate ESG and climate-related risks. We have identified several climate change-related risks that may adversely affect our business operations by reviewing our internal policies, understanding current situations in business operations, and studying relevant government policies, and list out the potential impacts and responses correspondingly.

Risk Type	Climate Related Risks	Potential Impact	Risk Management Actions
Physical Risks	Risks from climate change may have an adverse impact on our business operations and property security, including: • extreme weather events such as floods and blizzard may have an adverse impact on vehicle storage, preservation and logistics in remote or high-risk areas, and cause damage to the	Service outage and data loss, the resulting financial liabilities and reputation damages.	• Establish emergency towing and logistics processes in disaster-prone areas and purchase relative insurance. • Optimize auction process and safeguard mechanism to protect property safety. • Constantly monitor the risk events and impacts from climate change in the regions in which we operate, and take timely measures to avoid

Risk Type	Climate Related Risks	Potential Impact	Risk Management Actions
	infrastructure of offline facilities; • high temperatures or extreme weather events may have an adverse impact on the quality of the vehicle and auto parts, reducing the auction price; and • during the disposal of salvage NEVs, damage to batteries may pose a risk of fire or explosion, which may lead to major safety accidents or environmental pollution.		damages to our auction sites. • Monitor inventory and capital resources to respond to disaster reliefs programs such as sales of flood-damaged vehicles.
Transition Risks	• ***Compliance.*** The development of environmental protection policies, such as the elimination of high-emission vehicles or higher standards of pollution emissions from the disposal of salvage vehicles, will lead to the increase in our cost and operating expenses. The standardized management of automotive scrapping and recycling may reduce the auction demands of our downstream buyers. • ***Market.*** The decreasing market demand for salvage ICEs and the increasing market demand for high-tech repairs and battery recycling will lead to the increase in our cost	Increased operating and/or compliance costs.	• Comply with the relevant policies and industry guidelines, including disclosure requirements relating to carbon emission. • Conduct regular market research to keep abreast of trends in consumer demand for environmental-friendly vehicles. • Monitor market trends and invest in relevant proprietary technology and training programs. • Transparently disclose environment-related treatment processes and indicator data in accordance with relevant laws and regulations, strengthen risk management and control, and cooperate with government or environmental organizations to build credibility.

Risk Type	Climate Related Risks	Potential Impact	Risk Management Actions
	and operating expenses. • ***Technology.*** Failure to adapt to digitalization trends will result in loss of our market competitiveness; and the technology upgrades demand brought by the development of NEVs may require us to invest more in R&D. • ***Talents.*** The recruiting and training of technology talents and NEV-related talents may increase our operating expenses. • ***Reputation.*** Environmental pollution or improper handling during the disposal of salvage vehicles, especially safety or environmental incidents caused by batteries may have an adverse impact on our reputation; and the non-transparent quality of the auctioned vehicles may have an adverse impact on customer trust.		

Given the nature of our business, we do not produce any significant emissions or waste, and we cause no heavy pollution. Nonetheless, we monitor environmental and climate related risks that may impact on our business, strategy and financial performance as our key agenda. Supervised by our Board, we actively identify and monitor the ESG-related risks and opportunities over the short, medium and long term, and we seek to incorporate such climate-related issues into our businesses, strategy and financial planning. We regularly check and analyze the carbon emissions caused by our own business operations, and continuously explore solutions to reduce carbon emissions.

During the Track Record Period, we did not incur significant capital expenditure or compliance costs related to climate and environmental protection.

Environmental Protection Initiatives

We are not involved in any manufacturing activities, and therefore we do not emit a significant amount of greenhouse gasses, wastes or pollutants from our business operations. Moreover, our business model itself serves to reduce carbon emissions and improve energy efficiency by facilitating the recycling of salvage vehicles and used vehicles and extending the vehicles' use life. Notwithstanding the emission-friendly nature of our business, we have implemented, and plan to continue to implement various measures to improve energy and water efficiency in our daily business operations. Our ESG goal extends beyond simple adherence to laws and regulations, as we implement and execute on processes and programs that contribute to environmental stability.

- ***Empowering circularity through our operations.*** Our business model is a critical enabler of the global circular economy. Through our operations, we help reduce global carbon emissions and environmental byproducts of natural resource extraction by extending the useful life of existing vehicles and vehicle parts, thereby avoiding the harms of new vehicle and auto parts manufacturing.
- ***Investing in our sustainable efforts.*** We aim to reduce our environmental impacts through the implementation of programs and initiatives that reduce greenhouse gas emissions, energy consumption, and waste generation.

We are committed to strictly complying with the Environmental Protection Law of the PRC and other environmental laws and regulations in our business operations. We have also formulated internal rules regarding the use of office resources and equipment to further improve our environmental management system.

We are seeking for electronic, paperless office operation. Our online auction platform and intelligent IT system allow us to provide auction services online, conduct internal management and approval online. Upstream consignors and downstream buyers do not need to go to onsite to complete the transaction, which reduces energy consumption. In addition, our national wide offline facilities effectively shorten both in-bound and out-bound logistics distance, reducing the energy consumption associated with long-distance transportation. We have implemented internal policies to reduce carbon footprint in our operations in the following ways:

- ***Energy saving throughout our offices***. Install energy efficient lighting and photovoltaic facilities, promote e-office policies, and encourage low-carbon travel;
- ***Supplier management***. Assist and promote our logistics service providers to implement environmental responsible practices, including optimization of logistics processes and routes, reduction of additional carbon emissions caused by old vehicles or improper driving;
- ***Optimizing the layout of the offline network***. Set up centralized warehousing or transit points in areas with a high concentration of salvage vehicles to reduce long-distance transportation, further assess the geographical distribution of offline facilities to reduce duplicate shipments, and incentivize local transactions to reduce the need for inter-regional logistics; and
- ***Emission reduction of own vehicles***. We are reducing the reliance on diesel fuel and carbon emissions of our own vehicles by means of good maintenance, correct energy-saving operation mode requirements and training, elimination of old vehicles, and transition to new energy or hybrid vehicles.

Our Auction Platform's Positive Environmental Impact

We believe the use of our auction platform can bring positive environmental impact, especially on carbon use and emission reduction.

- ***Reduce carbon emissions.*** The average carbon emission generated from the manufacturing of a new vehicle is approximately 2,000 kilograms of carbon dioxide, which accounts for more than 1/3 of the carbon emissions of that vehicle's entire life cycle. With our auction model, the disposal and recirculation of salvage and used vehicles can extend vehicle life, reduce the market demand for new vehicles, and reduce the carbon emissions generated from new vehicle manufacturing.

- ***Waste management and recycling.*** We promote the circulation of dismantled vehicles and dismantled parts, reducing the production of new parts. We have special auctions for irreparable vehicles, with our robust buyer base including licensed vehicle dismantlers, irreparable vehicles are able to be effectively dismantled, and the dismantled parts can be recycled and reused, while the scrap parts can be turned into raw materials, reducing the need for further exploitation of new resources.

  We also provide auto parts marketplace based on our online platform to promote the recycle of auto parts and reduce the cost of vehicle repairs. See "— Other Services — Auto Parts Marketplace."

- ***Online auction reduces resource waste***. Compared to traditional auction model, we utilize an online-offline integrated approach. Online auction saves 30% of energy consumption compared to traditional offline models. Our online auction capabilities allow members to browse vehicles and participate in a greater number of auctions than if physical attendance was required. By completing the full process of salvage and used vehicle auctions almost online, we solve the circulation pain point, shorten the transaction flow, and reduce the carbon emission generated by the travel demand for on-site vehicle viewing.

Environment and Climate Related Targets and Metrics

The following table sets forth our environment and climate related metrics for the periods indicated.

Indicators/Unit	For the Year Ended December 31,		For the Nine Months Ended September 30,	
	2022	2023	2023	2024
Air contaminators[(1)](kg)				
NOx emissions	124.58	146.87	132.94	85.55
Sox emissions	2.64	2.80	2.40	1.73
Particles emissions	11.79	16.09	15.50	8.63
Greenhouse Gas[(2)]				
Total greenhouse gas emissions (ton of carbon dioxide equivalent)	4,611.22	6,230.15	4,928.14	3,417.10
— Scope 1 greenhouse gas emission	388.11	411.57	351.45	263.78
— Scope 2 greenhouse gas emission	356.01	485.44	480.10	342.84
— Scope 3 greenhouse gas emission	3,867.11	5,333.14	4,096.59	2,810.48
Greenhouse gas emissions per unit of revenue (ton of carbon dioxide equivalent/RMB million)	11.88	12.02	12.60	8.46
Energy consumption[(3)]				
Energy consumption (indirect)[(4)] (kwh)	624,246.37	851,200.66	841,839.55	601,153.96

Indicators/Unit	For the Year Ended December 31,		For the Nine Months Ended September 30,	
	2022	2023	2023	2024
Energy consumption (indirect) per unit of revenue (kwh/RMB million)	1,608.41	1,642.20	2,152.28	1,487.58
Energy consumption (direct)[5] (ton of standard coal)	7,725.16	11,671.90	11,650.37	5,932.75
Energy consumption (direct) per unit of revenue (ton of standard coal/RMB million)	19.90	22.52	29.79	14.68
Water consumption[6]				
Municipal water consumption (ton)	9,711.08	9,029.55	8,611.04	4,083.04
Municipal water consumption per unit of revenue (ton/RMB million)	25.02	17.42	22.02	10.10

Notes:

(1) The emission of air contaminators is mainly generated by our own vehicles driving. Our calculation has referenced national emission standards, Hong Kong EPD EMFAC-HK Vehicle Emission Calculation Model and US EPA MOBILE 6.1 Particulate Emission Factor.

(2) Greenhouse Gas emission calculation has referenced the GHG Emission Factors and Global Warming Potential in the Fifth Assessment Report (AR5) (2014) published by Intergovernmental Panel on Climate Change (IPCC), the data published by the State Grid and National Energy Administration, EPA GHG Emission Factors Dataset and China Greenhouse Gas Emission Coefficient Library for Product Life Cycle.

(3) Energy consumption calculation has referenced China General rules for calculation of the comprehensive energy consumption (GB2589–2020).

(4) Energy consumption (indirect) is from purchased electricity.

(5) Energy consumption (direct) is from self-owned vehicles gasoline consumption.

(6) Water consumption is from our offices, offline facilities and warehouses.

Our air contaminators and greenhouse emissions increased from 2022 to 2023 in line with our business growth. From the nine months ended September 30, 2023 to the same period in 2024, our air contaminators and greenhouse emissions decreased, primarily attributable to our optimization of business processes that leads to reduction in air contaminators and greenhouse emissions. In particular, we launched a number of ESG initiatives in 2024, leading to significant improvement during the period. For instance, we implemented mechanisms through which we can auction salvage vehicles directly at preservation sites, which reduced unnecessary logistics related to towing the underlying vehicles onto our premises, leading to lower emission.

Our energy and water consumption increased from 2022 to 2023 in line with our business growth. From the nine months ended September 30, 2023 to the same period in 2024, our energy and water consumption decreased, primarily attributable to (i) the optimization of auction preparation process, such as reducing unnecessary washing, painting and other waterusing processes; and (ii) the adoption of energy-saving equipment in some of our offline facilities.

Based on the resource consumption data in 2024, we plan to reduce electricity consumption and water consumption by approximately 10% by 2027. Based on the 2024 greenhouse gas emission data (Scope 1, Scope 2 and Scope 3), we plan to reduce greenhouse gas emission (Scope 1, Scope 2 and Scope 3) by approximately 20% by 2030.

Social Responsibility

Disaster Rescue

We have engaged in a series of public welfare activities, aiming at enhancing social well-being, giving back and bringing benefit to the community and society.

We provide early disaster warnings to insurance companies during natural disasters such as typhoons and heavy rains, and we also coordinate with insurance companies to conduct preventive and rescue efforts aimed at minimizing losses from these events. Leveraging our national network, we have stationed disaster monitoring personnel in high-risk areas to closely monitor weather conditions, and communicate with local meteorological departments, insurance companies and disaster command center in a timely manner. During disaster periods, we provide preservation facilities, rescue vehicles, trained rescue personnel and shift gear unlocking experts, significantly strengthening the emergency response capabilities of insurance companies. Since we founded and up to September 30, 2024, we held approximately 600 auctions for salvage vehicles in such disasters and disposed of over 90,000 disaster-damaged vehicles.

In July 2023, heavy rainstorm struck Beijing and Zhuozhou, Hebei Province, causing widespread damage. In response, we promptly organized a professional rescue team and collaborated with insurance companies to assist in vehicle rescue, preservation and disposal. We leased temporary parking lots for flood-damaged vehicles with a total area of approximately 100,000 sq.m. During this disaster, approximately 20,000 to 30,000 flood-damaged vehicles claims were filed in Beijing and 40,000 to 50,000 in Zhuozhou, among which 5,000 to 6,000 vehicles in Beijing and over 10,000 in Zhuozhou were deemed as total loss vehicles by insurance companies. We facilitated the disposal of approximately 8,500 such flood-damaged vehicles, with around 20% of which subsequently entering the dismantling industry. As of the end of August 2023, within five weeks upon the rainstorm, we had auctioned over 1,600 flood-damaged vehicles in Beijing and over 3,000 in Zhuozhou through our auction platform.

Employment and Care

We have entered into employment contracts with our employees in accordance with the applicable PRC laws and regulations such as the Labor Law of the People's Republic of China and the Labor Contract Law of the People's Republic of China, and formulated internal policies governing employee's day-to-day performance. We hire employees based on their merits, following the principles of lawfulness, fairness, equality, voluntariness, consensus, honesty and credibility. We prohibit any use of child labor in any of our operations.

We believe that having a balanced lifestyle is crucial to achieving a good mindset at work. Therefore, we encourage employees to maintain good mental and physical health by participating in sports and recreational activities.

We have nurtured a friendly and inspirational corporate culture that we believe is attractive to the talented employees who are keen to our success, and we invest heavily in training and retaining them. We provide adequate resources to help them succeed, including easy access to our rich internal resources for training and studying, our invaluable industry-related insights and opportunities to work in an inclusive community with our similar-minded employees.

Benefits and Welfare

We strive to offer competitive salaries to attract and retain employees, and we provide attractive benefits and care to employees, including commercial insurance, communication, meal and transportation allowances. We will also focus on embracing diversity within our organization and equal and respectful treatment of all of our employees in their hiring, training, wellness and professional and personal development. While maximizing equal career opportunity for everyone, we will also continue to promote work-life balance and create a pleasant workplace for all of our employees.

Workplace Safety

We have adopted and maintained a series of rules, standard operating procedures, and measures to maintain our employees' healthy and safe environment to ensure our operations comply with applicable workplace safety regulations in jurisdictions where we operate. We implement safety guidelines to set out information about potential safety hazards. Also, we have policies in place and have adopted relevant measures to ensure the hygiene of our work environment and the health of our employees. As we do not operate any production facilities, we are not subject to significant health, work safety, social or environmental risks. To ensure compliance with applicable laws and regulations, our human resources department would, if necessary and after consultation with our legal advisers, adjust our human resources policies to accommodate material changes to relevant labor and safety laws and regulations.

Development and Training

We believe that employees' knowledge, experience, and professional development contribute to our growth. To further support our employees' professional development, we provide regular and specialized training tailored to the needs of our employees in different departments. Our employees can also improve their skills through our development of technologies and mutual learning among colleagues. New employees will receive pre-job training and general training.

Anti-corruption and Anti-bribery

We have implemented a set of policies to ensure our operations comply with applicable anti-bribery and anti-corruption regulations in jurisdictions where we operate. The policies explain potential bribery and corruption conduct and our anti-bribery and anti-corruption measures. Improper payments prohibited by the policy include bribes, kickbacks, excessive gifts or facilitation payment, or any other payment made or offered to obtain an undue business advantage. We have regular trainings for employees regarding anti-bribery and anti-corruption policies to facilitate better implementation, and we require our employees to sign integrity pledges and business partners to enter into integrity agreements.

OUR CUSTOMERS

During the Track Record Period, our customers mainly included certified repair workshops, licensed vehicle dismantlers, franchised car dealers and independent used car dealers. All of our five largest customers in each of year/period of the Track Record Period were located in China. Our aggregate revenue from our five largest customers in each year/period of the Track Record Period amounted to RMB61.4 million, RMB79.8 million and RMB81.9 million, accounting for 15.8%, 15.5% and 20.2% of our total revenue in the respective years/periods; and our aggregate revenue from our largest customer in each year/period of the Track Record Period amounted to RMB24.6 million, RMB38.7 million and RMB31.7 million, representing 6.3%, 7.5% and 7.8% of our total revenue in the respective years/periods.

The table below sets forth details of our five largest customers in each year/period during the Track Record Period.

For the Year Ended December 31, 2022

Rank	Customer	Major products/ services provided	Business profile	Time to establish business relationship	Credit terms	Payment method	Revenue amount *(RMB in thousands)*	Percentage of total revenue *(%)*
1	Customer A	Vehicle sales, used vehicle auction and facilitation services	A private enterprise, mainly engaged in repairment of vehicles	2022	20 days	Telegraphic transfer	24,633	6.3
2	Customer B	Vehicle sales	A private enterprise, mainly engaged in vehicle rental services	2021	60 days	Telegraphic transfer	15,375	4.0
3	Customer C	Used vehicle auction and facilitation services	A subsidiary of a Chinese OEM, mainly engaged in vehicle wholesale business	2019	30 days	Telegraphic transfer	8,681	2.2
4	Customer D	Vehicle sales	A natural person as vehicle broker	2022	30 days	Telegraphic transfer	6,421	1.7
5	Customer E	Vehicle sales, used vehicle auction and facilitation services	A natural person as vehicle broker	2022	30 days	Telegraphic transfer	6,250	1.6
	Total						**61,360**	**15.8**

For the Year Ended December 31, 2023

Rank	Customer	Major products/ services provided	Business profile	Time to establish business relationship	Credit terms	Payment method	Revenue amount *(RMB in thousands)*	Percentage of total revenue *(%)*
1	Customer A	Vehicle sales, used vehicle auction and facilitation services	A private enterprise, mainly engaged in repairment of vehicles	2022	20 days upon receipt of invoice	Telegraphic transfer	38,689	7.5
2	Customer C	Used vehicle auction and facilitation services	A subsidiary of a Chinese OEM, mainly engaged in vehicle wholesale business	2019	30 days	Telegraphic transfer	22,609	4.4
3	Customer B	Vehicle sales	A private enterprise, mainly engaged in vehicle rental services	2021	60 days	Telegraphic transfer	13,536	2.6
4	Customer F	Used vehicle auction and facilitation services	A foreign-funded enterprise as subsidiary of a global OEM, mainly engaged in vehicle leasing industry	2021	90 days	Telegraphic transfer	2,600	0.5
5	Customer G	Salvage Vehicle auction and facilitation services	A natural person as vehicle broker	2022	30 days	Telegraphic transfer	2,374	0.5
	Total						**79,808**	**15.5**

For the Nine Months Ended September 30, 2024

Rank	Customer	Major products/ services provided	Business profile	Time to establish business relationship	Credit terms	Payment method	Revenue amount *(RMB in thousands)*	Percentage of total revenue *(%)*
1	Customer A	Vehicle sales, used vehicle auction and facilitation services	A private enterprise, mainly engaged in repairment of vehicles	2022	20 days	Telegraphic transfer	31,664	7.8
2	Customer C	Used vehicle auction and facilitation services	A subsidiary of a Chinese OEM, mainly engaged in vehicle wholesale business	2019	30 days	Telegraphic transfer	21,836	5.4
3	Customer E	Vehicle sales, used vehicle auction and facilitation services	A natural person as vehicle broker	2022	30 days	Telegraphic transfer	16,965	4.2
4	Customer H	Vehicle sales, used vehicle auction and facilitation services	A natural person as vehicle broker	2024	30 days	Telegraphic transfer	7,963	2.0
5	Customer I	Vehicle sales	A private enterprise, mainly engaged in vehicle wholesale business	2024	30 days	Telegraphic transfer	3,433	0.8
	Total						**81,861**	**20.2**

To the best knowledge of our Directors, during the Track Record Period and up to the Latest Practicable Date, our five largest customers were independent third parties, and none of our Directors, their close associates or any of our Shareholders (who or which to the knowledge of the Directors owned more than 5% of our issued share capital) had any interest in any of our five largest customers.

OUR SUPPLIERS

During the Track Record Period, our suppliers — defined as entities from which we directly procured products or services, excluding consignors such as insurance companies that referred such products or services to us — primarily included dealership groups, and third-party service providers for services such as vehicle towing and rescue services. All of our five largest suppliers in each of year/period of the Track Record Period were located in China. Our aggregate purchases from our five largest suppliers in each year/period of the Track Record Period amounted to RMB63.2 million, RMB59.0 million and RMB69.1 million, accounting for 29.2%, 22.8% and 32.4% of our total purchases in the respective years/periods; and our aggregate purchases from our largest supplier in each year/period of the Track Record Period amounted to RMB31.2 million, RMB16.5 million and RMB39.0 million, representing 14.4%, 6.4% and 18.3% of our total purchases in the respective years/periods.

The table below sets forth details of our five largest suppliers in each year/period during the Track Record Period.

For the Year Ended December 31, 2022

Rank	Supplier	Major products/ services supplied	Business profile	Time to establish business relationship	Credit terms	Payment method	Purchase amount *(RMB in thousands)*	Percentage of total purchase *(%)*
1	Supplier A	Vehicle supplier	Vehicle repairment and maintenance, online and cruise reservation for taxi operation services	2022	2 days	Telegraphic transfer	31,162	14.4
2	Supplier B	Vehicle supplier	Online reservation for taxi operation service and vehicle transaction	2022	30 days	Telegraphic transfer	9,735	4.5
3	Supplier C	Vehicle supplier	Vehicle transaction and repairment	2022	30 days	Telegraphic transfer	9,156	4.2
4	Supplier D	Vehicle towing and rescue services	Vehicle towing and rescue service	2020	30 days	Telegraphic transfer	7,455	3.5
5	Supplier E	Vehicle supplier	Online reservation for taxi operation service, vehicle information consulting service	2022	Settlement on demand	Telegraphic transfer	5,702	2.6
	Total						**63,210**	**29.2**

For the Year Ended December 31, 2023

Rank	Supplier	Major products/ services supplied	Business profile	Time to establish business relationship	Credit terms	Payment method	Purchase amount *(RMB in thousands)*	Percentage of total purchase *(%)*
1	Supplier F	Vehicle supplier	Technical development and consulting services, vehicle sales, vehicle rental and operation services, and used vehicle transaction	2023	3 days	Telegraphic transfer	16,498	6.4
2	Supplier G	Vehicle supplier	Vehicle transaction	2022	30 days	Telegraphic transfer	15,186	5.9
3	Supplier H	Vehicle supplier	Vehicle transaction, distributed communication charging station transaction	2023	Settlement on demand	Telegraphic transfer	11,454	4.4
4	Supplier A	Vehicle supplier	Vehicle repairment and maintenance, online and cruise reservation for taxi operation services	2022	2 days	Telegraphic transfer	9,345	3.6
5	Supplier I	Vehicle title transfer service supplier	A natural person as vehicle title transfer service provider	2023	90 days	Telegraphic transfer	6,505	2.5
	Total						**58,988**	**22.8**

For the Nine Months Ended September 30, 2024

Rank	Supplier	Major products/ services supplied	Business profile	Time to establish business relationship	Credit terms	Payment method	Purchase amount *(RMB in thousands)*	Percentage of total purchase *(%)*
1	Supplier J	Vehicle supplier	Online reservation for taxi operation service	2024	2 days	Telegraphic transfer	38,995	18.3
2	Supplier K	Vehicle supplier	Vehicle transaction, vehicle rental and operation services	2024	5 days	Telegraphic transfer	10,696	5.0
3	Supplier A	Vehicle supplier	Vehicle repairment and maintenance, online and cruise reservation for taxi operation services	2022	2 days	Telegraphic transfer	8,190	3.8
4	Supplier F	Vehicle supplier	Technical development and consulting services, vehicle sales, vehicle rental and operation services, used vehicle transaction	2023	3 days	Telegraphic transfer	7,022	3.3
5	Supplier D	Vehicle towing and rescue services	Vehicle towing and rescue service	2020	30 days	Telegraphic transfer	4,167	2.0
	Total						**69,068**	**32.4**

Our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, we did not experience any material breach of contract on the part of our suppliers or material delay in delivery from our suppliers. To the best knowledge of our Directors, during the Track Record Period and up to the Latest Practicable Date, our five largest suppliers were independent third parties, and none of our Directors, their close associates or any of our Shareholders (who or which to the knowledge of the Directors owned more than 5% of our issued share capital) had any interest in any of our five largest suppliers.

THIRD-PARTY SETTLEMENT PRACTICE

Background

Historically, there were instances where the auction price, auction fee and auction-related sales transaction fee were settled by third parties (the "Actual Payors"), instead of the actual registered member on our auction platform (the "Relevant Buyers") (the "Third-party Settlement Practice"). In 2022, 2023 and for the nine months ended September 30, 2024:

- the number of transactions involving Third-party Settlement Practice amounted to 6,669, 6,111 and 1,813, respectively, representing 4.6%, 2.5% and 1.0% of the total number of transactions involved in relevant business involving Third-party Settlement Practice during the same periods, respectively;
- the number of buyers who settled payment with us through Third-party Settlement Practice amounted to 1,370, 1,262 and 217, respectively, representing 7.5%, 5.4% and 1.1% of the total numbers of members involved in relevant business involving Third-party Settlement Practice during the same periods, respectively; and
- the total fund inflow from transactions involving Third-party Settlement Practice amounted to RMB353.2 million, RMB329.4 million and RMB71.2 million, respectively, representing 12.0%, 6.7% and 2.0% of our total funds inflow from relevant business involving Third-party Settlement Practice during the same periods, respectively.

During the Track Record Period, no individual Relevant Buyer contributed to more than 1.0% of our revenue. During the Track Record Period, we did not initiate or encourage any Third-party Settlement Practice, nor were we involved in any separate arrangements between any Relevant Buyer and any Actual Payor for any transaction settlements. Moreover, we had not provided any discount, commission, rebate or other benefits to any Relevant Buyers or Actual Payors to facilitate or incentive the Third-party Settlement Practice. To our best knowledge, each of the Actual Payors and the Relevant Buyers was an independent third party, and none of them were connected persons of our Group. The pricing and payment terms of the agreements we entered into with the Relevant Buyers were the same with those of buyers not involved in the Third-party Settlement Practice. During the Track Record Period, the Actual Payors primarily consisted of legal representatives, shareholders, business partners, employees and family members of legal representatives or shareholders of the Relevant Buyers.

We have upgraded our system to cease all Third-party Settlement Practice. As of the Latest Practicable Date, we were not involved in any transaction involving Third-party Settlement Practice. Our Directors confirm that the cessation of the Third-party Settlement Practice would not have any material adverse impact on our business, financial condition or results of operations.

Reasons for Third-party Settlement Practice

To our best knowledge, the main reason for the Relevant Buyers to utilize Third-Party Settlement Practice is for convenience and flexibility. According to CIC, downstream buyers of salvage and used vehicle auction in China are highly fragmented, and substantial majority of them operate small-scale businesses. Typically, such businesses are characterized by a single shareholder, family-owned, and more flexible internal management. As a result, these buyers typically do not have any dedicated business department or personnel to handle procurement and it is more economical for them to conduct the business in the capacity of individuals and settle procurement through their personal bank accounts. Moreover, such buyers may designate parties that they consider trustworthy and reliable, such as their shareholders, employees, business partners and shareholders' family members, to make payment, leading to the occurrence of Third-party Settlement Practice. According to CIC, the Third-party Settlement Practice is common in China's salvage and used vehicle market due to the same reasons as listed above.

Implications Relating to Third-party Settlement Arrangement

Our Directors are of the view that our books and records are accurate and complete in all material respects and there have not been any fabricated transactions with respect to the Third-party Settlement Practice, based on the following:

- ***Anti-fraud, anti-money laundering measures.*** We have implemented various know-your-customer procedures to effectively prevent fraud or money-laundering activities. Relevant Buyers are required to provide detailed information and complete real-name authentication when registered as members. In addition, payments from Actual Payors are mainly made through online methods such as bank transfers and third-party licensed payment platforms, excluding cash payments, which further reduces the risk of fraud and money laundering.
- ***Genuine underlying transactions and internal control measures.*** All transactions on our auction platform are supported by genuine underlying transactions. Every salvage vehicle and used vehicle transacted on our platform has its own vehicle identification number and can be traced throughout the transaction in real time, thus minimizing the risks of fraud or money laundering.

As advised by our PRC Legal Adviser, we are not in breach of any applicable laws or regulations in China with respect to the Third-party Settlement Practice. During the Track Record Period and up to the Latest Practicable Date, we did not encounter any disputes with, nor receive any refund request from, any Relevant Buyer or Actual Payor and we were not subject to any disputes or administrative penalties by the relevant government authorities with respect to the Third-party Settlement Practice. Given that (i) during the Track Record Period and up to the Latest Practicable Date, all Third-party Settlement Practice were based on real transactions; (ii) we were not subject to any breach of anti-money laundering policies or procedures which has resulted in any warnings or queries relating to money laundering from the relevant regulatory authorities; and (iii) we were not subject to any settled or ongoing criminal sanctions, public security investigations or administrative penalties by any competent authorities in relation to money laundering, our PRC Legal Adviser is of the view that the risk that our past practice of accepting third-party payments would be deemed as constituting the crime of money laundering and subject to relevant criminal liability is low.

Enhanced Internal Control Measures and Remedial Measures

To safeguard our interest against risks associated with Third-party Settlement Practice, we implemented the following measures to cease such practice:

- we have been actively communicating with Relevant Buyers to minimize Third-party Settlement Practice, and more proactive in reminding buyers not to engage in Third-party Settlement Practice;
- our finance staff has been checking and inspecting transactions involving Third-party Settlement Practice. Any payment made by third-party payors will be returned by the finance staff;
- we have included a prohibition prohibiting Third-party Settlement Practice in our Boche Auction APP, which provides that buyers are required to make payments using their own bank accounts;
- we have adopted written anti-money laundering policies and formed a dedicated anti-money laundering working group consisting of legal, finance, risk management and compliance personnel. We have also updated agreements we enter into with buyers and sellers to include anti-money laundering related provisions; and
- we have upgraded our system, which primarily includes the following steps: (a) we imposed more stringent member identity verification requirement. Before transact on our platform, members are required to provide information such as the name, national ID number, telephone number, the name of their companies, business license and qualification certificates to complete real name authentication; and (b) we collaborated with banks to set up settlement sub-accounts for our members. We require our members to use their own account to make payments to these sub-accounts, and the banks will automatically compare the payor's information with the member's information to identify whether the transaction involves the Third-party Settlement Practice.

In preparation for the **[REDACTED]**, we have engaged an independent third-party consultant (the "Internal Control Consultant") to perform a review over selected areas of our internal controls over financial reporting (the "Internal Control Review"). The scope of the Internal Control Review performed by the Internal Control Consultant covered, among others, the Third-party Payment

Practice. During the Internal Control Review undertaken for the **[REDACTED]** purpose, the Internal Control Consultant had reviewed the above internal control measures in relation to third-party payments adopted by us and did not identify any material deficiencies.

As of the Latest Practicable Date, we were not involved in any transactions involving Third-party Settlement Practice. Based on the above, our Directors are of the view that the above internal control measures are effective and adequate in preventing the Third-party Settlement Practice. Based on the independent due diligence work performed by the Joint Sponsors, and having considered the work and procedures performed by the Internal Control Consultant to the Company, nothing has come to the attention of the Joint Sponsors that would cause the Joint Sponsors to disagree with the aforementioned view of our Directors in any material respect.

INTELLECTUAL PROPERTY

Since our inception, we have internally developed a variety of intellectual property rights. As of September 30, 2024, we had 50 trademarks, 142 copyrights and 13 domain names in China. See "Appendix IV — Statutory and General Information — B. Further Information about Our Business" for details of our material intellectual property rights. We did not experience any material disputes or claims for infringement of intellectual property rights with third parties during the Track Record Period and up to the Latest Practicable Date.

We believe these intellectual property rights are critical for us to reinforce our substantial barriers and we intend to continue to develop more advanced algorithms and processing hardware with stronger processing power and efficiency, which are expected to bring long-term benefits to participants of our ecosystem. See "Risk Factors — Risks Related to Our Business and Industry — If we fail to protect our intellectual property rights and proprietary information, we may lose our competitive edge and our brand, reputation and operations may be materially and adversely affected."

COMPETITION

The salvage vehicle auction industry in China is rapidly evolving. According to CIC, the auction volume of salvage vehicles in China increased from approximately 206 thousand units in 2019 to 345 thousand units in 2023, and is expected to reach 867 thousand units in 2028. We face increasingly intense competition with other leading players in the industry, according to CIC, the salvage vehicle auction market in China demonstrates a tiered competitive landscape, with the single largest player capturing a market share of more than 30% in terms of transaction volume in 2023, the top five players possessing a combined market share of approximately 56%, while the rest individual players each holding less than 2% of the market share. According to the same source, we ranked the first in China's salvage vehicle auction industry in terms of transaction volume in 2023, with a market share of approximately 31.3%. See "Industry Overview."

The used vehicle industry in China is facing significant growth opportunities as automotive market in China gradually shifts from a blue ocean market to a red ocean market. According to CIC, the transaction volume of used vehicles in China increased from 12.3 million units in 2019 to 16.1 million units in 2023, and is expected to reach 30.0 million units in 2028. According to CIC, the institutional used vehicle auction market in China is highly fragmented, with the top five market players possessing a market share of 24.9% in terms of transaction volume in 2023. According to the same source, we ranked the first in China's institutional used vehicle auction industry in terms of number of used vehicles auctioned in 2023, with a market share of approximately 7.5%, and we ranked the third in China's B2B used vehicle auction industry in terms of auction volume of B2B used vehicle in 2023, with a market share of approximately 11.4%. See "Industry Overview."

SEASONALITY

Our results of operations may be affected from period to period due to seasonal factors that may affect the demand and supply of salvage and used vehicles. Sales volume of salvage and used vehicles in China is generally lower before and during the Chinese New Year holidays and higher after the Chinese New Year holidays, which impacts the financial condition of our suppliers and customers, which, in turn, affect our financial condition and results of operations. Moreover, sales volume of salvage vehicles in China may be higher during summer as a result of an increase in flood-damaged vehicles resulting from natural disasters, such as, among others, typhoon, during summer rainy seasons. Such fluctuations are seasonal in nature, and you are cautioned not to place undue reliance on them as indicators for our results of operations for the full year. See "Financial Information — Key Factors Affecting Our Results of Operations — Seasonality."

EMPLOYEES

As of September 30, 2024, we had 603 full-time employees. The following table sets forth a breakdown of our employees by business function as of the same date.

Business Function	Number	Percent (%)
Research and development	51	8.5
Administration and management	146	24.2
Business operation	140	23.2
Sales and marketing	266	44.1
Total	**603**	**100.0**

All of our employees are based in the PRC. Our success depends on our ability to attract, retain and motivate qualified personnel, and we believe that our high-quality talent pool is one of our core strengths. We adopt high standards and strict procedures in our recruitment to ensure the quality of new hires. We recruit employees based on their educational background, relevant experience in similar positions and professional qualifications, as well as our expansion strategy and job vacancies. We offer competitive compensation for our employees. In addition, we regularly evaluate the performance of our employees and reward those who perform well with higher compensation or promotion.

We provide regular and specialized training tailored to the needs of our employees in different departments. Our employees can also improve their skills through our development of technologies and mutual learning among colleagues. New employees will receive pre-job training and general training.

As required by PRC laws and regulations, we participate in various employee social security schemes organized by municipal and provincial government, including pension, maternity insurance, unemployment insurance, work-related injury insurance, health insurance and housing provident fund. We are required under PRC laws and regulations to make contributions to employee social security schemes at specified percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the local government from time to time. For details, see "Risk Factors — Risks Related to Our Business and Industry — Increases in labor costs, including wages, and enforcement of stricter labor laws and regulations in the PRC, could adversely affect our business, financial condition and results of operations."

We believe that we maintain a good working relationship with our employees, and we did not experience any significant labor disputes or any difficulty in recruiting staff for our operations during the Track Record Period and up to the Latest Practicable Date.

PROPERTIES

Our principal executive offices are located in Beijing, China. According to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this Document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all our interests in land or buildings, for the reason that, as of the Latest Practicable Date, none of the properties owned or leased by us had a carrying amount of 15% or more of our consolidated total assets.

As of the Latest Practicable Date, we leased 61 properties in China with an aggregate gross floor area of 155,488 sq.m., which were primarily used for offices and offline facilities. We believe that there is sufficient supply of properties in mainland China and we do not rely on the existing leases for our business operations. We believe that our current facilities are adequate to meet our current needs.

As of the Latest Practicable Date, for 43 leased properties, our leased property interests may be defective, as the lessors with whom we enter into lease agreements did not provide the valid property ownership certificates or authorizations from the property owners, or valid documentation demonstrating their legal right to lease such properties. It could lead to challenges from the competent authorities and the lessors or owners of such defective properties may be required to rectify. If they fail to do so in a timely manner or at all, we could not be able to continue using the leased properties. For details, see "Risk Factors — Risks Related to Our Business and Industry — Certain of our leased property interests may be defective and could be challenged by third parties or governmental authorities, which could cause significant disruption to our business and have a negative impact on our operation and financial results." As advised by our PRC Legal Adviser, we would not be subject to any fines or penalties although we may not be able to lease, occupy and use such leased properties if the lease was challenged by a third-party rights holder or a competent authority.

As of the Latest Practicable Date, 60 lease agreements were not registered and filed with the relevant land and real estate administration bureaus in the PRC because the relevant lessors failed to provide necessary documents for us to register and file the leases with the local government authorities. As advised by our PRC Legal Adviser, failure to complete the registration and filing of lease agreements will not affect the validity of such leases or result in us being required to vacate the leased properties. However, the relevant government authorities may order us to complete registration or filing formalities and may impose a fine ranging from RMB1,000 to RMB10,000 for each unregistered agreement due to our failure to complete such registration or filing in prescribed period. Based on the number of these properties and the cities where they are located, we believe the likelihood that we will be punished due to failure to register and file all the relevant lease agreements at the same time is very remote. In addition, as of the Latest Practicable Date, six lessors of leased properties were imposed mortgages on such leased properties before entering into lease agreements with us. As advised by our PRC Legal Adviser, we would not be subject to any fines or penalties although we may not be able to lease, occupy and use such leased properties if the lease was challenged by a third-party rights holder.

As of the Latest Practicable Date, we were not aware of any actions or claims raised by any third parties challenging our use of these properties we currently lease, nor have we received any notices from the PRC government authorities. Considering that (i) the properties involved are geographically dispersed and we primarily conduct our auction business through online platforms, and (ii) the leased properties are primarily used for temporary vehicle storage and preservation, and can be easily replaced, we are not aware of any disputes or claims related to such leased properties that might have a material adverse effect on the ongoing operations of our business.

LEGAL PROCEEDINGS AND COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, we were not involved in any actual or pending legal, arbitration or administrative proceedings (including any bankruptcy or receivership proceedings) that we believe would have a material adverse effect on our business, results of operations, financial condition or reputation and compliance.

According to our PRC Legal Adviser, the business operations we engaged in were carried out in compliance with applicable PRC laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date.

DATA SECURITY AND PRIVACY

We have implemented internal policies to protect the security and confidentiality of sensitive data that we collect and store in the ordinary course of our business, primarily including personal information relating to our members (such as name, bank account, ID card information and phone number) and vehicle information in relation to the transactions (such as vehicle brand, make, mileage, age and transaction price) to the extent that is required for the transactions and in compliance with the relevant laws and regulations.

To the extent we collect personal information of our members, we take measures to ensure that they are collected after obtaining prior consent or other legal basis from members, the nature and scope of information collected do not exceed the relevant business purposes, and they are overall collected in accordance with applicable laws and regulations. We implement internal policies governing the authentication and authorization of access to sensitive data to ensure confidential and certain categories of data can only be accessed by authorized staff. Our employees only have access to data which is relevant and necessary for their responsibilities, for limited purposes, and are expected to verify authorization upon access. In addition, we employ a variety of technical solutions to prevent and detect risks and vulnerabilities in user privacy and data security, such as encryption, firewall, data backup system, and vulnerability scanning.

During the Track Record Period and up to the Latest Practicable Date, we did not receive any claim from any third party against us on the ground of infringement of such party's right to data and privacy protection as provided by any applicable laws and regulations in the PRC or other jurisdictions.

RISK MANAGEMENT AND INTERNAL CONTROL

We have established and currently maintain risk management and internal control systems consisting of policies and procedures that we consider to be appropriate for our business operations. We are dedicated to continuously improving these systems. We have adopted and implemented risk management policies in various aspects of our business operations. Our Board of Directors is responsible for the establishment and updating of our internal control systems, while our senior management monitors the daily implementation of the internal control procedures and measures with respect to each subsidiary and functional department.

Financial Reporting Risk Management

We have adopted comprehensive accounting policies in connection with our financial reporting risk management, such as financial management, budget management and financial statement preparation. We also have procedures in place to carry out such accounting policies, and our finance department reviews our management accounts in accordance with such procedures. In addition, we provide ongoing training to our finance staff to ensure that these policies are well-observed and effectively implemented.

Information System Risk Management

We have implemented relevant internal procedures and controls to ensure that our data is protected and that leakage and loss of such data are avoided. We have implemented comprehensive internal policies on protecting data privacy and security. We also engage external legal counsel to review and update our internal policies and ensure continuous compliance with all applicable laws and regulations.

During the Track Record Period and up to the Latest Practicable Date, we were not aware of any material information leakage or loss of our data. Our IT systems did not experience any material third-party intrusions, viruses, hacker attacks, ransomware attacks and other cyberattacks, information or data theft or other similar threats during the Track Record Period and up to the Latest Practicable Date. See "— Data Security and Privacy" in this section for more information about our information security procedures and policies.

Compliance and Intellectual Property Risk Management

We have designed and adopted strict internal procedures to ensure the compliance of our business operations with the relevant rules and regulations, as well as the protection of our intellectual property rights. Our legal department examines the contract terms and reviews all relevant documents for our business operations, including licenses and permits obtained by the counterparties or us to perform contractual obligations and all the necessary underlying due diligence materials, before we enter into any contract or business arrangements. There was no material and systemic noncompliance during the Track Record Period and as of the Latest Practicable Date.

Internal Control Procedure Risk Management

We have designed and adopted strict internal procedures to ensure the compliance of our business operations with the relevant rules and regulations. We maintain internal procedures to ensure that we have obtained all material requisite licenses, permits and approvals for our business operation, and conduct regular reviews to monitor the status and effectiveness of those licenses and approvals. We obtain requisite governmental approvals or consents, including preparing and submitting all necessary documents for filing with relevant government authorities within the prescribed regulatory timelines.

Human Resources Risk Management

We have established internal control and risk management policies covering various aspects of human resource management such as recruitment, training, work ethics and legal compliance. We maintain high standards in recruitment with strict procedures to ensure the quality of new hires and provide specialized training tailored to the needs of our employees in different departments. We also conduct periodic performance reviews for our employees, and their remuneration is performance-based. We monitor the implementation of internal risk management policies on a regular basis to identify, manage and mitigate internal risks in relation to the potential noncompliance with our code of conduct, work ethics, and violations of our internal policies or illegal acts at all levels of our Group.

INSURANCE

Pursuant to PRC laws and regulations, we provide social insurance including pension insurance, unemployment insurance, work-related injury insurance, maternity insurance and medical insurance for our employees based in China.

We have purchased comprehensive property insurance for offline facilities and comprehensive property insurance for workplaces to ensure adequate protection for our assets against potential property losses arising from unexpected events such as fires, natural disasters, or theft during daily operations. We have also maintained an insurance plan for damage to the vehicles stored at various offline facilities See "Risk Factors — Risks Related to Our Business and Industry — Our insurance may not provide adequate levels of coverage against claims." During the Track Record Period, we did not make any insurance claim in relation to our business.

LICENSES, PERMITS AND APPROVALS

The following table sets forth the details of the material licenses and permits necessary for the business operations in which we currently engage in China.

License/Permit	Entity Holding the License/Permit	Grant Date	Expiration Date
Certificates of approval for auction business	Hengtai Boche Beijing Bochewang Online Auction Co., Ltd. Boche Online Boche Urban Resources Internet Technology (Beijing) Co., Ltd. Beijing Fengshun Lubao Automobile Service Co., Ltd. Zhejiang Dongchi Auction Co., Ltd. Carwins	Various dates between June 21, 2017 to November 22, 2024	Various dates between March 1, 2026 to May 20, 2034
National High-Tech Enterprise	Beijing Hengtai Boche Information Technology Co., Ltd.	November 2, 2022	November 2, 2025
	Carwins	December 14, 2022	December 14, 2025
Beijing Specialized, Refinement, Differentiation, Innovation (SRDI) Small and Medium Enterprises	Beijing Hengtai Boche Information Technology Co., Ltd.	August 2024	August 2027
	Hengtai Boche	December 2023	December 2026
Beijing Innovative Small and Medium Enterprises	Hengtai Boche	September 2023	September 2026

During the Track Record Period and up to the Latest Practicable Date, we obtained all material licenses, permits, approvals and certificates necessary to conduct our actual business operations from the relevant government authorities in the PRC, and such licenses, permits, approvals and certificates remained in full effect.

AWARDS AND RECOGNITIONS

The following table sets out major awards and recognitions we received during the Track Record Period and up to the Latest Practicable Date.

Awards/Recognition	Award Authority	Award Year
Outstanding Enterprise Contributing to the Vehicle Auction Industry (機動車拍賣行業貢獻優秀企業)	Auto Auction Committee of the China Association of Auctioneers (中國拍賣行業協會機動車拍賣專業委員會)	2024
AA Enterprise in China Auction Industry (中國拍賣行業AA企業)	China Association of Auctioneers (中國拍賣行業協會)	2024
Top 100 of China InsurTech Enterprises (中國保險科技100強)	INSLAB (分子實驗室)	2023
Second Place in China Auto Auction in terms of Trade Volume (中國機動車拍賣排行榜成交額第二名)	China Association of Auctioneers (中國拍賣行業協會)	2023
Leading Enterprise of Beijing Automobile Dealers Industry (北京市汽車流通行業領軍企業)	Beijing Automobile Dealers Industry Association (北京市汽車流通行業協會)	2023
Excellent Member of Beijing Automobile Dealers Industry (北京市汽車流通行業優秀會員)	Beijing Automobile Dealers Industry Association (北京市汽車流通行業協會)	2023
Excellence Award of China InsurTech Innovation Contest (中國保險科技創新大賽優秀獎)	INSLAB (分子實驗室)	2023
Demonstration Enterprise of Honest Management (誠信經營示範企業)	Beijing Automobile Dealers Industry Association (北京市汽車流通行業協會)	2022
Outstanding Partners in Disaster Relief (大災救援優秀合作夥伴)	Zhengzhou Branch of China People's Property Insurance Co., Ltd. (中國人民財產保險股份有限公司鄭州市分公司)	2022
Vice President of Beijing Automobile Dealers Industry Association (北京市汽車流通行業協會副會長單位)	Beijing Automobile Dealers Industry Association (北京市汽車流通行業協會)	2022

BOARD OF DIRECTORS

Upon **[REDACTED]**, the Board will consist of seven Directors, including four executive Directors and three independent non-executive Directors.

The following table sets forth the key information about our Directors:

Name	Age	Position/Title	Time of Joining our Group	Date of Appointment as a Director	Responsibilities
Mr. Jianpeng Chen (陳健鵬)	54	Chairman of the Board, executive Director and general manager	June 2014	March 2021	Formulate the overall development plan and strategy and the overall management of the Group
Ms. Qinghua Song (宋清華)	46	Executive Director and deputy general manager	June 2014	March 2021	Formulate and implement development plan and strategy
Mr. Shimin Lu (呂世民)	55	Executive Director and deputy general manager	June 2014	April 2020	Formulate and implement development plan and strategy
Mr. Chunquan Zhang (張春泉)	42	Executive Director and chief financial officer	October 2016	January 2025	Manage the overall financial and accounting affairs
Mr. Cunwen Tao (陶存文)	61	Independent non-executive Director	**[REDACTED]**	[●]	Provide independent opinion and judgment to the Board
Ms. Rui Tang (唐蕊)	47	Independent non-executive Director	**[REDACTED]**	[●]	Provide independent opinion and judgment to the Board
Mr. Kelei Xu (徐克磊)	58	Independent non-executive Director	**[REDACTED]**	[●]	Provide independent opinion and judgment to the Board

Note: As of the Latest Practicable Date, Mr. Yi Kuang, Mr. Xiaobo Luo, Mr. Shuo Chen, Mr. Frederic Jean Emmanuel Azemard and Mr. Kin Ting Ng were our Directors appointed by our **[REDACTED]** Investors, who will resign from their directorship before **[REDACTED]**.

Executive Directors

Mr. Jianpeng Chen (陳健鵬), aged 54, is our founder, chairman of the Board, executive Director and general manager. Mr. Chen is in charge of formulating the overall development plan and strategy and the overall management of the Group.

Mr. Chen has more than 20 years of experience in the automotive industry. In February 1997, Mr. Chen joined Beissbarth GmbH, a German automotive equipment group, serving as the chief representative of its Beijing representative office, and accumulated ample experiences in automotive industry. Subsequently, Mr. Chen worked at Robert Bosch GmbH, a renowned German multinational engineering and technology company. From October 2013 to September 2016, Mr. Chen served as a director with non-executive function of Shanghai Balance Automotive Equipment Co., Ltd. (上海巴蘭仕汽車檢測設備股份有限公司), a large-scale manufacturer in China's automotive maintenance and repair equipment industry.

Mr. Chen obtained his bachelor's degree in engineering from Tsinghua University (清華大學) in July 1991 and obtained a master's degree in business administration from Peking University (北京大學) in July 2003.

Ms. Qinghua Song (宋清華), aged 46, is our executive Director and deputy general manager. Ms. Song is in charge of formulating and implementing development plan and strategy.

Ms. Song has more than 25 years of experience in sales and marketing. From 2000 onwards, Ms. Song has experience in Beissbarth GmbH, a German automotive equipment group and Robert Bosch GmbH, a renowned German multinational engineering and technology company. From June 2011 to April 2014, Ms. Song served as the marketing manager at the Beijing representative office of Hunter Engineering Company, a global leader in wheel alignment machines, wheel balancers, tire changers, brake service equipment, alignment lifts and inspection.

Ms. Song obtained her bachelor's degree in electrical automation from Sichuan University (四川大學) in July 1999 and obtained a master's degree in business administration from Beijing Institute of Technology (北京理工大學) in September 2005.

Mr. Shimin Lu (呂世民), aged 55, is our executive Director and deputy general manager. Mr. Lu is in charge of formulating and implementing development plan and strategy.

Mr. Lu is a veteran in the engineering and automotive industries. Prior to joining our Group, Mr. Lu worked as a technical department manager at the subsidiary of Robert Bosch GmbH in Beijing, a renowned German multinational engineering and technology company.

Mr. Lu obtained his bachelor's degree and master's degree in mechanics from Tsinghua University (清華大學) in July 1992 and July 1996, respectively.

Mr. Chunquan Zhang (張春泉), aged 42, is our executive Director and chief financial officer. Mr. Zhang is in charge of managing the overall financial and accounting affairs.

Mr. Zhang has over 20 years of experience in the insurance industry. From 2005 to 2012, Mr. Zhang worked at Ping An Property and Casualty Insurance Company of China, Ltd. (中國平安財

產保險股份有限公司), a subsidiary of Ping An Insurance (Group) Company of China, Ltd. (中國平安保險（集團）股份有限公司), which is listed on the Hong Kong Stock Exchange (stock code: 2318) and the Shanghai Stock Exchange (stock code: 601318). From 2012 to 2016, Mr. Zhang held the position of head of automobile insurance claims (mainland China and Hong Kong) at American International Group, Inc., an American multinational finance and insurance corporation listed on the New York Stock Exchange (symbol: AIG).

Mr. Zhang obtained his bachelor's degree in automobile from South China University of Technology (華南理工大學) in July 2004 and obtained a master's degree in business administration from Jinan University (暨南大學) in June 2011. Mr. Zhang completed the Chief Financial Officer Programme at China Europe International Business School in 2019.

Independent Non-executive Directors

Mr. Cunwen Tao (陶存文), aged 61, is our independent non-executive Director. Mr. Tao is in charge of providing independent opinion and judgment to the Board.

Mr. Tao is a professor at the school of insurance and the director of the China Wealth Management Research Center (中國財富管理研究中心) at the Central University of Finance and Economics (中央財經大學).

Mr. Tao currently also holds various roles in the insurance industry including the vice president of the Beijing Insurance Society (北京保險學會), an expert in the Think Tank Expert Database of the Insurance Society of China (中國保險學會智庫專家庫) and since February 2023 a member of the Expert Advisory Committee for Talent Development in the China Insurance Association (中國保險行業協會中國保險行業人才發展專家諮詢委員會).

Mr. Tao obtained his bachelor's degree in mathematics from Anhui Normal University (安徽師範大學) in June 1989, his master's degree in insurance and monetary banking from Central University of Finance and Economics in March 1994, and his Ph.D. degree in finance from Nankai University (南開大學) in December 2004.

Ms. Rui Tang (唐蕊), aged 47, is our independent non-executive Director. Ms. Tang is in charge of providing independent opinion and judgment to the Board.

Ms. Tang has more than 25 years of experiences in accounting and finance. Ms. Tang started her career at Deloitte Touche Tohmatsu Limited and PriceWaterhouseCoopers International Limited. From 2003 to 2007, she worked at Kimberly-Clark China, a subsidiary of Kimberly-Clark Corporation, which is a company listed on the New York Stock Exchange (symbol: KMB). From June 2007 to June 2008, she worked at Financial Times China as a finance manager. From June 2008 to December 2012, she served as the Asia Pacific finance director at Oshkosh Corporation, an American company listed on the New York Stock Exchange (symbol: OSK), which is mainly engaged in designing and building specialty trucks, military vehicles, truck bodies, airport fire apparatus, and access equipment. Subsequently, Ms. Tang joined Husky Injection Molding Systems Ltd., a global leader in injection molding systems and services to the plastics industry, and worked as a financial analyst. She has been working for Siemens AG since 2014, a German multinational technology conglomerate listed on the Frankfurt Stock Exchange (stock code: SIE), in various positions, with her most recent position as the Field Service & Performance Controller at Siemens Industry Limited since April 2022.

Ms. Tang obtained her bachelor's degree in accounting from Beijing Institute of Clothing Technology (北京服裝學院) in 1999. Ms. Tang was qualified as a chartered professional accountant in Canada in 2015.

Mr. Kelei Xu (徐克磊), aged 58, is our independent non-executive Director. Mr. Xu is in charge of providing independent opinion and judgment to the Board.

Mr. Xu has more than 30 years of experience in corporate management, investment and financing, with profound technical expertise. From September 2001 to June 2017, Mr. Xu worked at Manulife Teda Fund Management Co., Ltd. (泰達宏利基金管理有限公司), one of the earliest sino-foreign joint venture fund management companies in China, and successively served as the general manager of information technology department, comprehensive management department and marketing planning department, deputy director of business, and assistant to the general manager. From July 2020 to June 2023, he successively served as the general manager, at China Nature Asset Management Co., Ltd. (天治基金管理有限公司), a public fund management company. Mr. Xu is a director of Lanxin Computing (Shenzhen) Technology Co., Ltd. (藍芯算力（深圳）科技有限公司), a company which focuses on designing chips for data center application scenarios.

Mr. Xu obtained his master's degree in engineering from Tsinghua University (清華大學) in 1994. Mr. Xu obtained his executive master's degree of business administration from Peking University (北京大學) in 2013.

SENIOR MANAGEMENT

The following table sets forth the key information about our senior management:

Name	Age	Position/ Title	Time of Joining our Group	Date of Appointment as our Senior Management	Responsibilities
Mr. Jianpeng Chen (陳健鵬)	54	Chairman of the Board, executive Director and general manager	June 2014	June 2014	Formulate the overall development plan and strategy and the overall management of the Group
Ms. Qinghua Song (宋清華)	46	Executive Director and deputy general manager	June 2014	June 2014	Formulate and implement development plan and strategy
Mr. Shimin Lu (呂世民)	55	Executive Director and deputy general manager	June 2014	June 2014	Formulate and implement development plan and strategy
Mr. Chunquan Zhang (張春泉)	42	Executive Director and chief financial officer	October 2016	October 2016	Manage the overall financial and accounting affairs
Mr. Xinghua Yuan (袁興華)	42	Deputy general manager and manager of the salvage vehicle business department	June 2014	June 2014	Overall operation of the salvage vehicle business
Mr. Jianing Huang (黃佳寧)	41	Deputy general manager and manager of the used vehicle business department	June 2014	June 2014	Overall operation of the used vehicle business
Mr. Lei Wang (王雷)	42	Deputy general manager and manager of the membership operations department	October 2016	October 2016	Management of the membership and operation

For the biographical details of Mr. Chen, Ms. Song, Mr. Lu and Mr. Zhang, see "— Board of Directors — Executive Directors"

Mr. Xinghua Yuan (袁興華), aged 42, is our deputy general manager and manager of the salvage vehicle business department. Mr. Yuan is responsible for the overall operation of the salvage vehicle business.

Mr. Yuan has ample experience in insurance and corporate management. He worked at Shenzhen Zhixinda Insurance Appraisal Co., Ltd. (深圳市智信達保險公估有限公司), a company which primarily engages in inspection, valuation, and risk assessment of insurance subjects before and after underwriting, as well as survey, inspection, loss assessment, claims adjustment, and residual value disposal of insured subjects after claims occur.

Mr. Yuan obtained his bachelor's degree in public security management from People's Public Security University of China (中國人民公安大學) in September 2004 and his master's degree in business administration from Anglia Ruskin University in June 2024.

Mr. Jianing Huang (黃佳寧), aged 41, is our deputy general manager and manager of the used vehicle business department. Mr. Huang is responsible for the overall operation of the used vehicle business.

Mr. Huang has over 10 years of experience in business management and development. From May 2011 to January 2012, he worked in Beijing Gela Siweier Trade Co., Ltd. (北京格拉思威爾貿易有限公司), which is now known as Beijing Ruiyang Xiangyi Information Consulting Service Co., Ltd. (北京瑞陽祥逸信息諮詢服務有限公司), a commerce and service company.

Mr. Huang graduated with a bachelor degree in management from the Shanghai Economics Management University (上海經濟管理大學) in July 2010.

Mr. Lei Wang (王雷), aged 42, is our deputy general manager and manager of the membership operations department. Mr. Wang is responsible for the management of the membership and operation.

Mr. Wang has approximately 20 years of experience in insurance industry. Prior to joining our Group, Mr. Wang started his career at China Pacific Property Insurance Co., Ltd. (中國太平洋財產保險股份有限公司), a subsidiary of China Pacific Insurance (Group) Co., Ltd. (中國太平洋保險（集團）股份有限公司), which is listed on the Hong Kong Stock Exchange (stock code: 2601), the Shanghai Stock Exchange (stock code: 601601) and the London Stock Exchange (stock code: CPIC). Mr. Wang successively worked at its Beijing Branch and Beijing Tongzhou Branch from July 2005 to September 2016, holding various positions including in the claims department and the new channel department.

Mr. Wang obtained his bachelor's degree in automotive application engineering from Wuhan University of Science and Technology (武漢科技大學) in July 2005 and his master's degree in financial insurance and risk management from the University of International Business and Economics (對外經濟貿易大學) in July 2015.

GENERAL

Save as disclosed above, none of the Directors or members of senior management of our Company has been a director of any public company the securities of which are **[REDACTED]** on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this Document.

Save as disclosed above, none of the Directors or members of the senior management of our Company is related to any other Directors and members of the senior management of our Company.

Save as disclosed above, to the best knowledge, information and belief of our Directors having made all reasonable inquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of the Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

JOINT COMPANY SECRETARIES

Ms. Yaling He (何亞玲), aged 34, is our joint company secretary and legal. Ms. He has been primarily responsible for company secretarial and legal matters of our Group since she joined in January 2018.

Ms. He obtained a bachelor's degree in law from the University of Emergency Management (應急管理大學) in June 2014 and a master's degree in law from Chongqing Technology and Business University (重慶工商大學) in June 2017.

Ms. He holds the PRC Legal Professional Qualification Certificate and the PRC Auctioneer Professional Qualification Certificate.

Ms. Ho Yan Lai (賴浩恩) is currently a senior manager of company secretarial services of Tricor Services Limited, where she is responsible for providing corporate secretarial and compliance services to listed companies at the Stock Exchange and other multinational, private and offshore companies. Ms. Lai has more than 8 years of experience in the company secretary profession. Ms. Lai is the named company secretary of several listed companies on the Stock Exchange, namely Wuhan Youji Holdings Ltd. (stock code: 2881), Beijing UBOX Online Technology Corp. (stock code: 2429), OneForce Holdings Limited (stock code: 1933) and MTT Group Holdings Limited (stock code: 2350).

Ms. Lai obtained her bachelor's degree in business administration in financial services and master's degree in corporate governance from The Hong Kong Polytechnic University in September 2016 and September 2020, respectively. She also holds a Bachelor of Laws from Manchester Metropolitan University in July 2024. Ms. Lai has been qualified as a Chartered Secretary, a Chartered Governance Professional, an associate of The Hong Kong Chartered Governance Institute (HKCGI) and an associate of The Chartered Governance Institute (CGI) in the United Kingdom.

BOARD COMMITTEES

Our Board delegates certain responsibilities to various committees. In accordance with the applicable laws and regulations and the Corporate Governance Code, our Company has formed three Board committees, namely the Audit Committee, the Nomination Committee and the Remuneration Committee.

Audit Committee

We have established an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph D.3 of the Corporate Governance Code. The Audit Committee consists of three Directors, namely Ms. Rui Tang, Mr. Cunwen Tao and Mr. Kelei Xu. Ms. Rui Tang has the appropriate professional qualifications or accounting or related financial management expertise as required under Rules 3.10(2) and 3.21 of the Listing Rules. Ms. Rui Tang serves as the chairman of the Audit Committee. The primary duties of the Audit Committee include, but not limited to, the following:

- proposing the appointment or change of external auditors to our Board, and monitoring the independence of external auditors and evaluating their performance;
- examining the financial information of our Company and reviewing financial reports and statements of our Company;
- examining the financial reporting system, the risk management and internal control system of our Company, overseeing their rationality, efficiency and implementation and making recommendations to our Board; and
- dealing with other matters that are authorized by our Board.

Remuneration Committee

We have established a Remuneration Committee with written terms of reference in compliance with paragraph E.1 of the Corporate Governance Code. The Remuneration Committee consists of three Directors, namely Mr. Cunwen Tao, Ms. Qinghua Song and Mr. Kelei Xu. Mr. Cunwen Tao serves as the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee include, but not limited to, the following:

- making recommendations to the Board on the Company's policy and structure for all Directors' and senior managements' remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- monitoring the implementation of remuneration system of our Company;
- making recommendations on the remuneration packages of our Directors and senior management; and
- dealing with other matters that are authorized by our Board.

Nomination Committee

We have established a Nomination Committee with written terms of reference in compliance with paragraph B.3 of the Corporate Governance Code. The Nomination Committee consists of three Directors, namely Mr. Chen, Mr. Kelei Xu and Ms. Rui Tang. Mr. Chen serves as the chairman of the Nomination Committee. The primary duties of the Nomination Committee include, but not limited to, the following:

- conducting extensive search and providing to our Board suitable candidates for our Directors, chief executive officer and other members of the senior management;
- reviewing the structure, size and composition of our Board at least annually, assisting our Board in maintaining a board skills matrix and making recommendations on any proposed changes to our Board;

- researching and developing standards and procedures for the election of our Board members, chief executive officer and members of the senior management, and making recommendations to our Board;
- supporting our Company's regular evaluation of our Board's performance; and
- dealing with other matters that are authorized by our Board.

CONFIRMATION FROM OUR DIRECTORS

Rule 8.10 of the Listing Rules

Each of our Directors confirms that as of the Latest Practicable Date, save as disclosed above, he or she did not have any interest in a business which competes or is likely to compete, either directly or indirectly, with our Company's business which would require disclosure under Rule 8.10 of the Listing Rules.

Rule 3.09D of the Listing Rules

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules in February 2025, and (ii) understands his or her obligations as a director of a **[REDACTED]** issuer under the Listing Rules.

Rule 3.13 of the Listing Rules

Each of the independent non-executive Directors has confirmed (i) his/her independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules, (ii) he/she has no past or present financial or other interest in the business of the Company or its subsidiaries or any connection with any core connected person of the Company under the Listing Rules as of the Latest Practicable Date, and (iii) that there are no other factors that may affect his/her independence at the time of his/her appointments.

COMPENSATION OF DIRECTORS

Our Directors receive compensation in the form of fees, salaries, allowances, discretionary bonuses, share-based compensation, retirement benefit scheme contributions and other benefits in kind.

For the years ended December 31, 2022 and 2023 and the nine months ended September 30, 2024, the aggregate amount of remuneration emoluments paid or payable to our Directors amounted to RMB2.9 million, RMB3.6 million and RMB1.4 million, respectively.

Under the current compensation arrangement, we estimate the total compensation before taxation to be accrued to our Directors for the year ending December 31, 2025 to be approximately RMB2 million.

The total emoluments for the remaining individuals among the five highest paid individuals amounted to RMB2.4 million, RMB3.7 million and RMB2.2 million for the years ended December 31, 2022, 2023 and the nine months ended September 30, 2024, respectively.

During the Track Record Period, no remuneration was paid by our Company to, or receivable by, our Directors or the five highest paid individuals as an inducement to join or upon joining our Company or as compensation for loss of office in connection with the management positions of our Company or any of our subsidiaries.

During the Track Record Period, none of our Directors waived any remuneration. Save as disclosed above, no other payments have been paid, or are payable, by our Company or any of our subsidiaries to our Directors or the five highest paid individuals during the Track Record Period.

CORPORATE GOVERNANCE

Pursuant to Code Provision C.2.1 of part 2 of the Corporate Governance Code as set out in Appendix C1 of the Listing Rules, companies **[REDACTED]** on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the responsibilities between the chairman and the chief executive officer should be separate and should not be performed by the same individual. We do not have a separate chairman and chief executive officer and Mr. Chen currently performs these two roles. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively.

BOARD DIVERSITY POLICY

In order to enhance the effectiveness of our Board and to maintain the high standard of corporate governance, we have adopted the board diversity policy which sets out the objective and approach to achieve and maintain diversity of our Board. Pursuant to the board diversity policy, we seek to achieve board diversity through the consideration of a number of factors when selecting the candidates to our Board, including but not limited to gender, skills, age, professional experience, knowledge, cultural and educational background, and length of service. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to our Board.

Our Directors have a balanced mix of knowledge and skills, including overall management and strategic development, accounting and corporate governance in addition to industry experience. We have three independent non-executive Directors with different industry backgrounds, representing over one-third of the members of our Board. Our Company has evaluated the structure, size and composition of our Board, and is of the opinion that the structure of our Board is reasonable, and the experience and skills of the Directors in various aspects and fields can enable our Company to maintain a high standard of operations.

Besides, we particularly recognize the importance of gender diversity. We have taken, and will continue to take, steps to promote gender diversity at all levels of our Company, including but without limitation to our Board and senior management levels. Going forward, we will continue to work to enhance gender diversity of our Board when selecting and recommending suitable candidates for Board appointments. Our Company also intends to promote gender diversity at the mid to senior level so that our Company can maintain a balanced gender ratio at different levels. Taking into account our existing business model and specific needs as well as the different background of our Directors, the composition of our Board satisfies our board diversity policy.

Our Nomination Committee is responsible for ensuring the diversity of our Board members. After the **[REDACTED]**, our Nomination Committee will examine the board diversity policy from time to time to ensure its continued effectiveness and we will disclose in our corporate governance report about the implementation of the board diversity policy on an annual basis.

COMPLIANCE ADVISER

We have appointed Fosun International Capital Limited as our Compliance Adviser pursuant to Rule 3A.19 of the Listing Rules. Our Compliance Adviser will provide us with guidance and advice as to compliance with the Listing Rules and applicable Hong Kong laws.

Pursuant to Rule 3A.23 of the Listing Rules, our Compliance Adviser will advise our Company, among others, in the following circumstances:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues, sales or transfers of treasury shares and share repurchases;

(c) where we propose to use the **[REDACTED]** from the **[REDACTED]** in a manner different from that detailed in this Document or where our business activities, developments or results deviate from any forecast, estimate or other information in this Document; and

(d) where the Stock Exchange makes an inquiry to our Company regarding unusual movements in the price or **[REDACTED]** volume of its **[REDACTED]** securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

The term of appointment of the Compliance Adviser shall commence on the **[REDACTED]** and is expected to end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the **[REDACTED]**.

OUR SINGLE LARGEST SHAREHOLDERS

Immediately following the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised), **[REDACTED]** Shares, representing approximately **[REDACTED]** of the issued share capital of our Company, will be held by Rich Winner Limited (BVI), which is wholly owned by Mr. Chen. Accordingly, Mr. Chen and Rich Winner Limited (BVI) together will be our Single Largest Shareholders after the **[REDACTED]**.

For details of Mr. Chen's biography, see "Directors and Senior Management."

RULE 8.10 OF THE LISTING RULES

As of the Latest Practicable Date, none of Directors had any interest in any business which competes or is likely to compete, either directly or indirectly, with our Company's business which would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE OF OUR BUSINESS

Having considered the following factors, our Directors are satisfied that we are able to carry out our business independently from our Single Largest Shareholders and their respective close associates upon and after the **[REDACTED]**.

Operational Independence

Our Company has full rights to make all decisions on, and to carry out, our own business operations independently. We hold our own operation resources including but not limited to suppliers and customers, as well as our own registered patents which can be used for our research and development. We have a team of senior management to operate the business independently from our Single Largest Shareholders and their respective close associates. We also have access to third parties independently from, and not connected with, our Single Largest Shareholders for sources of suppliers, customers and business partners.

Based on the above, our Directors believe that we are operationally independent from our Single Largest Shareholders and their respective close associates.

Management Independence

Our management and operational decisions are made by the Board in a collective manner. The Board comprises seven Directors, including four executive Directors and three independent non-executive Directors.

Our Directors have relevant experience to ensure the proper functioning of the Board. We further believe that our Directors and members of the senior management are able to perform their roles in our Company in managing our business independently from our Single Largest Shareholders and their respective close associates for the following reasons:

(a) all members of the Board and senior management other than Mr. Chen are independent from the Single Largest Shareholders and their respective close associates. They have substantial experience in the industry as further described in the section headed "Directors and Senior Management", which will enable them to discharge their duties independently from the Single Largest Shareholders;

(b) our independent non-executive Directors have extensive experience in different areas. We believe that they will be able to exercise their independent judgment and will be able to provide impartial opinions in the decision-making process of our Board to protect the interests of our Shareholders;

(c) each of our Directors is aware of his or her fiduciary duties as a director, which requires, among other things, that he or she acts for our Company's best interests and he or she must not allow any conflict between his or her duties as a Director and his or her personal interests; and

(d) where a Board meeting or Shareholders' meeting is held to consider a proposed transaction in which our Directors or Single Largest Shareholders or any of their respective close associates have a material interest, the relevant Directors or our Single Largest Shareholders and their respective close associates shall abstain from voting on the relevant resolutions and shall not be counted towards the quorum for the voting.

Financial Independence

We have a financial department independent from our Single Largest Shareholders and their respective close associates. We have also established an independent financial system to make the decisions based on our own business needs. In addition, we are capable of obtaining financing from third parties without relying on any guarantee or security provided by our Single Largest Shareholders and their respective close associates. During the Track Record Period and as of the Latest Practicable Date, we had received the **[REDACTED]** Investment from third party investors independently. For details of the **[REDACTED]** Investment, see "History, Reorganization and Corporate Structure." As of the Latest Practicable Date, there were no loans, advances and balances due to or from our Single Largest Shareholders or their respective close associates. Any guarantee provided by our Single Largest Shareholders or their respective close associates will be released upon the **[REDACTED]**.

CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of good corporate governance in protecting our Shareholders' interests. We have adopted the following measures to safeguard good corporate governance standards and to avoid potential conflicts of interests between our Group and our Single Largest Shareholders:

- where a Shareholders' meeting is to be held for considering proposed transactions in which our Single Largest Shareholders or any of their respective close associates has a material interest, our Single Largest Shareholders will not vote on the resolutions and shall not be counted in the quorum in the voting;
- our Group has established internal control mechanisms to identify connected transactions. Upon the **[REDACTED]**, if any transaction is proposed between our Group and our Single Largest Shareholders and their respective associates, we will comply with the requirements of the Articles of Association and the Listing Rules, including, where appropriate, the reporting, annual review by the independent non-executive Directors, announcement and independent shareholders' approval;
- our Board consists of a balanced composition of executive Directors and independent non-executive Directors, with independent non-executive Directors representing over one-third of our Board to ensure that our Board is able to effectively exercise independent judgment

in its decision-making process and provide independent advice to our Shareholders. Our independent non-executive Directors individually and collectively possess the requisite knowledge and experience to perform their duties. They will review whether there is any conflict of interests between our Group and our Single Largest Shareholders and provide impartial and professional advice to protect the interests of our minority Shareholders;

- where our Directors reasonably request the advice of independent professionals, such as financial advisers, the appointment of such independent professionals will be made at our Company's expenses; and
- we have appointed Fosun International Capital Limited as our Compliance Adviser who will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors' duties and corporate governance, and inform us on a timely basis of any amendment or supplement to the Listing Rules or applicable laws and regulations in Hong Kong.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest that may arise between our Company and our Single Largest Shareholders, and to protect our minority Shareholders' interests after the **[REDACTED]**.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the **[REDACTED]**, assuming the **[REDACTED]** is not exercised, the following persons will have interests and/or short positions in the Shares or underlying shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Substantial shareholder	Capacity/Nature of Interest[(1)]	Shares held as of the Latest Practicable Date		Shares held immediately following the completion of the [REDACTED]	
		Number	Approximate Percentage	Number	Approximate Percentage
Mr. Chen[(2)]	Interest in controlled corporation	230,248,000	25.53%	**[REDACTED]**	**[REDACTED]**%
Rich Winner Limited[(2)]	Beneficial owner	230,248,000	25.53%	**[REDACTED]**	**[REDACTED]**%
TPG Operating Group III, L.P[(3)]	Interest in controlled corporation	91,427,000	10.14%	**[REDACTED]**	**[REDACTED]**%
TPG Holdings III-A, L.P.[(3)]	Interest in controlled corporation	91,427,000	10.14%	**[REDACTED]**	**[REDACTED]**%
TPG Holdings III-A, LLC[(3)]	Interest in controlled corporation	91,427,000	10.14%	**[REDACTED]**	**[REDACTED]**%
TPG NQ HoldCo GP, Inc.[(3)]	Interest in controlled corporation	91,427,000	10.14%	**[REDACTED]**	**[REDACTED]**%
TPG NQ HoldCo, L.P.[(3)]	Interest in controlled corporation	91,427,000	10.14%	**[REDACTED]**	**[REDACTED]**%
NewQuest Partners Master G.P. Ltd.[(3)]	Interest in controlled corporation	91,427,000	10.14%	**[REDACTED]**	**[REDACTED]**%
NewQuest Asia Fund IV GP Ltd.[(3)]	Interest in controlled corporation	91,427,000	10.14%	**[REDACTED]**	**[REDACTED]**%
NewQuest Asia Fund IV, L.P.[(3)]	Interest in controlled corporation	91,427,000	10.14%	**[REDACTED]**	**[REDACTED]**%
NewQuest[(3)]	Beneficial owner	91,427,000	10.14%	**[REDACTED]**	**[REDACTED]**%
TR Capital IV, L.P.[(4)]	Interest in controlled corporation	105,863,000	11.74%	**[REDACTED]**	**[REDACTED]**%
TR Kariba Secondary 10, L.P.[(4)]	Interest in controlled corporation	105,863,000	11.74%	**[REDACTED]**	**[REDACTED]**%
TR Ching Holdings 9[(4)]	Interest in controlled corporation	105,863,000	11.74%	**[REDACTED]**	**[REDACTED]**%
TR Restore[(4)]	Beneficial owner	105,863,000	11.74%	**[REDACTED]**	**[REDACTED]**%
Fosun International[(5)]	Interest in controlled corporation	74,982,230	8.31%	**[REDACTED]**	**[REDACTED]**%
Shanghai Fosun High-tech (Group) Co., Ltd.[(5)]	Interest in controlled corporation	51,615,000	5.72%	**[REDACTED]**	**[REDACTED]**%
Glotech Management Holdings (HK) Limited[(5)]	Interest in controlled corporation	51,615,000	5.72%	**[REDACTED]**	**[REDACTED]**%
Shanghai Rui Xu Management Consulting Co., Ltd.[(5)]	Interest in controlled corporation	51,615,000	5.72%	**[REDACTED]**	**[REDACTED]**%
Shanghai Rui Wang[(5)]	Beneficial owner	51,615,000	5.72%	**[REDACTED]**	**[REDACTED]**%
Xiaobo Luo[(6)]	Interest in controlled corporation	48,732,700	5.40%	**[REDACTED]**	**[REDACTED]**%
Grand Choice Investments Limited[(6)]	Beneficial owner	48,732,700	5.40%	**[REDACTED]**	**[REDACTED]**%
DeXXully Limited	Beneficial owner	47,996,000	5.32%	**[REDACTED]**	**[REDACTED]**%

Notes:

(1) All interests stated are long positions.

(2) Rich Winner Limited is wholly owned by Mr. Chen. By virtue of the SFO, Mr. Chen is deemed to be interested in the Shares in which Rich Winner Limited is interested.

(3) Each of NewQuest Asia Fund IV, L.P. (as sole ordinary shareholder of NewQuest), NewQuest Asia Fund IV GP Ltd. (as a general partner of NewQuest Asia Fund IV, L.P.), NewQuest Partners Master G.P. Ltd. (as the sole ordinary shareholder of NewQuest Asia Fund IV GP Ltd.), TPG NQ HoldCo, L.P. (as the sole ordinary shareholder of NewQuest Partners Master G.P. Ltd.), TPG NQ HoldCo GP, Inc. (as a general partner of TPG NQ HoldCo, L.P.), TPG Operating Group III, L.P. (as sole ordinary shareholder of TPG NQ HoldCo GP, Inc.), TPG Holdings III-A, L.P. (as a general partner of TPG Operating Group III, L.P.), TPG Holdings III-A, LLC (as a general partner of TPG Holdings III-A, L.P.), TPG Operating Group II, L.P. (as the sole shareholder of TPG Holdings III-A, LLC), TPG Holdings II-A, LLC (as a general partner of TPG Operating Group II, L.P.), TPG GPCo, LLC (as a sole shareholder of TPG Holdings II-A, LLC), TPG Inc. (as a sole shareholder of TPG GPCo, LLC), TPG Group Holdings (SBS), L.P. (which TPG Inc. is a controlled corporation of), TPG Group Holdings (SBS) Advisors, LLC (as a general partner of TPG Group Holdings (SBS), L.P.) and TPG GP A, LLC (as a sole shareholder of TPG Group Holdings (SBS) Advisors, LLC) is deemed to be interested in the Shares held by NewQuest.

(4) Each of TR Capital IV, L.P. (as shareholder of TR Ching Holdings 9 with 42.4% shareholding), TR Kariba Secondary 10, L.P. (as shareholder of TR China Holdings 9 with 43.1% shareholding) and TR Ching Holdings 9 (as sole shareholder of TR Restore) is deemed to be interested in the Shares held by TR Restore.

(5) Shanghai Rui Wang is held as to 0.01% by Shanghai Rui Xu Management Consulting Co., Ltd. as its general partner and 99.99% by Shanghai Fosun High-tech (Group) Co., Ltd. Shanghai Rui Xu Management Consulting Co., Ltd. is wholly owned by Glotech Management Holdings (HK) Limited. Both Glotech Management Holdings (HK) Limited and Shanghai Fosun High-tech (Group) Co., Ltd. are wholly owned subsidiaries of Fosun International. Therefore, each of Shanghai Rui Xu Management Consulting Co., Ltd., Shanghai Fosun High-tech (Group) Co., Ltd., Glotech Management Holdings (HK) Limited and Fosun International is deemed to be interested in the Shares held by Shanghai Rui Wang.

Ruizheng Investment is wholly owned by Fosun RZ Holdings (HK) Limited, which is in turn wholly owned by Fosun International. Therefore, Fosun International is deemed to be interested in the Shares held by Ruizheng Investment.

(6) Grand Choice Investments Limited is wholly owned by Xiaobo Luo. By virtue of the SFO, Xiaobo Luo is deemed to be interested in the Shares in which Grand Choice Investments Limited is interested in.

Save as disclosed above and the section headed "Statutory and General Information—C. Further Information about our Directors and Substantial Shareholders" in Appendix IV to this Document, our Directors are not aware of any person who will, immediately following completion of the **[REDACTED]**, assuming the **[REDACTED]** is not exercised, have any interest and/or short position in the Shares or underlying Shares of our Company which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of our Company or other members of the Group.

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately following the completion of the **[REDACTED]**.

As at the Latest Practicable Date, our authorized share capital was US$2,000,000 divided into (i) 1,341,803,700 ordinary Shares of par value US$0.001 each, (ii) 194,097,800 Series A Preferred Shares of par value US$0.001 each, (iii) 41,069,200 Series A+ Preferred Shares of par value US$0.001 each, (iv) 105,438,000 Series B Preferred Shares of par value US$0.001 each, (v) 36,704,000 Series C Preferred Shares of par value US$0.001 each, (vi) 247,304,000 Series C1 Preferred Shares of par value US$0.001 each, and (vii) 33,583,300 Series C2 Preferred Shares of par value US$0.001 each.

As at the Latest Practicable Date, our issued share capital consisted of (i) 445,632,520 ordinary Shares, (ii) 90,856,820 Series A Preferred Shares, (iii) 19,992,180 Series A+ Preferred Shares, (iv) 42,175,000 Series B Preferred Shares, (v) 22,431,920 Series C Preferred Shares, (vi) 247,304,000 Series C1 Preferred Shares, and (vii) 33,583,300 Series C2 Preferred Shares.

Each of the Preferred Shares will be converted into ordinary Shares on a one-to-one basis by way of re-designation and re-classification immediately before **[REDACTED]**.

Assuming the **[REDACTED]** is not exercised, the share capital of our Company immediately after the **[REDACTED]** will be as follows:

Description of Shares	Number of Shares	Aggregate nominal value of Shares	Approximate percentage of issued share capital
		(US$)	(%)
Shares in issue (including the Shares on re-designation of the Preferred Shares)	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Shares to be issued under the **[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Total	**[REDACTED]**	**[REDACTED]**	**100.00**

Assuming the **[REDACTED]** is exercised in full, the share capital of our Company upon completion of the **[REDACTED]** will be as follows:

Description of Shares	Number of Shares	Aggregate nominal value of Shares	Approximate percentage of issued share capital
		(US$)	(%)
Shares in issue (including the Shares on re-designation of the Preferred Shares)	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Shares to be issued under the **[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Shares to be issued under the **[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Total	**[REDACTED]**	**[REDACTED]**	**100.00**

ASSUMPTIONS

The above tables assume the **[REDACTED]** becomes unconditional, completion of the **[REDACTED]**, and that each of the Preferred Shares are converted into Shares on a one-to-one basis.

RANKING

The **[REDACTED]** are shares in the share capital of our Company and rank equally with all Shares currently in issue or to be issued (including all the Shares as converted from Preferred Shares upon completion of the **[REDACTED]**) and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this Document.

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED

Pursuant to the Cayman Companies Act and the terms of the Articles of Association, our Company may from time to time by ordinary resolution of Shareholders (i) increase its share capital; (ii) consolidate and divide its share capital into Shares of larger amount; (iii) divide its Shares into several classes; (iv) cancel any Shares which have not been taken or agreed to be taken (v) make provision for the allotment and issue of Shares which do not carry any voting rights; (vi) change the currency of denomination of its share capital; and/or (vii) reduce its share premium account in any manner authorized. In addition, our Company may, subject to the provisions of the Cayman Companies Act, reduce its share capital or capital redemption reserve by its Shareholders passing a special resolution. See "Summary of the Constitution of our Company and Cayman Islands Company Law — 2. Articles of Association — 2.1 Shares — (c) Alteration of Capital" in Appendix III for further details.

[REDACTED] SHARE INCENTIVE PLANS

The Company has adopted the **[REDACTED]** Share Incentive Plans. See "Statutory and General Information — D. **[REDACTED]** Share Incentive Plans" in Appendix IV to this Document for further details.

GENERAL MANDATE TO (I) ISSUE SHARES AND (II) SELL AND/OR TRANSFER TREASURY SHARES

Subject to the **[REDACTED]** becoming unconditional, our Directors were granted a general mandate to (i) allot, issue and deal with any Shares or securities convertible into Shares, and (ii) sell and/or transfer Shares out of treasury that are held as treasury shares of not more than the sum of:

- 20% of the total number of Shares in issue immediately following completion of the **[REDACTED]** (excluding (i) the additional Shares which may be issued pursuant to the exercise of the **[REDACTED]**, and (ii) treasury shares, if any); and
- the aggregate nominal value of Shares repurchased by the Company under the authority referred to in the paragraph headed "—General Mandate to Repurchase Shares" in this section.

This general mandate to issue Shares and sell and/or transfer treasury shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or
- the expiration of the period within which our Company's next annual general meeting is required by the Memorandum of Association and Articles of Association or any other applicable laws to be held; or

- the date on which it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

GENERAL MANDATE TO REPURCHASE SHARES

Subject the **[REDACTED]** becoming unconditional, our Directors have been granted a general unconditional mandate, to exercise all the powers of our Company to repurchase our own securities with nominal value of up to 10% of the total number of Shares in issue immediately following the completion of the **[REDACTED]** (excluding (i) the additional Shares which may be issued pursuant to the exercise of the **[REDACTED]**, and (ii) treasury shares, if any).

The repurchase mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which our Shares are **[REDACTED]** (and which are recognized by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in "Statutory and General Information—A. Further Information about our Group—5. Repurchases of Our Own Securities" in Appendix IV to this Document.

This general mandate to repurchase Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or
- the expiration of the period within which our Company's next annual general meeting is required by the Articles of Association or any other applicable laws to be held; or
- the date on which it is varied or revoked by an ordinary resolution of our Shareholders passed in a general meeting.

See "Statutory and General Information — A. Further Information about Our Group — 4. Resolutions of Our Shareholders" in Appendix IV to this Document for further details of the repurchase mandate.

You should read the following discussion and analysis in conjunction with our consolidated financial statements and the accompanying notes included in the Accountants' Report set forth in Appendix I to this Document. Our consolidated financial statements have been prepared in accordance with IFRS Accounting Standards, which may differ in material aspects from generally accepted accounting principles in other jurisdictions. You should read the entire Accountants' Report and not merely rely on the information contained in this section.

The following discussion and analysis contain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, whether the actual outcome and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. In evaluating our business, you should carefully consider all of the information provided in this Document.

For the purpose of this section, unless the context otherwise requires, references to 2022 and 2023 refer to our financial year ended December 31 of such years. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We are China's largest salvage vehicle auction platform. We ranked the first in China's salvage vehicle auction industry in terms of transaction volume in 2023, with a market share of approximately 31.3%, according to CIC. Powered by our valuation infrastructure and online-offline integrated approach in auctions, our salvage vehicle auction platform effectively connects upstream salvage vehicle consignors, primarily insurance companies, with downstream salvage vehicle buyers, primarily certified repair workshops and licensed vehicle dismantlers.

Unlike new vehicles, salvage vehicles lack standardization, and their market prices are heavily influenced by multiple factors, such as, among others, prices of new and used vehicles, extent of damage and prices of auto parts. This complexity presents a significant challenge for all industry participants involved in the salvage vehicle transaction value chain, including upstream vehicle consignors and downstream buyers, especially when assessing the value of salvage vehicles. We believe our auction platform can adequately bridge such challenges. Since our inception in 2014, we have remained committed to enhancing the operational efficiency and transaction transparency within the salvage vehicle auction industry. Capitalizing on our massive, genuine and time-sensitive transaction data on salvage vehicles and pioneering and industry-leading proprietary E-Pricing and E-Value systems, we are able to swiftly deliver valuation estimates of each salvage vehicle, offering valuable insights to both salvage vehicle consignors and buyers. Moreover, through our salvage vehicle auction platform, we have enhanced information transparency and transaction efficiency between vehicle consignors and buyers, leading to quicker salvage vehicle value discovery and better transaction experience for all.

In addition to salvage vehicle auctions, we also facilitate used vehicle transactions through auctions by connecting upstream used vehicle consignors with downstream used vehicle buyers. We are the largest institutional used vehicle auction platform and the third largest B2B used vehicle auction platform in China in terms of auction volume in 2023, according to CIC. To better facilitate auctions, we also offer a comprehensive suite of facilitation services to meet the varied and evolving needs of vehicle consignors and buyers. Our facilitation services cover the entire auction, aimed at optimizing salvage and used vehicle transaction process, shortening transaction turnaround time and enhancing user experience. According to CIC, we are the only salvage vehicle auction platform capable of delivering a comprehensive suite of auction and facilitation services covering the entire salvage vehicle auction process.

Our operating and financial performances have further reinforced our industry leading position. In 2022, 2023, and for the nine months ended September 30, 2023 and 2024, our revenue was RMB388.1 million, RMB518.3 million, RMB391.1 million and RMB404.0 million, respectively. During the same periods, we maintained high and stable gross profit margin of 44.4%, 49.9%, 51.1% and 47.3%, respectively. We recorded loss for the year/period of RMB180.2 million, RMB121.5 million and RMB39.5 million in 2022, 2023, and for the nine months ended September 30, 2023 and profit for the period of RMB1.4 million for the nine months ended September 30, 2024. Our historical loss-making positions were primarily attributable to changes in carrying amount of financial instruments issued to **[REDACTED]**. For details, see "— Description of Major Components of Our Results of Operations." Nevertheless, our adjusted net profit (non-IFRS measure) increased significantly during the Track Record Period. Our adjusted net profit (non-IFRS measure) amounted to RMB50.2 million, RMB81.7 million, RMB73.8 million and RMB75.8 million in 2022, 2023, and for the nine months ended September 30, 2023 and 2024, respectively. For a reconciliation of our non-IFRS measure to its most directly comparable IFRS Accounting Standards financial measures, see "— Non-IFRS Measure."

BASIS OF PREPARATION

The historical financial information has been prepared in accordance with all applicable IFRS Accounting Standards as issued by the International Accounting Standards Board (the "IASB"). Further details of the material accounting policy information adopted are set out in Note 2 of the Accountants' Report included in Appendix I to this Document.

The IASB has issued a number of new and revised IFRS Accounting Standards. For the purpose of preparing this historical financial information, our Group has adopted all applicable new and revised IFRS Accounting Standards throughout the Track Record Period, except for any new standards or interpretations that are not yet effective for the accounting period beginning on January 1, 2024. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning on January 1, 2024 are set out in Note 33 of the Accountants' Report included in Appendix I to this Document.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business, financial conditions and results of operations are influenced by various general factors impacting China's automotive industry as well as salvage and used vehicle auction industry. These factors include, among others, China's overall macroeconomic conditions, the growth and development of China's automotive industry, the growth of China's vehicle parc level and demand for salvage and used vehicles, the increasing adoption of total loss during insurance claim settlement process and governmental policies, the price fluctuation of new and used vehicles in the automotive industry, and the initiatives and incentives affecting automotive industry in China. Any negative change in these conditions may adversely impact our results of operations.

In addition to these general factors, the following specific factors have a more direct impact on our results of operations.

Ability to Increase Our Transaction Volume

We are China's largest salvage vehicle auction platform. We ranked the first in China's salvage vehicle auction industry in terms of transaction volume in 2023, with a market share of approximately 31.3%, according to CIC. We were also the largest institutional used vehicle auction platform and the third largest B2B used vehicle auction platform in China in terms of auction volume in 2023, according to CIC. Our ability to continue increasing the transaction volume of both salvage vehicles and used vehicles affects the growth of our business and revenue. The total number of salvage vehicles auctioned through our platform increased by 58.6% from 68,166 units in 2022 to 108,114 units in 2023 and increased by 10.9% from approximately 78,806 units for the nine months ended September 30, 2023 to 87,391 units for the nine months ended September 30, 2024. The total number of used vehicles auctioned through our platform increased by 52.7% from 78,051 units in 2022 to 119,148 units in 2023 and decreased by 1.0% from 85,226 units for the nine months ended September 30, 2023 to 84,388 units for the nine months ended September 30, 2024. We anticipate that our future revenue growth will continue to depend largely on the increase of transaction volume on our auction platform. Our ability to increase transaction volume depends on, among other things, our ability to continually improve the service and transaction experience we offer, increase brand awareness among key industry participants, expand our offline facilities network, and enhance our transaction enablement and technology capabilities.

Ability to Maintain and Enhance Our Relationship with Consignors and Buyers

At the core of our growth strategy is our commitment to reinforcing relationships with upstream consignors. In particular, with respect to our salvage vehicle auction services, we strategically focus on insurance companies — sectors that demand a cost-effective, compliant, and efficient disposal process for salvage vehicles. Maintaining and strengthening our collaboration and trust with insurance companies are critical to our business success. By deepening such relationship, we can secure a stable and sufficient supply of salvage vehicles to address the demands of downstream buyers, thereby increasing the number of salvage vehicles auctioned on our auction platform, which, in turn, will attract more buyers and boost our revenue. Similarly, by maintaining and enhancing our relationships with used vehicle consignors such as dealership groups, OEMs and rental companies, we expect to increase the number of used vehicles auctioned on our auction platform, thereby entrenching our leadership position in used vehicle auction industry and driving revenue growth. Additionally, expanded collaborations with consignors allow us to explore new service and revenue opportunities. As such, retaining and expanding our relationships with consignors directly affect our business, financial condition and results of operations.

Over the years, we have amassed a large buyer base consisting of certified repair workshops and licensed vehicle dismantlers for salvage vehicles, and franchised car dealers and independent used car dealers for used vehicles. Our revenue, in large parts, is driven by the number of buyers we serve during auctions as well as the scope and volume of our various auction-related services they utilize. Our member repurchase rate amounted to 71.2%, 74.1%, 71.9% and 70.7% in 2022, 2023 and for the nine months ended September 30, 2023 and 2024, which is higher than the industry average according to CIC. As such, maintaining and growing our buyer base directly affect our business, financial condition and results of operations.

Ability to Continuously Invest in Technology and Innovation

The auto insurance industry and the salvage vehicle auction industry are rapidly evolving, driven by continued technology advancements. In particular, the industry is increasingly demanding a standardized valuation tool that can help efficient value discovery of salvage and used vehicles. We are committed to investing in research and development and have independently developed a number of proprietary solutions that allow us to remain competitive and meet complex demands from consigners and buyers. For instance, our E-Pricing and E-Value systems can quickly and accurately estimate the SV and PAV of damaged vehicles. These systems streamline the total loss assessment process of insurance companies, optimize our valuation capabilities and ultimately support the reuse and recycling of salvage vehicles, helping us better serve the entire transaction value chain. Moreover, to further support upstream consignors, we provide digitalization solutions such as the Carwins Cloud, which offers intuitive, easy-to-use tools that allow consignors, particularly dealership groups, to centrally manage their used vehicle inventory and improve operational efficiency.

Technological leadership requires sustained substantial investment in research and development. Looking ahead, we plan to continuously invest in research and technology to keep pace with rapid technological and industry change, retaining our competitive edge and supporting the long-term development of our auction platform.

Ability to Control Costs and Improve Operating Efficiency

Our results of operations are affected by our ability to manage our operating costs and expenses. Our ability to control costs and manage operating expenses directly impacts our results of operations and competitiveness.

Our cost of sales consists primarily of (i) outsourcing costs related to logistics, inspection, towing and data related services provided by external suppliers, (ii) procurement costs related to vehicle sales, and (iii) staff costs. Through our increased economies of scale and effective cost control initiatives, we were able to reduce our cost of sales as a percentage of total revenue from 55.6% in 2022 to 50.7% in 2023. Our cost of sales as a percentage of total revenue increased from 48.8% for the nine months ended September 30, 2023 to 52.7% for the nine months ended September 30, 2024, driven by increased procurement costs related to vehicle sales as we witnessed substantial growths of such business in 2024.

Our operating expenses consist primarily of (i) sales and marketing expenses, (ii) general and administrative expenses, and (iii) research and development expenses. In absolute amount, our operating expenses increased by 13.2% from RMB180.5 million in 2022 to RMB204.2 million in 2023, and decreased by 8.1% from RMB144.8 million for the nine months ended September 30, 2023 to RMB133.1 million for the nine months ended September 30, 2024. As a percentage of total revenue, our operating expenses decreased from 46.5% in 2022 to 39.4 in 2023 and from 37.0% for the nine months ended September 30, 2023 to 32.9% for the nine months ended September 30, 2024. This decrease reflects our successful efforts to improve operational efficiency and productivity, as well as the benefits of increased economies of scale.

Looking forward, we anticipate that our operational efficiency will further improve as we expand our business and capitalize on economies of scale. We will also refine our cost structure and operating expenses by enhancing our management precision, streamlining our internal workflows, and leveraging technology to drive cost reduction. Over the long term, we are dedicated to consistently evaluating and enhancing our cost and expense management strategies to maintain our agility and competitiveness in the market.

Seasonality

Our results of operations may be affected from period to period due to many factors, including seasonal factors that may affect the demand and supply of salvage and used vehicles. Sales volume of salvage and used vehicles in China is generally lower before and during the Chinese New Year holidays and higher after the Chinese New Year holidays. Such seasonality factors affect the financial condition of our suppliers and customers, which, in turn, affect our financial condition and results of operations. Moreover, sales volume of salvage vehicles in China may be higher during summer as a result of an increase in flood-damaged vehicles resulting from natural disasters, such as, among others, typhoon, during summer rainy seasons. Such fluctuations are seasonal in nature and may not reflect our full-year operational results and financial conditions. Accordingly, our ability to offset the impact of seasonality is important for maintaining our profitability, thereby affecting our results of operations and financial condition.

MATERIAL ACCOUNTING POLICY INFORMATION AND ESTIMATES

Some of our accounting policies require us to apply estimates as well as complex judgments related to accounting items. The estimates we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and operational results. Our management continuously evaluates such estimates, assumptions and judgments based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. There has not been any material deviation between our management's estimates or assumptions and actual results, and we did not make any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates and assumptions in the foreseeable future.

Our material accounting policy information, estimates and judgments, which are important for understanding our financial condition and results of operations, are set forth in further detail in Note 2 and Note 3 to the Accountants' Report included in Appendix I to this Document.

Set forth below are accounting policies that we believe are material to us or involve the most significant estimates, assumptions and judgments used in the preparation of our financial statements.

Revenue and Other Income

We recognize income as revenue when such income arises from the sale of goods or the provision of services in the ordinary course of our business.

Further details of our revenue and other income recognition policies are as follows.

Revenue from contracts with customers

We derive our revenue from providing salvage vehicle auction and facilitation services, used vehicle auction and facilitation services, vehicle sales and other services to customers.

Revenue is recognized when control over a product or service is transferred to the customer at the amount of promised consideration to which we are expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

The method we recognize revenue from our customers is affected by the role under each contract with customers. For contracts where we act as a principal, we recognize revenue on a gross basis, while for contracts where we are acting as an agent, we recognize revenue on a net basis.

Our revenue and other income recognition policies are as follows.

Service Revenue

We connect upstream salvage vehicle consignors and used vehicle consignors with downstream buyers through our online auctions platforms and offline facilities. We charge auction fee and auction-related sales transaction fees to buyers for successful vehicle auctions on our auction platform. We also charge service fees in connection with salvage vehicle transactions and used vehicle transactions to vehicle consignors or buyers, such as, storage and preservation, logistics, title transfer and various operation support. These services are not distinct within the context of the contract. Accordingly, revenue for these services is recognized when the single performance obligation is satisfied at the completion of the auction process.

We provide our members access to our online auction platform and charges members an annual registration fee for the right to participate in our online auctions and access our bidding platform. Revenue is recognized ratably over the term of the arrangement, generally one year, as customers receive the benefit of the services.

Vehicle sales

We purchase damaged new vehicles and used vehicles from dealers or rental companies and then sell such vehicles to the customers on our own behalf. Vehicle sales revenue is recognized when the customer takes possession of and accepts the vehicle.

Other services

We also provide other services to customers. Revenue is recognized the point in time upon the completion of the service and customer acceptance.

Revenue from other sources and other income

Interest income

Interest income is recognized as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset.

Government grants

Government grants are recognized in the statement of financial position initially when there is reasonable assurance that they will be received and that we will comply with the conditions attaching to them. Grants that compensate us for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate us for the cost of an asset are recognized as deferred income and subsequently recognized in profit or loss over the useful life of the asset by way of being recognized in other income.

Subsidiaries and Non-Controlling Interests

Subsidiaries are entities that we control. We control an entity when we are exposed, or have rights, to variable returns from our involvement with the entity and have the ability to affect those returns through our power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

For each business combination, we can elect to measure any non-controlling interests ("NCI") either at fair value or at the NCI's proportionate share of the subsidiary's net identifiable assets. NCI are presented in the consolidated statement of financial position within equity, separately from equity attributable to our equity shareholders. NCI in the results of us are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between NCI and our the equity shareholders. Loans from holders of NCI and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with Note 2(o), (p) or (q) to the Accountants' Report included in Appendix I to this Document depending on the nature of the liability.

Changes in our interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When we lose control of a subsidiary, we derecognize the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in that former subsidiary is measured at fair value when control is lost.

In our statement of financial position, an investment in a subsidiary is stated at cost less impairment losses, which are set forth in further detail in Note 2(j) to the Accountants' Report included in Appendix I to this Document.

Financial Instruments Issued to [REDACTED]

We issued several series of preferred shares to **[REDACTED]**. The preferred shares that entitle the holders to redeem the shares upon the occurrence of contingent events, which are not all within our control, and are convertible into a variable number of ordinary shares at the option of the holders or automatically upon closing of a qualified **[REDACTED]** of us, are accounted for as compound financial instruments.

Our obligation to redeem the preferred shares gives rise to a financial liability that is measured at the present value of the redemption amount under the worst-case approach. Subsequently, any changes in the carrying amount of the financial liability arising from the remeasurement of the redemption amount are recognized in profit or loss as "changes in carrying amount of financial instruments issued to **[REDACTED]**."

The equity component is the difference between the initial fair value of the preferred shares as a whole and the initial carrying amount of the liability components, and it is not subsequently remeasured.

Other Investments in Securities

Our policies for investments in debt and equity securities, other than investments in subsidiaries, are set out below.

Investments in securities are recognized/derecognized on the date we commit to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at FVPL for which transaction costs are recognized directly in profit or loss. For an explanation of how we determine fair value of financial instruments, see Note 30(c) to the Accountants' Report in Appendix I to this Document. These investments are subsequently accounted for as follows, depending on their classification.

Non-equity Investments

Non-equity investments are classified into one of the following measurement categories:

- Amortized cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Expected credit losses, interest income calculated using the effective interest method, foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
- Fair value through other comprehensive income ("FVOCI") - recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses are recognized in profit or loss and computed in the same manner as if the financial asset was measured at amortized cost. The difference between the fair value and the amortized cost is recognized in OCI. When the investment is derecognized, the amount accumulated in OCI is recycled from equity to profit or loss.
- FVPL if the investment does not meet the criteria for being measured at amortized cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognized in profit or loss.

Equity Investments

An investment in equity securities is classified as FVPL, unless the investment is not held for trading purposes and on initial recognition the group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognized in OCI. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. If such election is made for a particular investment, at the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings and not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognized in profit or loss as other income.

DESCRIPTION OF SELECTED ITEMS OF OUR CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The following table sets forth selected items of our consolidated statements of profit or loss and other comprehensive income for the periods indicated, derived from our consolidated statements of profit or loss and other comprehensive income as set out in the Accountants' Report included in Appendix I to this Document. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	Year Ended December 31,		Nine Months Ended September 30,	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000 (unaudited)*
Revenue	388,113	518,329	391,139	403,978
Cost of sales	(215,760)	(259,461)	(191,103)	(213,009)
Gross profit	**172,353**	**258,868**	**200,036**	**190,969**
Other income or loss, net	10,555	(11,858)	(4,491)	479
Sales and marketing expenses	(90,659)	(101,559)	(71,814)	(66,945)
General and administrative expenses	(67,340)	(73,240)	(50,563)	(46,898)
Research and development expenses	(22,463)	(29,416)	(22,430)	(19,212)
Impairment (loss)/reversal on trade and other receivables	(2,174)	1,515	688	414
Profit from operations	**272**	**44,310**	**51,426**	**58,807**
Finance costs	(3,859)	(4,530)	(3,872)	(3,186)
Changes in carrying amount of financial instruments issued to investors	(172,531)	(151,157)	(73,862)	(40,299)
(Loss)/profit before taxation	**(176,118)**	**(111,377)**	**(26,308)**	**15,322**
Income tax	(4,127)	(10,093)	(13,190)	(13,897)
(Loss)/profit for the year/period	**(180,245)**	**(121,470)**	**(39,498)**	**1,425**
Attributable to:				
Equity Shareholders of the Company	(180,257)	(121,392)	(39,431)	1,526
Non-controlling interests	12	(78)	(67)	(101)
(Loss)/profit and total comprehensive income for the year/period	**(180,245)**	**(121,470)**	**(39,498)**	**1,425**
(Loss)/earnings				
Basic and diluted per share	(0.40)	(0.27)	(0.09)	0.00

NON-IFRS MEASURE

To supplement our consolidated statements of profit or loss and other comprehensive income which are presented in accordance with IFRS Accounting Standards we use adjusted net profit (non-IFRS measure) as non-IFRS measure, which is not required by, or presented in accordance with, IFRS Accounting Standards. Our adjusted net profit (non-IFRS measure) increased significantly during the Track Record Period.

We define adjusted net (loss)/profit (non-IFRS measure) as (loss)/profit for the years/periods adjusted by adding back (i) changes in carrying amount of financial instruments issued to **[REDACTED]**, which are non-cash items, (ii) amortization of intangible assets resulting from business acquisitions, which is non-cash in nature arising from valuation during acquisition and not reflective of our operating performance, (iii) share-based payments expenses, which are non-cash in nature, and

(iv) **[REDACTED]** expenses, which relate to the **[REDACTED]** and are non-recurring, one-off and non-operating. When converted, the carrying amount of financial instruments issued to **[REDACTED]** will be reclassified to equity, and any subsequent changes in value will no longer be recognized as financial liabilities. We believe that non-IFRS measure facilitates the comparisons of operating performance and provide useful information to **[REDACTED]** and others in understanding and evaluating our operating performance in the same manner as it helps our management. However, our presentation of non-IFRS measure for the periods may not be comparable to similarly titled measures presented by other companies. The use of non-IFRS measure has limitations as an analytical tool, and **[REDACTED]** should not consider it in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under IFRS Accounting Standards.

The following table reconciles non-IFRS measure for the years/periods presented with the nearest measure prepared in accordance with IFRS Accounting Standards.

	For the Year Ended December 31,		For the Nine Months Ended September 30,	
	2022	2023	2023	2024
	(RMB in thousands)			
(Loss)/profit for the year/period	(180,245)	(121,470)	(39,498)	1,425
Add back:				
Changes in carrying amount of financial instruments issued to **[REDACTED]**	172,531	151,157	73,862	40,299
Amortization of intangible assets resulting from business acquisitions	39,070	40,068	30,052	29,660
Share-based payments	18,878	11,914	9,405	3,542
[REDACTED]	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Adjusted net profit for the year/period (non-IFRS measure)	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

The following table sets forth a breakdown of our revenue by service offering, in absolute amounts and as percentages of total revenue for the years/periods indicated.

	For the Year Ended December 31,				For the Nine Months Ended September 30,			
	2022		2023		2023		2024	
	RMB	%	RMB	%	RMB	%	RMB	%
					(unaudited)			
	(in thousands, except for percentages)							
Vehicle service:								
Salvage vehicle auction and facilitation services	241,108	62.1	332,879	64.2	259,296	66.3	217,992	54.0
Used vehicle auction and facilitation services	66,141	17.0	112,376	21.7	78,528	20.1	92,403	22.9
Other services	10,604	2.7	10,302	2.0	9,656	2.5	10,309	2.6
Total service	**317,853**	**81.9**	**455,557**	**87.9**	**347,480**	**88.8**	**320,704**	**79.4**
Vehicle sales	**70,260**	**18.1**	**62,772**	**12.1**	**43,659**	**11.2**	**83,274**	**20.6**
Total	**388,113**	**100.0**	**518,329**	**100.0**	**391,139**	**100.0**	**403,978**	**100.0**

Vehicle Service

Salvage Vehicle Auction and Facilitation Services

Our revenue is primarily derived from the salvage vehicle auction and facilitation services, the core of our offerings. Our revenue from salvage vehicle auction and facilitation services mainly consists of (i) auction fee and auction-related sales transaction fees charged to buyers for successful salvage vehicle auctions on our auction platform, (ii) service fees charged to buyers, who engage our diverse services in connection with salvage vehicle transactions, including, among others, logistics, storage and preservation, and (iii) membership fees paid by salvage vehicle buyers.

Our revenue from salvage vehicle auction and facilitation services fluctuated during the Track Record Period, which increased by 38.1% from RMB241.1 million in 2022 to RMB332.9 million in 2023 and decreased by 15.9% from RMB259.3 million for the nine months ended September 30, 2023 to RMB218.0 million for the nine months ended September 30, 2024. The fluctuation was primarily attributable to the combined effect of (i) the number of salvage vehicle auctioned on our platform and (ii) the average auction price of the underlying salvage vehicles. In 2022, 2023 and for the nine months ended September 30, 2023 and 2024, the number of salvage vehicles auctioned through our online auction platform amounted to 68,166, 108,114, 78,806 and 87,391, respectively. We recorded average auction price per salvage vehicle of RMB42,666, RMB44,393, RMB44,741 and RMB37,559 in 2022, 2023 and for the nine months ended September 30, 2023 and 2024, respectively. For more information on the impact of the number of salvage vehicle auctioned and the average auction price on our revenue, see "— Period-to-period Comparison of Results of Operations."

Used Vehicle Auction and Facilitation Services

During the Track Record Period, a significant portion of our revenue was derived from used vehicle auction and facilitation services. We generate revenue from our used vehicle auction and facilitation services primarily from (i) auction fees and auction-related sales transaction fees charged to buyers for successful used vehicle auctions on our auction platform, (ii) services fees charged to consignors or buyers, who utilize our used vehicle auction facilitation services, including, among others, storage and various operation support, and (iii) membership fees paid by used vehicle buyers. For more information, see "Business — Used Vehicle Auction and Facilitation Services — Used Vehicle Auction Services — Fee Basis."

Our revenue from used vehicle auction and facilitation services amounted to RMB66.1 million, RMB112.4 million, RMB78.5 million and RMB92.4 million in 2022, 2023, and for the nine months ended September 30, 2023 and 2024, respectively, representing 17.0%, 21.7%, 20.1% and 22.9% of our total revenue. The fluctuation of our revenue from used vehicle auction and facilitation services was affected by the combined effect of the number of used vehicle auctioned as well as the per-vehicle take rates. For details, see "— Period-to-period Comparison of Results of Operations."

Other Services

As a multifunctional auction platform, we also profit from other services, where we either charge service fees based on the nature and complexity of the services involved or offer such services free of charge to enhance consignor and buyer retention to our auction platform. Such services primarily include, among others, E-Report and auto parts marketplace.

Vehicle Sales

To meet demands of upstream consignors, we purchase vehicles from such consignors and sell under our own accounts as principals. Revenue from vehicle sales includes the gross sales price of the vehicles that we have purchased. Our revenue from vehicle sales fluctuates from period to period, driven in part by multiple market factors and actual demand from upstream consignors.

Cost of Sales

The following table sets forth a breakdown of our cost of sales by service offering, both in absolute amounts and as percentages of total cost of sales, for the years/periods indicated.

	For the Year Ended December 31,				For the Nine Months Ended September 30,			
	2022		2023		2023		2024	
	RMB	%	RMB	%	RMB	%	RMB	%
					(unaudited)			
	(in thousands, except for percentages)							
Vehicle service								
Salvage vehicle auction and facilitation services	107,007	49.6	134,524	51.8	101,137	52.9	83,213	39.1
Used vehicle auction and facilitation services	33,708	15.6	57,558	22.2	41,031	21.5	44,484	20.9
Other services	5,765	2.7	5,671	2.2	6,072	3.2	5,470	2.6
Total service	**146,480**	**67.9**	**197,753**	**76.2**	**148,240**	**77.6**	**133,167**	**62.5**
Vehicle sales	**69,280**	**32.1**	**61,708**	**23.8**	**42,863**	**22.4**	**79,842**	**37.5**
Total	**215,760**	**100.0**	**259,461**	**100.0**	**191,103**	**100.0**	**213,009**	**100.0**

In 2022, 2023, and for the nine months ended September 30, 2023 and 2024, our cost of sales amounted to RMB215.8 million, RMB259.5 million, RMB191.1 million and RMB213.0 million, respectively. Our cost of sales for salvage vehicle auction and facilitation services constituted the largest component of our total cost of sales during the Track Record Period, amounting to RMB107.0 million, RMB134.5 million, RMB101.1 million and RMB83.2 million in 2022, 2023, and for the nine months ended September 30, 2023 and 2024, respectively. Our cost of sales for vehicle sales remained a substantial portion of our total cost of sales because, unlike our auction services where revenue is recognized on a net basis, revenue from vehicle sales is recognized on a gross basis, resulting in the recognition of the relevant vehicle procurement costs as our cost of sales. Our cost of sales for vehicle sales as a percentage of total cost of sales decreased from 32.1% in 2022 to 23.8% in 2023, primarily due to significant business expansion in our salvage vehicle auction and facilitation services as well as used vehicle auction and facilitation services. Our cost of sales for vehicle sales as a percentage of total cost of sales increased from 22.4% for the nine months ended September 30, 2023 to 37.5% for the nine months ended September 30, 2024, primarily driven by a significant increase in procurement costs related to vehicle sales, rising from RMB42.9 million for the nine months ended September 30, 2023 to RMB79.8 million for the same period of 2024, which was affected by fluctuations in the demand from upstream consignors for vehicle sales.

The following table sets forth a breakdown of our cost of sales by nature, both in absolute amounts and as percentages of total cost of sales, for the years/periods indicated.

	For the Year Ended December 31,				For the Nine Months Ended September 30,			
	2022		2023		2023		2024	
	RMB	%	RMB	%	RMB	%	RMB	%
					(unaudited)			
	(in thousands, except for percentages)							
Outsourcing costs	80,705	37.4	121,749	46.9	91,759	48.0	82,901	38.9
Procurement costs related to vehicle sales	69,280	32.1	61,708	23.8	42,863	22.4	79,842	37.5
Staff costs	32,485	15.1	34,237	13.2	26,964	14.1	26,957	12.7
Depreciation and amortization	24,354	11.3	25,452	9.8	19,450	10.2	17,790	8.4
Travel and transportation expenses	2,976	1.4	4,747	1.8	2,676	1.4	1,320	0.6
Office expenses	1,763	0.8	2,147	0.8	1,387	0.7	1,518	0.7
Rental expenses	941	0.4	4,202	1.6	3,544	1.9	216	0.1
Others	3,256	1.5	5,219	2.0	2,460	1.3	2,465	1.2
Total	**215,760**	**100.0**	**259,461**	**100.0**	**191,103**	**100.0**	**213,009**	**100.0**

Our cost of sales by nature primarily consists of (i) outsourcing costs, mainly related to logistics, inspection, towing, and data-related services provided by external suppliers, and (ii) procurement costs related to vehicle sales, representing expenses incurred from purchasing damaged new vehicles and used cars from franchised dealers or rental companies. Our outsourcing costs as a percentage of total cost of sales increased from 37.4% in 2022 to 46.9% in 2023, primarily due to the substantial growth in business scale, which led to higher associated costs and increased demands for services provided by external suppliers. Our outsourcing costs as a percentage of total cost of sales decreased from 48.0% for the nine months ended September 30, 2023 to 38.9% for the nine months ended September 30, 2024, primarily driven by our continuous efforts to optimize operations as well as increased cost contribution from procurement costs related to vehicle sales. Our procurement costs related to vehicle sales increased significantly from RMB42.9 million for the nine months ended September 30, 2023 to RMB79.8 million for the nine months ended September 30, 2024 in line with the increase in revenue from vehicle sales.

Gross Profit and Gross Profit Margin

Gross profit equals our total revenue minus cost of sales. Gross profit as a percentage of our total revenue is referred to as gross profit margin. The following table sets forth a breakdown of our gross profit and gross profit margin by service offering for the years/periods indicated.

	For the Year Ended December 31,				For the Nine Months Ended September 30,			
	2022		2023		2023		2024	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	RMB	%	RMB	%	RMB	%	RMB	%
					(unaudited)			
	(in thousands, except for percentages)							
Vehicle service:								
Salvage vehicle and facilitation services	134,101	55.6	198,355	59.6	158,160	61.0	134,779	61.8
Used vehicle and facilitation services	32,433	49.0	54,818	48.8	37,497	47.7	47,919	51.9
Other services	4,839	45.6	4,631	45.0	3,584	37.1	4,840	46.9
Total service	**171,373**	**53.9**	**257,804**	**56.6**	**199,241**	**57.3**	**187,538**	**58.5**
Vehicle sales	**980**	**1.4**	**1,064**	**1.7**	**795**	**1.8**	**3,431**	**4.1**
Total	**172,353**	**44.4**	**258,868**	**49.9**	**200,036**	**51.1**	**190,969**	**47.3**

We recorded gross profit of RMB172.4 million, RMB258.9 million, RMB200.0 million and RMB191.0 million, respectively, in 2022, 2023, and for the nine months ended September 30, 2023 and 2024, respectively. The fluctuations of our gross profit during the Track Record Period were mainly attributable to the fluctuations of our gross profit from salvage vehicle and facilitation services, which amounted to RMB134.1 million, RMB198.4 million, RMB158.2 million and RMB134.8 million in 2022, 2023, and for the nine months ended September 30, 2023 and 2024, respectively. Our gross profit of used vehicle and facilitation services increased from RMB32.4 million in 2022 to RMB54.8 million in 2023, and increased from RMB37.5 million for the nine months ended September 30, 2023 to RMB47.9 million for the nine months ended September 30, 2024, in line with our business expansion.

Our gross profit margin amounted to 44.4%, 49.9%, 51.1% and 47.3% in 2022, 2023, and for the nine months ended September 30, 2023 and 2024, respectively, which was largely affected by our revenue mix. The increase in gross profit margin from 2022 to 2023 was primarily driven by an increase in gross profit margin of salvage vehicle and facilitation services resulting from economies of sales and better operation efficiency. The slight decrease in gross profit margin from the nine months ended September 30, 2023 to the nine months ended September 30, 2024 was primarily driven by an increase in revenue contribution from vehicle sales. Vehicle sales inherently operate with a lower gross margin, which is attributable to relatively high procurement costs and a transparent, highly competitive vehicle transaction market.

Other Income/(Loss), Net

Our net other income/(loss) primarily represents (i) investment income from wealth management products, primarily including financial assets at fair value through profit or loss, (ii) fair value changes of financial instrument measured at FVPL representing changes in fair market value of certain vehicles that lead to the fair value loss arising from loss in value of a repurchase contract pursuant to which we are committed to purchasing certain vehicles at a pre-determined price, (iii) government grants, (iv) gain on disposal of property and equipment, primarily including the disposal of forklift trucks and public utility vehicles, (v) interest income, (vi) net foreign exchange (loss)/gain, resulted from the fluctuation of foreign exchange rate, and (vii) others. The following table sets forth a breakdown of our net other income/(loss) for the years/periods indicated.

	For the Year Ended December 31,		For the Nine Months Ended September 30,	
	2022	2023	2023	2024
			(unaudited)	
	(RMB in thousands)			
Investment income from wealth management products	2,722	947	541	562
Fair value changes of financial instrument measured at FVPL	2,732	(16,366)	(8,101)	(926)
Government grants	2,762	1,085	542	408
Gain on disposal of property and equipment	2,061	267	397	20
Interest income	1,071	1,113	916	425
Net foreign exchange (loss)/gain	(1,912)	28	149	(581)
Others	1,119	1,068	1,065	571
Total	**10,555**	**(11,858)**	**(4,491)**	**479**

Sales and Marketing Expenses

Our sales and marketing expenses consist of (i) staff costs, including salaries, benefits and share-based payments of sales and marketing personnel, (ii) depreciation and amortization of property, plant and equipment and intangible assets used in sales and marketing activities, (iii) business promotion expenses for sales and marketing personnel, (iv) travel and transportation expenses incurred by sales and marketing personnel, and (v) others. The following table sets forth a breakdown of our sales and marketing expenses, both in absolute amounts and as percentages of total sales and marketing expenses, for the years/periods indicated.

	For the Year Ended December 31,				For the Nine Months Ended September 30,			
	2022		2023		2023		2024	
	RMB	%	RMB	%	RMB	%	RMB	%
					(unaudited)			
	(in thousands, except for percentages)							
Staff costs	44,657	49.3	54,487	53.7	38,826	54.1	32,068	47.9
Depreciation and amortization	36,707	40.5	36,196	35.6	27,149	37.8	27,140	40.5
Business promotion expenses	4,862	5.4	6,021	5.9	2,596	3.6	2,241	3.3
Travel and transportation expenses	2,226	2.5	3,445	3.4	2,281	3.2	2,673	4.0
Others	2,207	2.4	1,410	1.4	962	1.3	2,823	4.2
Total	**90,659**	**100.0**	**101,559**	**100.0**	**71,814**	**100.0**	**66,945**	**100.0**

In 2022, 2023, and for the nine months ended September 30, 2023 and 2024, we incurred sales and marketing expenses of RMB90.7 million, RMB101.6 million, RMB71.8 million and RMB66.9 million, respectively. Our staff costs remained the largest component of total sales and marketing expenses during the Track Record Period, accounting for 49.3%, 53.7%, 54.1% and 47.9% of the total sales and marketing expenses in 2022, 2023, and for the nine months ended September 30, 2023 and 2024, respectively. Our staff costs substantially increased from RMB44.7 million in 2022 to RMB54.5 million in 2023, primarily due to the continuous expansion of our business volume and scale, and decreased from RMB38.8 million for the nine months ended September 30, 2023 to RMB32.1 million for the nine months ended September 30, 2024, primarily driven by adjustment of incentive payments to employees associated with performance evaluation based on our compensation policies.

General and Administrative Expenses

Our general and administrative expenses consist of (i) staff costs, including salaries and benefits and share-based payments of general and administrative personnel, (ii) depreciation and amortization of property, plant and equipment and intangible assets used in general and administrative activities, (iii) professional services fees paid to auditors and counsels during the ordinary course of our business, (iv) bank charges, (v) business promotion expenses for general and administrative personnel, (vi) travel and transportation expenses incurred by general and administrative personnel, (vii) office expenses, and (viii) other expenses. The following table sets forth a breakdown of our general and administrative expenses, both in absolute amounts and as percentages of total administrative expenses, for the years/periods indicated.

	For the Year ended December 31,				For the Nine Months ended September 30,			
	2022		2023		2023		2024	
	RMB	%	RMB	%	RMB	%	RMB	%
					(unaudited)			
	(in thousands, except for percentages)							
Staff costs	50,434	74.9	52,682	71.9	38,498	76.1	32,400	69.1
Depreciation and amortization	6,603	9.8	8,757	12.0	3,980	7.9	3,718	7.9
Professional services fees	4,265	6.3	4,012	5.5	2,694	5.3	3,394	7.2
Bank charges	890	1.3	2,015	2.8	1,361	2.7	1,668	3.6
Business promotion expenses	1,444	2.1	1,855	2.5	1,523	3.0	1,082	2.3
Travel and transportation expenses	948	1.4	1,912	2.6	1,341	2.7	1,413	3.0
Office expenses	1,159	1.7	1,522	2.1	983	1.9	2,428	5.2
Others	1,597	2.4	485	0.7	183	0.4	795	1.7
Total	**67,340**	**100.0**	**73,240**	**100.0**	**50,563**	**100.0**	**46,898**	**100.0**

In 2022, 2023, and for the nine months ended September 30, 2023 and 2024, we incurred general and administrative expenses of RMB67.3 million, RMB73.2 million, RMB50.6 million and RMB46.9 million, respectively. Staff costs remained the single largest component of our general and administrative expenses during the Track Record Period, accounting for 74.9%, 71.9%, 76.1% and 69.1% of total general and administrative expenses in 2022, 2023, and for the nine months ended September 30, 2023 and 2024, respectively.

Research and Development Expenses

Our research and development expenses consist of (i) staff costs, including salaries and benefits share-based payments of research and development personnel, (ii) outsourcing fees paid to third-party technology service providers, (iii) server costs, (iv) depreciation and amortization of property, plant and equipment and intangible assets used in research and development activities, and (v) others. The following table sets forth a breakdown of our research and development expenses, both in absolute amounts and as percentages of total research and development expenses for the years/periods indicated.

	For the Year Ended December 31,				For the Nine Months Ended September 30,			
	2022		2023		2023		2024	
	RMB	%	RMB	%	RMB	%	RMB	%
					(unaudited)			
	(in thousands, except for percentages)							
Staff costs	16,459	73.3	20,108	68.4	14,872	66.3	14,238	74.1
Outsourcing fees	3,276	14.6	4,414	15.0	4,363	19.5	3,037	15.8
Server costs	1,339	6.0	2,014	6.8	1,420	6.3	875	4.6
Depreciation and amortization	1,206	5.4	2,720	9.2	1,679	7.5	1,000	5.2
Others	183	0.8	160	0.5	96	0.4	62	0.3
Total	**22,463**	**100.0**	**29,416**	**100.0**	**22,430**	**100.0**	**19,212**	**100.0**

In 2022, 2023, and for the nine months ended September 30, 2023 and 2024, we incurred research and development expenses of RMB22.5 million, RMB29.4 million, RMB22.4 million and RMB19.2 million, respectively. Staff costs remained the largest component of our research and development expenses during the Track Record Period, accounting for 73.3%, 68.4%, 66.3% and 74.1% of the total research and development expenses in 2022, 2023, and for the nine months ended September 30, 2023 and 2024, respectively.

Impairment (Loss)/Reversal on Trade and Other Receivables

Our impairment (loss) / reversal on trade and other receivables represents expected credit (loss)/gain on trade and other receivables arising from the assessment of collectability of these receivables. We recognized impairment loss on trade and other receivables of RMB2.2 million in 2022. We recognized impairment reversal on trade and other receivables of RMB1.5 million, RMB0.7 million and RMB0.4 million in 2023 and for the nine months ended September 30, 2023 and 2024, respectively, primarily attributable to our strengthened management of receivables collection and the gradual improvement of our credit policies for customers, which resulted in recovery of amounts from customers previously written off as losses.

Finance Costs

Our finance costs consist of (i) interest on bank loans, and (ii) interest on lease liabilities. See Note 6(a) of the Accountants' Report included in Appendix I to this Document. The following table sets forth a breakdown of our finance costs, both in absolute amounts and as percentages of total finance costs, for the years/periods indicated.

	For the Year Ended December 31,				For the Nine Months Ended September 30,			
	2022		2023		2023		2024	
	RMB	%	RMB	%	RMB	%	RMB	%
					(unaudited)			
	(in thousands, except for percentages)							
Interest on bank loans	2,722	70.5	3,476	76.7	3,022	78.0	2,556	80.2
Interest on lease liabilities	1,137	29.5	1,054	23.3	850	22.0	630	19.8
Total	**3,859**	**100.0**	**4,530**	**100.0**	**3,872**	**100.0**	**3,186**	**100.0**

Changes in Carrying Amount of Financial Instruments Issued to [REDACTED]

We recorded changes in carrying amount of financial instruments issued to **[REDACTED]** of RMB172.5 million, RMB151.2 million, RMB73.9 million and RMB40.3 million in 2022, 2023, and for the nine months ended September 30, 2023 and 2024, respectively, primarily reflecting increases in our valuation. See Note 24 of the Accountants' Report included in Appendix I to this Document.

Income Tax

We recorded income tax expenses of RMB4.1 million, RMB10.1 million, RMB13.2 million and RMB13.9 million in 2022, 2023, and for the nine months ended September 30, 2023 and 2024, respectively.

(Loss)/profit for the Year/Period

As a result of the foregoing, we recorded loss of RMB180.2 million, RMB121.5 million and RMB39.5 million in 2022, 2023, and for the nine months ended September 30, 2023, respectively. We recorded profit of RMB1.4 million for the nine months ended September 30, 2024.

TAXATION

Cayman Islands

We are incorporated in the Cayman Islands. Under the current laws of the Cayman Islands, we are not subject to tax on income or capital gain. Additionally, upon payments of dividends by us in the Cayman Islands to our Shareholders, no Cayman Islands withholding tax will be imposed.

Hong Kong

Our subsidiary in Hong Kong is subject to Hong Kong profits tax on their activities conducted in Hong Kong at a rate of 8.25% on assessable profits up to HK$2 million, and 16.5% on any part of assessable profits over HK$2 million. The payments of dividends by our Hong Kong subsidiaries to their shareholders are not subject to any Hong Kong withholding tax.

PRC

Our subsidiaries in China are companies incorporated under PRC law and, as such, are subject to PRC enterprise income tax on their taxable income in accordance with the relevant PRC income tax laws. Pursuant to the PRC Enterprise Income Tax Law, or PRC EIT Law, which became effective on January 1, 2008, a uniform 25% enterprise income tax rate is generally applicable to both foreign-invested enterprises and domestic enterprises, except where a special preferential rate applies.

Two of our major subsidiaries, Shanghai Carwins and Hengtai Boche Information Technology, were entitled to a preferential corporate income tax rate of 15% during the Track Record Period, as they obtained High and New Technology Enterprises ("HNTE") status, which grants them the preferential tax rate for a three-year period. This status is subject to a requirement that they reapply for HNTE status every three years. We will apply for the renewal of the HNTE status for all of these subsidiaries, and we believe it is more likely than not that each of these subsidiaries will continue to qualify as a HNTE after the three-year period. Therefore, deferred tax of these entities were calculated at a rate of 15% starting from the year when they were accredited as HNTEs.

If our holding company in the Cayman Islands or any of our subsidiaries outside China were deemed to be a "resident enterprise" under the PRC EIT Law, it would be subject to enterprise income tax on its worldwide income at a rate of 25%. See "Risk Factors — Risks Related to Doing Business in China — If we are classified as a PRC resident enterprise for PRC enterprise income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC Shareholders."

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Nine Months Ended September 30, 2024 Compared with Nine Months Ended September 30, 2023

Revenue

Our revenue increased by RMB12.8 million, or 3.3%, from RMB391.1 million for the nine months ended September 30, 2023 to RMB404.0 million for the nine months ended September 30, 2024, primarily attributable to strong growth of our used vehicle auction and facilitation services and vehicle sales, partially offset by a decrease in revenue from salvage vehicle auction and facilitation services.

Vehicle Service

Salvage Vehicle Auction and Facilitation Services

Our revenue from salvage vehicle auction and facilitation services decreased by RMB41.3 million, or 15.9%, from RMB259.3 million for the nine months ended September 30, 2023 to RMB218.0 million for the nine months ended September 30, 2024, primarily attributable to price fluctuations in the Chinese automotive market which led to a decline in the average vehicle price within the automotive industry. Such decrease, in turn, adversely affected the average auction price of salvage vehicles on our platform. Furthermore, we also auctioned an increasing number of irreparable salvage vehicles, which generally have a lower auction price. As a result, our average auction price per salvage vehicle decreased from RMB44,741 for the nine months ended September 30, 2023 to RMB37,559 for the nine months ended September 30, 2024.

Used Vehicle Auction and Facilitation Services

Our revenue from used vehicle auction and facilitation services increased by RMB13.9 million, or 17.7%, from RMB78.5 million for the nine months ended September 30, 2023 to RMB92.4 million for the nine months ended September 30, 2024, primarily attributable to an increase in the per-vehicle take rate on our platform, resulting from our improved pricing strategies and enhanced value estimation system. Additionally, we also witnessed a stronger demand for our used vehicle auction facilitation services, particularly operation supports provided to used vehicle consignors, for the nine months ended September 30, 2024. As of September 30, 2024, we had served over 3,000 used vehicle consignors and more than 58,900 used vehicle buyers.

Other Services

Our revenue from others services increased by RMB0.7 million, or 6.8%, from RMB9.7 million for the nine months ended September 30, 2023 to RMB10.3 million for the nine months ended September 30, 2024, primarily attributable to increasing demands for our E-Report from upstream consignors and downstream buyers.

Vehicle Sales

Our revenue from vehicle sales increased by RMB39.6 million, or 90.7%, from RMB43.7 million for the nine months ended September 30, 2023 to RMB83.3 million for the nine months ended September 30, 2024. The increase was attributable to strong demands from upstream consignors for the nine months ended September 30, 2024 for the fast and efficient disposal of vehicles in large volumes, reflecting the growing need for our streamlined and reliable vehicle sales in managing consignor's vehicles.

Cost of Sales

Our cost of sales increased by 11.5% from RMB191.1 million for the nine months ended September 30, 2023 to RMB213.0 million for the nine months ended September 30, 2024, primarily attributable to a significant increase in cost of sales from vehicle sales in line with the growth of such business.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit decreased from RMB200.0 million for the nine months ended September 30, 2023 to RMB191.0 million for the nine months ended September 30, 2024, primarily attributable to a decrease in revenue from salvage vehicle auction and facilitation services, which led to a corresponding decrease in the gross profit.

Our gross profit margin decreased slightly from 51.1% for the nine months ended September 30, 2023 to 47.3% for the nine months ended September 30, 2024, primarily attributable to a significant increase in revenue contribution from vehicle sales, which generally have a lower gross profit margin than our services. Notwithstanding the foregoing, the gross profit margins of salvage vehicle and facilitation services and used vehicle and facilitation services increased during the same periods.

Vehicle Service

Salvage Vehicle Auction and Facilitation Services

Our gross profit for salvage vehicle auction and facilitation services decreased by 14.8%, or RMB23.4 million, from RMB158.2 million for the nine months ended September 30, 2023 to RMB134.8 million for the nine months ended September 30, 2024.

Our gross profit margin for salvage vehicle auction and facilitation services slightly increased from 61.0% for the nine months ended September 30, 2023 to 61.8% for the nine months ended September 30, 2024, primarily attributable to our continuous efforts to optimize our operations and streamline business procedures, leading to better management of cost of sales. For instance, we implemented mechanisms through which we can auction salvage vehicles directly at third-parties' preservation sites, which reduced unnecessary logistics and personnel fees related to towing the underlying vehicles onto our premises.

Used Vehicle Auction and Facilitation Services

Our gross profit for used vehicle auction and facilitation services increased by 27.8%, or RMB10.4 million, from RMB37.5 million for the nine months ended September 30, 2023 to RMB47.9 million for the nine months ended September 30, 2024.

Our gross profit margin for used vehicle auction and facilitation services increased from 47.7% for the nine months ended September 30, 2023 to 51.9% for the nine months ended September 30, 2024, primarily attributable to the growth in our market share and brand recognition, which has led to (i) higher bargaining power and, consequently, higher pricing for used vehicle auctions, and (ii) a larger pool of upstream consignors and downstream buyers, resulted in an increasing demand for our used vehicle auction facilitation services, including digitalization empowerment services and operation support services, which generally entails a higher gross profit margin.

Other Services

Our gross profit for other services increased by 35.0%, or RMB1.3 million, from RMB3.6 million for the nine months ended September 30, 2023 to RMB4.8 million for the nine months ended September 30, 2024.

Our gross profit margin for other services increased significantly from 37.1% for the nine months ended September 30, 2023 to 46.9% for the nine months ended September 30, 2024, primarily attributable an increase in revenue contribution from E-Report, which entails a relatively higher gross profit margin.

Vehicle Sales

Our gross profit for vehicle sales increased by 331.6%, or RMB2.6 million, from RMB0.8 million for the nine months ended September 30, 2023 to RMB3.4 million for the nine months ended September 30, 2024.

Our gross profit margin for vehicle sales increased from 1.8% for the nine months ended September 30, 2023 to 4.1% for the nine months ended September 30, 2024, primarily attributable to expanded collaborations with certain upstream vehicle consignors for certain luxury brands, which have a higher gross profit margin.

Other Income/(Loss), Net

We recorded net other loss of RMB4.5 million for the nine months ended September 30, 2023, and net other income of RMB0.5 million for the same period of 2024, primarily attributable to fair value changes of financial instrument measured at FVPL. We recorded significant fair value losses of financial instruments in 2023 as a result of significant fluctuations on fair market price of certain vehicles in 2023 under a repurchase contract pursuant to which we are committed to purchasing from a rental company at a predetermined price.

Sales and Marketing Expenses

Our sales and marketing expenses decreased by 6.8% from RMB71.8 million for the nine months ended September 30, 2023 to RMB66.9 million for the nine months ended September 30, 2024, primarily attributable to a decrease in staff costs, driven by changes in incentive payments to employees associated with performance evaluation based on our compensation policies. As our revenue continues to grow and we increasingly focus on sales and marketing efficiency, our sales and marketing expenses as a percentage of total revenue decreased from 18.4% for the nine months ended September 30, 2023 to 16.6% for the nine months ended September 30, 2024.

General and Administrative Expenses

Our general and administrative expenses decreased by 7.2% from RMB50.6 million for the nine months ended September 30, 2023 to RMB46.9 million for the nine months ended September 30, 2024, primarily attributable to a decrease in staff costs, driven by changes in incentive payments to employees associated with performance evaluation based on our compensation policies. As our revenue continues to grow and we increasingly focus on administrative efficiency, our general and administrative expenses as a percentage of total revenue decreased from 12.9% for the nine months ended September 30, 2023 to 11.6% for the nine months ended September 30, 2024.

Research and Development Expenses

Our research and development expenses decreased by 14.3% from RMB22.4 million for the nine months ended September 30, 2023 to RMB19.2 million for the nine months ended September 30, 2024, primarily attributable to a decrease in outsourcing fees, driven by certain R&D projects undertaken and outsourced during the nine months ended September 30, 2023, which had not occurred during the same period in 2024.

Impairment Reversal on Trade and Other Receivables

Our impairment reversal on trade and other receivables amounted to RMB0.7 million for the nine months ended September 30, 2023 and RMB0.4 million for the nine months ended September 30, 2024, primarily attributable to our enhanced collection efforts that leads to recovery of certain trade and other receivables previously written off.

Finance Costs

Our finance costs decreased by 17.7% from RMB3.9 million for the nine months ended September 30, 2023 to RMB3.2 million for the nine months ended September 30, 2024, primarily attributable to a decrease in interest on bank loans as a result of low interest rate environment.

***Changes in Carrying Amount of Financial Instruments Issued to* [REDACTED]**

We recorded changes in carrying amount of financial instruments issued to **[REDACTED]** of RMB73.9 million for the nine months ended September 30, 2023 as compared to RMB40.3 million for the nine months ended September 30, 2024, primarily attributable to changes in carrying amount of our preferred shares. See Note 24 of the Accountants' Report included in Appendix I to this Document.

Income Tax

We recorded income tax expenses of RMB13.2 million and RMB13.9 million for the nine months ended September 30, 2023 and 2024, respectively.

(Loss)/profit for the Period

As a result of the foregoing, we recorded loss for the period of RMB39.5 million and profit for the period of RMB1.4 million for the nine months ended September 30, 2023 and 2024, respectively.

Year Ended December 31, 2023 Compared with Year Ended December 31, 2022

Revenue

Our revenue increased by RMB130.2 million, or 33.6%, from RMB388.1 million in 2022 to RMB518.3 million in 2023, primarily attributable to significant growth of salvage vehicle auction and facilitation services and used vehicle auction and facilitation services in 2023.

Vehicle Service

Salvage Vehicle Auction and Facilitation Services

Our revenue from salvage vehicle auction and facilitation services increased by RMB91.8 million, or 38.1%, from RMB241.1 million in 2022 to RMB332.9 million in 2023, primarily attributable to a significant increase in the number of salvage vehicles auctioned from 68,166 units in 2022 to 108,114 units in 2023. The increase in auction volume was primarily attributable to the overall expansion of the salvage vehicle auction market, driven by factors including the increase in overall vehicle mileage, aging of vehicles, and heightened awareness among vehicle owners about total loss claims, leading to a rise in the number of vehicles deemed as total loss vehicles by insurance companies. Moreover, the significant increase in the volume of salvage vehicle auctioned was also due to our disaster relief campaigns in 2023 where we helped insurance companies process a large amount of flood-damaged vehicles in Zhuozhou and Beijing, as well as the rebound of general business activities post COVID-19.

Used Vehicle Auction and Facilitation Services

Our revenue from used vehicle auction and facilitation services increased by RMB46.2 million, or 69.9%, from RMB66.1 million in 2022 to RMB112.4 million in 2023, primarily attributable to an increase in the number of used vehicles auctioned from approximately 78,051 units in 2022 to 119,148 units in 2023, resulting from the expansion of our used vehicle auction and facilitation services and acquisition of Carwins. Such an expansion was benefited from the rebound and growth of the used vehicle auction market post COVID-19 as business activities resumed, which, in turn, led to an increase in the amount of used vehicle transacted.

Other Services

Our revenue from others services remained stable at RMB10.6 million and RMB10.3 million in 2022 and 2023, respectively.

Vehicle Sales

Our revenue from vehicle sales decreased by RMB7.5 million, or 10.7%, from RMB70.3 million in 2022 to RMB62.8 million in 2023, primarily attributable to fluctuations in demands of upstream consignors.

Cost of Sales

Our cost of sales increased by 20.3% from RMB215.8 million in 2022 to RMB259.5 million in 2023, primarily attributable to our continued business growth of salvage vehicle auction and facilitation services and used vehicle auction and facilitation services, partially offset by a decrease in cost of sales for vehicle sales.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased from RMB172.4 million in 2022 to RMB258.9 million in 2023. Our gross profit margin increased from 44.4% in 2022 to 49.9% in 2023, primarily attributable to the changes in mix of our revenue sources and their respective gross profit margins.

Vehicle Service

Salvage Vehicle Auction and Facilitation Services

Our gross profit for salvage vehicle auction and facilitation services increased by RMB64.3 million, or 47.9%, from RMB134.1 million in 2022 to RMB198.4 million in 2023.

Our gross profit margin for salvage vehicle auction and facilitation services increased from 55.6% in 2022 to 59.6% in 2023. This increase was primarily attributable to the continued expansion of our network of offline facilities, which enhanced our operational reach and efficiency. Notably, we achieved this growth while maintaining stable level of employees, demonstrating our commitment to cost discipline and operational efficiency. By scaling up operations without incurring additional significant operational expenses, we achieved notable profit growth. Simultaneously, the constant refinement and maturity of our business procedures have enabled us to streamline operations, maximize resource utilization, and realize substantial economies of scale. For instance, leveraging our offline facilities, we are able to store, preserve and auction salvage vehicles at our facilities, which reduced unnecessary operating expenses in connection with our service offering such as fees related to towing the underlying vehicles onto our premises. These advancements have effectively improved our operating efficiency, boosting profitability in the process.

Used Vehicle Auction and Facilitation Services

Our gross profit for used vehicle auction and facilitation services increased by RMB22.4 million, or 69.0%, from RMB32.4 million in 2022 to RMB54.8 million in 2023 in line with our business expansion.

Our gross profit margin for used vehicle auction and facilitation services remained stable at 49.0% in 2022 and at 48.8% in 2023, which was affected by the combined effect of decreasing average auction price and increasing take rate.

Other Services

Our gross profit for other services decreased by 4.3%, or RMB0.2 million, from RMB4.8 million in 2022 to RMB4.6 million in 2023.

Our gross profit margin for other services remained relatively stable at 45.6% and 45.0% in 2022 and 2023, respectively.

Vehicle Sales

Our gross profit for vehicle sales increased by 8.6%, or RMB0.1 million, from RMB1.0 million in 2022 to RMB1.1 million in 2023.

Our gross profit margin for vehicle sales remained relatively stable at 1.4% in 2022 and at 1.7% in 2023.

Other Income/(Loss), Net

We recorded net other income of RMB10.6 million in 2022, and net other loss of RMB11.9 million in 2023. We recorded net other loss in 2023, primarily attributable to the fair value changes of financial instrument measured at FVPL, resulting from fair value losses due to fluctuations on fair market price of certain vehicles under a repurchase contract, pursuant to which we are committed to purchasing from a rental company at a predetermined price.

Sales and Marketing Expenses

Our sales and marketing expenses increased by 12.0% from RMB90.7 million in 2022 to RMB101.6 million in 2023, primarily attributable to an increase in staff costs. Such increase was resulted from increased bonuses and incentives paid to employees as we expanded. Furthermore, as our revenue continues to grow and we increasingly focus on sales and marketing efficiency, our sales and marketing expenses as a percentage of total revenue decreased from 23.4% in 2022 to 19.6% in 2023.

General and Administrative Expenses

Our general and administrative expenses increased by 8.8% from RMB67.3 million in 2022 to RMB73.2 million in 2023, primarily attributable to higher bonuses and incentive payments to general and administrative personnel as we expanded. As our revenue continues to grow and we increasingly focus on administrative efficiency, our general and administrative expenses as a percentage of total revenue decreased from 17.4% in 2022 to 14.1% in 2023.

Research and Development Expenses

Our research and development expenses increased by 31.0% from RMB22.5 million in 2022 to RMB29.4 million in 2023, primarily attributable to an increase in the salaries and benefits due to higher bonuses and incentive payments to research and development personnel and an increase in outsourcing costs due to the initiation of certain research and development projects in 2023. In addition, driven by the (i) the need for a specialized team to maintain and iterate our proprietary systems, and (ii) the need to integrate intelligent technology into our service offerings, we expect our research and development expenses to increase in future.

Impairment (Loss)/Reversal on Trade and Other Receivables

We recorded impairment loss on trade and other receivables of RMB2.2 million in 2022 and impairment reversal on trade and other receivables of RMB1.5 million in 2023. The impairment reversal recorded in 2023 was attributable due to our enhanced collection efforts that lead to recovery of amounts from customers that were previously written off as a loss.

Finance Costs

Our finance costs increased by 17.4% from RMB3.9 million in 2022 to RMB4.5 million in 2023, primarily attributable to an increase in interests on bank loans.

Changes in Carrying Amount of Financial Instruments Issued to [REDACTED]

We recorded changes in carrying amount of financial instruments issued to **[REDACTED]** of RMB172.5 million and RMB151.2 million in 2022 and 2023, respectively, primarily due to changes in carrying amount of our preferred shares. See Note 24 of the Accountants' Report included in Appendix I to this Document.

Income Tax

We recorded RMB4.1 million and RMB10.1 million in income tax expenses in 2022 and 2023, respectively.

Loss for the Year

As a result of the foregoing, we recorded loss for the year of RMB180.2 million in 2022 and RMB121.5 million in 2023, respectively.

DISCUSSION OF SELECTED ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth selected items from our consolidated statements of financial position as of the dates indicated.

	As of December 31,		As of September 30,
	2022	2023	2024
			(unaudited)
	(RMB in thousands)		
Non-current assets			
Property and equipment	50,754	47,553	51,813
Intangible assets	100,855	59,996	29,577
Goodwill	295,038	295,038	295,038
Financial assets measured at fair value through other comprehensive income ("FVOCI")	2,000	2,000	2,000
Deferred tax assets	21,819	16,971	13,032
Total non-current assets	**470,466**	**421,558**	**391,460**
Current assets			
Inventories	—	11,937	220
Trade receivables	16,675	11,562	37,818
Prepayments and other receivables	105,671	125,285	160,215
Financial assets measured at fair value through profit or loss ("FVPL")	—	49,941	77,203
Restricted cash	54,610	—	—
Cash and cash equivalents	75,129	131,354	159,060
Total current assets	**252,085**	**330,079**	**434,516**

	As of December 31,		As of September 30,
	2022	2023	2024
			(unaudited)
	(RMB in thousands)		
Current liabilities			
Trade payables	9,276	11,611	23,022
Other payables	333,657	372,217	320,428
Contract liabilities	5,124	9,370	1,495
Bank loans	110,999	49,690	135,000
Lease liabilities	14,107	7,039	6,865
Financial instruments issued to **[REDACTED]**	1,422,968	1,558,569	1,584,811
Financial liabilities measured at FVPL	—	21,166	22,176
Current taxation	2,367	8,652	9,221
Total current liabilities	**1,898,498**	**2,038,314**	**2,103,018**
Non-current liabilities			
Lease liabilities	9,482	10,756	17,819
Deferred tax liabilities	6,843	4,395	2,000
Total non-current liabilities	**16,325**	**15,151**	**19,819**
Net liabilities	**(1,192,272)**	**(1,301,828)**	**(1,296,861)**
Capital and reserves			
Share capital	2,518	2,587	2,587
Reserves	(1,195,168)	(1,304,715)	(1,299,647)
Total equity attributable to equity Shareholders of the Company	**(1,192,650)**	**(1,302,128)**	**(1,297,060)**
Non-controlling interests	378	300	199
Total deficit	**(1,192,272)**	**(1,301,828)**	**(1,296,861)**

Current Assets and Liabilities

The following table sets forth our current assets and current liabilities as of the dates indicated.

	As of December 31,		As of September 30,	As of January 31,
	2022	2023	2024	2025
			(unaudited)	*(unaudited)*
	(RMB in thousands)			
Current assets				
Inventories	—	11,937	220	36,711
Trade receivables	16,675	11,562	37,818	25,779
Prepayments and other receivables	105,671	125,285	160,215	304,555
Financial assets measured at FVPL	—	49,941	77,203	10,000
Restricted cash	54,610	—	—	—
Cash and cash equivalents	75,129	131,354	159,060	77,307
Total current assets	**252,085**	**330,079**	**434,516**	**454,352**
Current liabilities				
Trade payables	9,276	11,611	23,022	55,471
Other payables	333,657	372,217	320,428	340,782
Contract liabilities	5,124	9,370	1,495	5,415
Bank loans	110,999	49,690	135,000	140,732
Lease liabilities	14,107	7,039	6,865	6,924
Financial instruments issued to **[REDACTED]**	1,422,968	1,558,569	1,584,811	1,599,113
Financial liabilities measured at FVPL	—	21,166	22,176	2,860
Current taxation	2,367	8,652	9,221	9,221
Total current liabilities	**1,898,498**	**2,038,314**	**2,103,018**	**2,160,518**
Net current liabilities	**(1,646,413)**	**(1,708,235)**	**(1,668,502)**	**1,706,166**

Our net current liabilities increased from RMB1,646.4 million as of December 31, 2022 to RMB1,708.2 million as of December 31, 2023, primarily because the increase in current liabilities outweighed the increase in current assets. The increase in current liabilities was primarily attributable to (i) an increase in financial instruments issued to **[REDACTED]** from RMB1,423.0 million as of December 31, 2022 to RMB1,558.6 million as of December 31, 2023 resulting from an increase in valuation of our preferred shares and (ii) an increase in other payables from RMB333.7 million as of December 31, 2022 to RMB372.2 million as of December 31, 2023 resulting from an increase in payment from auction participants collected on behalf of sellers and an increase in guarantee deposits from auction participants and suppliers as we expanded and auctioned a greater number of vehicles, partially offset by a decrease in bank loans from RMB111.0 million as of December 31, 2022 to RMB49.7 million as of December 31, 2023 resulting from repayment of bank loans in 2023. The increase in current assets was primarily attributed to (i) an increase in financial assets measured at FVPL from nil as of December 31, 2022 to RMB49.9 million as of December 31, 2023 resulting from purchases of wealth management products, and (ii) an increase in inventories from nil as of December 31, 2022 to RMB11.9 million as of December 31, 2023 as a result of procurement of vehicles for vehicle sales.

Our net current liabilities decreased from RMB1,708.2 million as of December 31, 2023 to RMB1,668.5 million as of September 30, 2024, primarily because the increase in current assets outweighed the increase in current liabilities. The increase in current assets was primarily attributable to (i) an increase in prepayments and other receivable from RMB125.3 million as of December 31, 2023 to RMB160.2 million as of September 30, 2024 resulting from an increase in suppliers' guarantee deposits due to expansion of cooperation with insurance companies as we scale and an increase in loans to employees, which were subsequently settled as of December 31, 2024, (ii) an increase in cash and cash equivalents from RMB131.4 million as of December 31, 2023 to RMB159.1 million as of September 30, 2024 resulting from net cash generated from operating activities, and (iii) an increase in financial assets measured at FVPL from RMB49.9 million as of December 31, 2023 to RMB77.2 million as of September 30, 2024 resulting from purchases of wealth management products. The increase in current liabilities was primarily attributable to (i) an increase in bank loans from RMB49.7 million as of December 31, 2023 to RMB135.0 million as of September 30, 2024 resulting from our strategic decisions to increase borrowings to take advantage of low interest rate environment and (ii) an increase in financial instruments issued to **[REDACTED]** from RMB1,558.6 million as of December 31, 2023 to RMB1,584.8 million as of September 30, 2024 resulting from an increase in valuation of our preferred shares, partially offset by a decrease in other payables from RMB372.2 million as of December 31, 2023 to RMB320.4 million as of September 30, 2024 resulting from a decrease in payment from auction participants collected on behalf of sellers driven by seasonality factors.

Our net current liabilities increased from RMB1,668.5 million as of September 30, 2024 to RMB1,706.2 million as of January 31, 2025, primarily because the increase in current liabilities outweighed the increase in current assets. The increase in current liabilities was primarily attributable to (i) an increase in financial instruments issued to **[REDACTED]** from RMB1,584.8 million as of September 30, 2024 to RMB1,599.1 million as of January 31, 2025, resulting from changes in the valuation of our preferred shares, and (ii) an increase in trade payables from RMB23.0 million as of September 30, 2024 to RMB55.5 million as of January 31, 2025 as well as an increase in other payables from RMB320.4 million as of September 30, 2024 to RMB340.8 million as of January 31, 2025, resulting from seasonality factors due to the Chinese New Year holidays. The increase in current assets was primarily attributable to an increase in prepayments and other receivables from RMB160.2 million as of September 30, 2024 to RMB304.6 million as of January 31, 2025, resulting from prepayments of vehicles during the Chinese New Year holidays, partially offset by a decrease in cash and cash equivalents from RMB159.1 million as of September 30, 2024 to RMB77.3 million as of January 31, 2025, resulting from 612,008 series C preferred shares repurchased in 2025. See "History, Reorganization and Corporate Structure — Our Corporate Development — Share Repurchase in 2023 and 2025."

Our net current liabilities positions during the Track Record Period were primarily due to financial instruments issued to **[REDACTED]**, which would be reclassified to equity upon consummation of the **[REDACTED]**. The net current liabilities positions were also attributable to, a lesser extent, our historical acquisitions that led to higher amounts of goodwill and intangible assets recorded as non-current assets as well as our strategic decisions to repurchase and redeem shares from certain of our Shareholders to better manage our shareholder base. Considering the reclassification of financial instruments issued to **[REDACTED]** from liabilities to equity upon consummation of the **[REDACTED]** and the estimated net **[REDACTED]** from the **[REDACTED]**, we expect our net current liabilities position to turn into net current assets position upon the completion of the **[REDACTED]**.

We believe our net current liabilities positions can be improved significantly by taking into account the following:

- We recorded loss for the year/period of RMB180.2 million, RMB121.5 million and RMB39.5 million in 2022, 2023, and for the nine months ended September 30, 2023 and profit for the period of RMB1.4 million for the nine months ended September 30, 2024. Moreover, we have a proven record of profitability, evidenced by our adjusted net profit (non-IFRS measure) of RMB50.2 million, RMB81.7 million, RMB73.8 million and RMB75.8 million in 2022, 2023, and for the nine months ended September 30, 2023 and 2024, respectively;
- We have a proven record of funding our operations through net cash generated from operating activities. In 2023, and for the nine months ended September 30, 2023 and 2024, our net cash generated from operating activities amounted to RMB174.1 million, RMB124.6 million and RMB5.5 million, respectively;
- The market size of China's salvage vehicle auction market is expected to increase from 345 thousand in 2023 to 867 thousand in 2028 at a CAGR of 20.2%. We ranked the first in China's salvage vehicle auction industry in terms of transaction volume in 2023, with a market share of approximately 31.3%. Leveraging our leading position in salvage vehicle auction industry, we believe we are well positioned to grasp the positive industry tailwind;
- We plan to enhance our operating efficiency by optimizing cost structure, streamlining internal workflows and leveraging technology to drive cost reduction. During the Track Record Period, our gross profit margin from vehicle service remained high and stable at 53.9%, 56.6%, 57.3% and 57.2% in 2022, 2023 and for the nine months ended September 30, 2023 and 2024, respectively. This was made possible through the continuous refinement of our business processes, improved resource utilization, and the ability to achieve economies of scale. By enhancing operational workflows and leveraging our infrastructure, we have significantly reduced unnecessary expenses while maintaining strong cost discipline, enabling us to sustain growth and profitability; and
- We will continue to review regularly and update our liquidity and funding polices to ensure that we have enough working capital to support our business plans and financial position. We believe we have a sufficient level of working capital to continue our business on a sustainable basis. For details on our working capital, see "— Liquidity and Capital Resources – Working Capital Sufficiency."

Assets

Property and Equipment

Our property and equipment primarily consist of (i) right-of-use assets representing our lease of office premises, (ii) office equipment, (iii) electronic and electrical equipment, (iv) motor vehicles, and (v) leasehold improvement. The following table sets forth the breakdown of our property and equipment as of the dates indicated.

	As of December 31,		As of September 30,
	2022	2023	2024
			(unaudited)
	(RMB in thousands)		
Right-of-use assets	31,976	26,424	31,807
Office equipment	468	428	501
Electronic and electronical equipment	414	153	184
Motor vehicles	17,046	18,866	17,756
Leasehold improvement	850	1,682	1,565
Total	**50,754**	**47,553**	**51,813**

Our property and equipment decreased from RMB50.8 million as of December 31, 2022 to RMB47.6 million as of December 31, 2023, primarily due to depreciation of existing leases without significant lease addition. Our property and equipment subsequently increased to RMB51.8 million as of September 30, 2024, primarily due to addition of new leases for offline facilities.

Intangible Assets

Our intangible assets consist primarily of (i) software, (ii) distribution agreement, (iii) customer relationship, (iv) non-compete agreement, (v) trademark, and (vi) non-proprietary technology. As of December 31, 2022, 2023 and September 30, 2024, our intangible assets were RMB100.9 million, RMB60.0 million and RMB29.6 million, respectively. During the Track Record Period, the decline in the carrying value of our intangible assets was primarily attributable to the amortization of intangible assets arising from historical acquisitions.

Goodwill

Our goodwill is acquired through business combinations from the acquisition of SDIC Urban Resources Internet Technology (Beijing) Company ("SDIC") in 2019, Beijing Fengshun Lubao Automobile Service Co., Ltd. ("Lubao") in 2020 and Shanghai Carwins Information Technology Co., Ltd. ("Carwins") in 2022. For details, please see "History, Reorganization and Corporate Structure" of this Document. As of December 31, 2022 and 2023 and September 30, 2024, we recorded goodwill of RMB295.0 million, RMB295.0 million and RMB295.0 million, respectively.

For the purpose of impairment testing as of December 31, 2022 and 2023, goodwill amounting to RMB231.8 million arising from the acquisitions of SDIC and Lubao was allocated to our salvage vehicle auction and facilitation services as a cash generating unit ("Salvage Vehicles Auction CGU"), and goodwill amounting to RMB63.3 million arising from the acquisitions of Carwins was allocated to our used vehicle auction and facilitation services as a cash generating unit ("Carwins Used Vehicle Auction CGU").

We engaged an independent third-party valuer to perform annual impairment tests on goodwill. Based on the result of the goodwill impairment tests, we are of the view that there was no impairment of goodwill as at December 31, 2022 and 2023.

For more details, see Note 13 to the Accountants' Report in Appendix I to this Document.

Financial Assets Measured at FVOCI

Our financial assets measured at FVOCI represent our equity investments in private funds focusing on NEV sectors in which we hold minority interest. As of December 31, 2022, 2023 and September 30, 2024, these investments remained stable at RMB2.0 million.

Deferred Tax Assets

We recognize deferred tax assets based on estimates that it is probable to generate sufficient taxable profits in the foreseeable future against which the deductible losses will be utilized. Our deferred tax assets are offset when there is a legally enforceable right to offset current income tax recoverable against current income tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. Our deferred tax assets decreased from RMB21.8 million as of December 31, 2022 to RMB17.0 million as of December 31, 2023, and further to RMB13.0 million as of September 30, 2024, primarily attributable to the utilization of previously accumulated tax losses and asset impairments, reducing the temporary differences available for future tax deductions.

Inventories

Our inventories consist of purchased vehicles as part of the vehicle sales. All of our inventories are aged within six months.

Our inventories increased from nil as of December 31, 2022 to RMB11.9 million as of December 31, 2023, and further decreased to RMB0.2 million as of September 30, 2024, primarily attributable to the fact that vehicle sales are intended to meet the demands of upstream vehicle channels, which do not occur evenly throughout the year, leading to significant fluctuations at certain points in time.

Our inventory turnover days were nil, 35 days and 21 days in 2022, 2023, and for the nine months ended September 30, 2024, primarily due to difference in inventory levels as of the respective dates.

As of January 31, 2025, RMB0.2 million of inventories, accounting for 100.0% of the RMB0.2 million inventory as of September 30, 2024, had been subsequently utilized.

Trade Receivables

Our trade receivables primarily consist of (i) trade receivables in relation to our vehicle sales and (ii) trade receivables due from buyers who typically settle payments within two days of the auctions. The following table presents a breakdown of our trade receivables by category as of the dates indicated.

	As of December 31,		As of September 30,
	2022	2023	2024
			(unaudited)
	(RMB in thousands)		
Trade receivables	17,299	12,074	38,733
Less: loss allowance	(624)	(512)	(915)
Trade receivables (net)	**16,675**	**11,562**	**37,818**

Our trade receivables decreased from RMB16.7 million as of December 31, 2022 to RMB11.6 million as of December 31, 2023, primarily due to our consistent collection efforts. Our trade receivables further increased to RMB37.9 million as of September 30, 2024, primarily due to trade receivables for vehicle sales which were expected to be settled soon.

As of December 31, 2022, 2023 and September 30, 2024, we recorded loss allowances for trade receivables of RMB0.6 million, RMB0.5 million and RMB0.9 million, respectively. Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the failure of a debtor to engage in a repayment plan with us and indicators of severe financial difficulty. We have performed impairment analysis on trade receivables to measure the expected credit losses, and we believe that we made sufficient impairment allowance on trade receivables during the Track Record Period. For further details on impairment provisions, refer to Note 16 of the Accountants' Report in Appendix I to this Document.

The following table presents the aging analysis of our trade receivables as of the dates indicated.

	As of December 31,		As of September 30,
	2022	2023	2024
			(unaudited)
	(RMB in thousands)		
Less than 1 year	16,863	11,694	38,375
From 1 year to 2 years	219	210	193
Above 2 years	217	170	165
Total trade receivables	**17,299**	**12,074**	**38,733**

The following table sets forth our trade receivables turnover days for the Track Record Period.

	For the Year Ended December 31,		For the Nine Months Ended September 30,
	2022	2023	2024
Total trade receivables turnover days [(1)]	14	10	17

Note:

(1) Trade receivables turnover days for a period are calculated as the average of the opening and closing trade receivables balances (net of allowance) divided by the revenue for the relevant period, and then multiplied by the number of days in that period.

Our trade receivables turnover days decreased from 14 days in 2022 to 10 days in 2023, primarily due to our better management of receivables and enhanced collection efforts. Our trade receivables turnover days increased to 17 days for the nine months ended September 30, 2024 as trade receivables from vehicle sales significantly increased for the nine months ended September 30, 2024 and buyers typically settle payments of vehicle sales within several days of the sales.

As of January 31, 2025, RMB35.7 million, or 94.5% of our trade receivables as of September 30, 2024, had been subsequently settled.

Prepayments and Other Receivables

The following table sets forth the breakdown of our prepayments and other receivables as of the dates indicated.

	As of December 31,		As of September 30,
	2022	2023	2024
			(unaudited)
		(RMB in thousands)	
Prepayments	3,639	4,622	7,945
Receivables due from vehicle auctions	40,066	59,298	39,931
Guarantee deposits	40,120	46,171	75,707
Rental deposits	3,833	3,969	3,795
Deductible input VAT	2,656	7,259	3,856
Loans to third parties	7,551	4,684	5,803
Loans to employees	12,140	2,213	25,292
Less: loss allowances	(4,334)	(2,931)	(2,114)
Total	**105,671**	**125,285**	**160,215**

Our prepayments and other receivables increased from RMB105.7 million as of December 31, 2022 to RMB125.3 million as of December 31, 2023, primarily due to the significant increase in receivables due from vehicle auctions, reflecting the steady expansion and growing volume of our auction transactions. These receivables represent the portion of the vehicle payment that we are required to collect from downstream buyers on behalf of upstream consignors after an auction is completed. Our prepayments and other receivables further increased to RMB160.2 million as of September 30, 2024, primarily due to a significant increase in guarantee deposits as we expanded and broadened the number and scope of collaborations with insurance companies, and an increase in loans to employees, the amount of which was subsequently settled as of December 31, 2024. Such an amount was partially offset by a decrease in receivables due from vehicle auctions as a result of decreasing GTV driven by price fluctuations in the China's automotive industry in 2024 as well as higher contribution of irreparable salvage vehicles auctioned.

As of January 31, 2025, RMB75.7 million, or 47.2% of our prepayments and other receivables as of September 30, 2024, had been subsequently settled.

Financial Assets Measured at FVPL

Our financial assets measured at FVPL primarily represent (i) purchase of wealth management contracts and (ii) reimbursement pursuant to a guarantee contract.

We purchased wealth management products managed by state-owned banks or other high-quality reputable banks in China for cash management purposes. These financial assets increased from nil as of December 31, 2022 to RMB45.1 million as of December 31, 2023, and further to RMB72.3 million as of September 30, 2024. See Note 15 of the Accountants' Report in Appendix I to the Document.

Our investment strategy for wealth management products is designed to minimize financial risks by aligning the maturities of the portfolio with anticipated operational cash flow needs in a prudent and conservative manner. We primarily invest in low-risk cash management products, ensuring that any proposed investments do not disrupt our daily operations or business prospects. Investment decisions related to wealth management products are made on a case-by-case basis, taking into account a comprehensive range of factors, including, but not limited to, the macroeconomic environment, overall market conditions, and the expected returns or potential risks associated with the investment.

Our financial assets measured at FVPL in relation to guarantee contracts amounted to RMB4.8 million and RMB4.8 million as of December 31, 2023 and September 30, 2024, respectively. Such an amount represents reimbursement pursuant to a guarantee contract received from third parties to compensate for our fair value losses arising from a repurchase contract under which we are committed to purchase certain vehicles from a rental company at a predetermined price.

Restricted Cash

Our restricted cash amounted to RMB54.6 million as of December 31, 2022, representing deposits placed at banks as collaterals for our bank loans. Such an amount was released during 2023.

Cash and Cash Equivalents

Our cash and cash equivalents was RMB75.1 million, RMB131.4 million and RMB159.1 million as of December 31, 2022, 2023 and September 30, 2024, respectively. The increase in cash and cash equivalents during the Track Record Period was primarily attributable to release of restricted cash, proceeds from bank loans and cash generated from operating activities. For details, see "— Liquidity and Capital Resources — Cash Flows."

Liabilities

Bank Loans

Our banks loans represent loans from commercial banks in China. Our bank loans decreased from RMB111.0 million as of December 31, 2022 to RMB49.7 million as of December 31, 2023, primarily attributable to payment of bank loans. Our banks loans increased to RMB135.0 million as of September 30, 2024, primarily attributable to our strategic decision to increase in bank loans to support our business expansion needs, considering the low-interest rate environment. For the interest rate profile of our interest-bearing bank loans during the Track Record Period, see Note 22 to the Accountants' Report in Appendix I to this Document.

Trade Payables

Our trade payables represent amounts payable to third-party services providers in our ordinary course of business, which are due for payment within the normal operating cycle or according to agreed-upon payment terms. Our trade payables increased from RMB9.3 million as of December 31, 2022 to RMB11.6 million as of December 31, 2023, and further increased to RMB23.0 million as of September 30, 2024, primarily due to longer credit terms granted by certain of our suppliers of data-related services, driven by our increasing bargaining power as we scaled up our procurement.

As of December 31, 2022 and 2023 and September 30, 2024, all of our trade payables were expected to be settled within one year or were payable on demand.

The following table sets forth our trade payables turnover days for the Track Record Period.

	For the Year Ended December 31,		For the Nine Months Ended September 30,
	2022	2023	2024
Total trade payables turnover days [(1)]	12	15	22

Note:

(1) Trade payables turnover days for a period are calculated as the average of the opening and closing trade payables balances (net of allowance) divided by the cost of sales for the relevant period, and then multiplied by the number of days in that period.

Our trade payables turnover days increased from 12 days in 2022 to 15 days in 2023, primarily attributable to our business expansion. Our trade payables turnover days increased significantly to 22 days for the nine months ended September 30, 2024, primarily attributable to longer credit terms granted by certain of our suppliers driven by our enhanced bargaining power as we scaled up our procurement.

As of January 31, 2025, RMB17.1 million, or 74.5% of our trade payables as of September 30, 2024, had been subsequently settled.

Contract Liabilities

We recognize contract liabilities when we receive or have the unconditional right to receive consideration from customers in advance of performance of service contracts. Since we typically require prepayments of annual fees from our members before such members can enjoy membership privileges, we recorded contract liabilities during the Track Record Period. We recorded contract liabilities of RMB5.1 million, RMB9.4 million and RMB1.5 million as of December 31, 2022, 2023 and September 30, 2024, respectively, reflecting the portion of revenue from membership fees that has not yet been recognized as revenue. Our contract liabilities increased from RMB5.1 million as of December 31, 2022 to RMB9.4 million as of December 31, 2023, primarily due to the growing membership base on our auction platform as we continued to expand our business. Our contract liabilities subsequently decreased to RMB1.5 million as of September 30, 2024, primarily due to seasonality factors as many of our members renew accounts during the fourth quarter of a year.

As of January 31, 2025, RMB0.6 million, or 40.8% of our contract liabilities as of September 30, 2024, had been subsequently realized.

Other Payables

Our other payables primarily include (i) payment from auction participants collected on behalf of salvage and used vehicle consignors, (ii) guarantee deposits from auction participants and suppliers, (iii) staff costs payables, (iv) payables for repurchases of ordinary shares and preferred shares, (v) accrued expenses, (vi) other taxes and levies payables, and (vii) others. Our other payables amounted to RMB333.7 million, RMB372.2 million and RMB320.4 million as of December 31, 2022, 2023 and September 30, 2024, respectively.

The following table sets forth the breakdown of our other payables as of the dates indicated.

	As of December 31,		As of September 30,
	2022	2023	2024
			(unaudited)
	(RMB in thousands)		
Payment from auction participants collected on behalf of salvage and used vehicle consignors	138,519	152,288	115,548
Guarantee deposits from auction participants and suppliers	147,861	168,220	166,760
Staff cost payables	23,967	34,330	24,644
Payables for repurchases of ordinary shares and preferred shares	13,671	—	—
Accrued expenses	5,838	14,058	6,662
Other taxes and levies payables	1,209	1,875	5,912
Others	2,592	1,446	902
Total other payables	**333,657**	**372,217**	**320,428**

Our other payables increased from RMB333.7 million as of December 31, 2022 to RMB372.2 million as of December 31, 2023, primarily due to a significant increase in payment from auction participants collected on behalf of salvage and used vehicle consignors, guarantee deposits from auction participants and suppliers and staff cost payables as we expanded and auctioned a greater volume of salvage vehicle in 2023. Our other payables subsequently decreased to RMB320.4 million as of September 30, 2024, primarily due to seasonality factors as we typically would witness higher transaction volume during the fourth quarter, resulting in higher payment from auction participants collected on behalf of sellers.

As of January 31, 2025, RMB209.8 million, or 65.5% of our other payables as of September 30, 2024, had been subsequently settled.

Lease Liabilities

Lease liabilities represent the present value of outstanding lease payments under our lease agreements. We recorded current lease liabilities of RMB14.1 million, RMB7.0 million and RMB6.9 million as of December 31, 2022, 2023 and September 30, 2024, respectively. We recorded non-current lease liabilities of RMB9.5 million, RMB10.7 million and RMB17.8 million as of December 31, 2022, 2023 and September 30, 2024, respectively. The increase in non-current lease liabilities was primarily due to addition of new lease premises for our offline facilities.

Financial Instruments Issued to **[REDACTED]**

Our financial instruments issued to **[REDACTED]** represent the shares issued with preferential rights to **[REDACTED]**. Our financial instruments issued to **[REDACTED]** increased from RMB1,423.0 million as of December 31, 2022 to RMB1,558.6 million as of December 31, 2023, and further to RMB1,584.8 million as of September 30, 2024, mainly due to increase in valuation of our preferred shares. The preferential rights shall be terminated automatically upon consummation of the **[REDACTED]** and the financial liabilities would then be reclassified to equity.

Financial Liabilities Measured at FVPL

Our financial liabilities measured at FVPL consist of value derived from the fluctuations of the value of a repurchase contract pursuant to which we are committed to purchase certain vehicles from a rental company at a predetermined price. Our financial liabilities measured at FVPL increased from nil as of December 31, 2022 to RMB21.2 million as of December 31, 2023, and further to RMB22.2 million as of September 30, 2024, primarily attributable to a decrease in the underlying fair market value of vehicles that we are committed to purchase.

Deferred Tax Liabilities

Our deferred tax liabilities represent taxable temporary differences arising from our assets and liabilities. Our deferred tax liabilities decreased from RMB6.8 million as of December 31, 2022 to RMB4.4 million as of December 31, 2023, and further to RMB2.0 million as of September 30, 2024, mainly due to the amortization of intangible assets arising from acquisitions.

Current Taxation

Our current taxation represents the expected tax payable on the taxable income for the period. Our current taxation increased from RMB2.4 million as of December 31, 2022 to RMB8.7 million as of December 31, 2023, and further to RMB9.2 million as of September 30, 2024.

LIQUIDITY AND CAPITAL RESOURCES

Overview

During the Track Record Period, we relied on cash and cash equivalents, cash generated from operations and bank loans as the major sources of liquidity. We intend to finance our future capital requirements in the same manner after the **[REDACTED]**. We do not anticipate any changes to the availability of financing to fund our operation in the future.

Working Capital Sufficiency

Our Directors are of the opinion, and the Joint **[REDACTED]** concur, that, taking into account the following financial resources available to us, we have sufficient working capital for our present requirements and for the next 12 months from the date of this Document:

- Cash and cash equivalents;
- Our future operating cash flows;
- Available banking facilities and equity financing opportunities; and
- The estimated net **[REDACTED]** from the **[REDACTED]**.

Our Directors confirm that we had no material defaults in payment of trade and non-trade payables and bank and other loans during the Track Record Period.

Cash Flows

The following table sets forth a summary of our cash flows for the periods indicated.

	For the Year Ended December 31,		For the Nine Months Ended September 30,	
	2022	2023	2023	2024
			(unaudited)	
	(RMB in thousands)			
Net cash (used in)/generated from operating activities	(14,232)	174,140	124,582	5,456
Net cash used in investing activities	(50,732)	(53,924)	(20,365)	(29,603)
Net cash (used in)/generated from financing activities	(166,773)	(64,150)	(42,088)	52,042
Net (decrease)/increase in cash and cash equivalents	(231,737)	56,066	62,129	27,895
Cash and cash equivalents at the beginning of the year/period	305,871	75,129	75,129	131,354
Effect of foreign exchange rate changes	995	159	273	(189)
Cash and cash equivalents at end of the year/period	**75,129**	**131,354**	**137,531**	**159,060**

Operating Activities

For the nine months ended September 30, 2024, our net cash generated from operating activities was RMB5.5 million, which primarily consisted of profit before taxation of RMB15.3 million, adjusted for certain non-cash and non-operating items. Adjustment for such non-cash and non-operating items primarily included (i) amortization and depreciation of RMB51.0 million, and (ii) changes in carrying amount of financial instruments issued to **[REDACTED]** of RMB40.3 million. The amount was further adjusted by changes in working capital, primarily including (i) a decrease in other payables of RMB51.6 million, (ii) an increase in prepayments and other receivables of RMB33.0 million, and (iii) an increase in trade receivables of RMB26.7 million; partially offset by an increase in trade payables of RMB11.4 million and a decrease in inventories of RMB11.7 million.

In 2023, our net cash generated from operating activities was RMB174.1 million, which was primarily attributable to our loss before taxation of RMB111.4 million, adjusted for certain non-cash and non-operating items. Adjustment for such non-cash and non-operating items primarily included (i) changes in carrying amount of financial instruments issued to **[REDACTED]** of RMB151.2 million, and (ii) amortization and depreciation of RMB72.0 million. The amount was further adjusted by changes in working capital, primarily including an increase in other payables and accruals of RMB54.9 million, partially offset by (i) an increase in prepayments and other receivables of RMB21.1 million and (ii) an increase in inventories of RMB11.9 million.

In 2022, our net cash used in operating activities was RMB14.2 million, which was primarily attributable to loss before taxation of RMB176.1 million, adjusted for certain non-cash and non-operating items. Adjustment for such non-cash and non-operating items primarily included (i) changes in carrying amount of financial instruments issued to **[REDACTED]** of RMB172.5 million, and (ii) amortization and depreciation of RMB68.2 million. The amount was further adjusted by changes in working capital, primarily including (i) a decrease in other payable and accruals of RMB112.5 million, and (ii) an increase in contract liabilities of RMB11.1 million; partially offset by a decrease in prepayments and other receivables of RMB30.7 million.

Investing Activities

Net cash used in investing activities was RMB29.6 million for the nine months ended September 30, 2024, which was primarily due to payment for purchase of wealth management products of RMB368.0 million, partially offset by proceeds from disposal of wealth products of RMB341.0 million.

Net cash used in investing activities was RMB53.9 million in 2023, which was primarily due to (i) payment for purchase of wealth products of RMB415.0 million, and (ii) payment for purchase of property, plant and equipment of RMB17.1 million, partially offset by proceeds from disposal of wealth products of RMB370.0 million.

Net cash used in investing activities was RMB50.7 million in 2022, which was primarily due to (i) payment for purchase of wealth management products of RMB372.0 million, and (ii) payment for acquisition of subsidiaries, net of cash paid of RMB83.8 million, partially offset by proceeds from disposal of wealth Management products of RMB398.1 million.

Financing Activities

Net cash generated from financing activities was RMB52.0 million for the nine months ended September 30, 2024, which was mainly due to proceeds from bank loans and other borrowings of RMB143.5 million, partially offset by (i) repayment of bank loans of RMB58.3 million, and (ii) capital element of lease rentals paid of RMB16.0 million.

Net cash used in financing activities was RMB64.2 million in 2023, which was due to (i) repayment of bank loans and other borrowings of RMB113.3 million, (ii) capital element of lease rentals paid of RMB23.7 million, (iii) payment for repurchase of financial instruments issued to **[REDACTED]** of RMB15.6 million, and (iv) payment of prior years repurchase of ordinary shares and preferred shares of RMB13.7 million, partially offset by (i) a decrease in restricted bank deposits of RMB54.6 million, and (ii) proceeds from bank loans of RMB52.0 million.

Net cash used in financing activities was RMB166.8 million in 2022, which was primarily due to (i) payment for repurchase of financial instruments issued to **[REDACTED]** of RMB167.9 million, and (ii) an increase in restricted bank deposits of RMB54.6 million, partially offset by proceeds from bank loans and other borrowings of RMB111.0 million.

CAPITAL EXPENDITURES

Our capital expenditures primarily include investments in (i) purchase of property and equipment, and (ii) purchase of intangible asset. The following table sets forth our capital expenditures for the years/periods indicated.

	For the Year Ended December 31,		For the Nine Months Ended September 30,	
	2022	2023	2023	2024
			(unaudited)	
	(RMB in thousands)			
Purchase of property and equipment	12,341	17,102	10,998	4,945
Purchase of intangible asset	145	—	1,334	—
Total	**12,486**	**17,102**	**12,332**	**4,945**

We expect to finance our capital expenditures through our cash and cash equivalents, cash generated from operations, and bank loans. Our current capital expenditure plans for future periods are subject to change, and we may adjust them based on future cash flows, our results of operations and financial condition, business plans, market conditions, and other relevant factors. See also "Future Plans and Use of **[REDACTED]** — Use of **[REDACTED]**."

INDEBTEDNESS

The following table sets forth the breakdown of financial indebtedness as of the dates indicated.

	As of December 31,		As of September 30,	As of January 31,
	2022	**2023**	**2024**	**2025**
			(unaudited)	*(unaudited)*
	(RMB in thousands)			
Lease liabilities	23,589	17,795	24,684	23,190
Bank loans	110,999	49,690	135,000	140,732
Financial instruments issued to **[REDACTED]**	1,422,968	1,558,569	1,584,811	1,599,113
Financial liabilities measured at FVPL	—	21,166	22,176	2,860
Total	**1,557,556**	**1,647,220**	**1,766,671**	**1,765,895**

Lease Liabilities

Lease liabilities represent the present value of outstanding lease payments under our lease agreements. See also "— Discussion of Selected Items from the Consolidated Statements of Financial Position — Liabilities — Lease Liabilities."

Bank Loans

Our bank loans represent loans from commercial banks in China. For further details, see "— Discussion of Selected Items from the Consolidated Statements of Financial Position — Liabilities — Bank Loans." During the Track Record Period, our bank loans were generally repayable within one year or on demand, and the annual interest rate of these bank loans were ranged from 2.2% to 5.2%.

As of January 31, 2025, we had unutilized bank facilities of RMB60.3 million.

Our Directors confirm that as of the Latest Practicable Date, there were no material covenants on any of our outstanding debt, and there were no breaches of any covenants during the Track Record Period or up to the Latest Practicable Date. Our Directors further confirm that we did not experience any difficulty in obtaining bank loans or other borrowings, nor did we default on any payments or breach any covenants during the Track Record Period or up to the Latest Practicable Date.

Financial Instruments Issued to [REDACTED]

Our financial instruments issued to **[REDACTED]** represent shares with preferential rights and a financial liability arising from our Group's obligation to redeem the shares for cash upon certain contingent events. For further details, see "— Discussion of Selected Items from the Consolidated Statements of Financial Position — Liabilities — Financial Instruments Issued to **[REDACTED]**."

Financial Liabilities Measured at FVPL

Our financial liabilities measured at FVPL represent the value derived from the fluctuations of the value of a repurchase contract pursuant to which we are committed to purchase certain vehicles from a rental company at a predetermined price. See also "— Discussion of Selected Items from the Consolidated Statements of Financial Position — Liabilities — Financial Liabilities Measured at FVPL."

Except as discussed above, we had no outstanding indebtedness, loan capital, bank overdrafts, loans or similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees, or other contingent liabilities as of January 31, 2025, the date of our indebtedness statement. After due and careful consideration, our Directors confirm that there has been no material change in our indebtedness since January 31, 2025, up to the Latest Practicable Date.

CONTRACTUAL OBLIGATIONS

Capital Expenditure Related Commitments

We did not have any significant capital expenditure related commitments as of December 31, 2022, 2023 and September 30, 2024.

Operating Commitments

We did not have any significant operating commitments as of December 31, 2022, 2023 and September 30, 2024.

CONTINGENT LIABILITIES

As of December 31, 2022, 2023 and September 30, 2024, we did not have any material contingent liabilities. As of the Latest Practicable Date, there had been no material changes or arrangements to our contingent liabilities.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

KEY FINANCIAL RATIOS

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

	For the Year Ended/As of December 31,		For the Nine Months Ended/As of September 30,
	2022	2023	2024
Revenue growth	N/A(1)	33.6%	3.3%
Gross profit growth	N/A(1)	50.2%	(4.5)%
Net (loss)/profit margin	(46.4)%	(23.4)%	0.4%
Adjusted net profit margin (non-IFRS measure)	12.9%	15.8%	18.8%
Current ratio	13.3%	16.2%	20.7%
Quick ratio	13.3%	15.6%	20.7%

Note:

(1) Labeled as "N/A" as the financial information for the year ended December 31, 2021 was not within the Track Record Period.

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. For details of our related party transactions, see Note 31 to the Accountants' Report included in Appendix I to this Document.

Our Directors are of the view that each of the related party transactions set out in Note 31 to the Accountants' Report included in Appendix I to this Document was conducted on an arm's length basis. All amounts due from related parties that are non-trade in nature as of September 30, 2024 had been subsequently settled as of the Latest Practicable Date. Any guarantee provided by our Single Largest Shareholders or their respective close associates will be released upon the **[REDACTED]**. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our track record results or cause our historical results to become non-reflective of our future performance.

FINANCIAL RISK DISCLOSURE

We are exposed to a variety of market and other financial risks, including interest rate risk, credit risk, and liquidity risk. We manage and monitor these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to us. Our credit risk is primarily attributable to cash and cash equivalents, wealth management products, trade receivables and other receivables. Our credit risk exposure arising from cash and cash equivalents and wealth management products is limited because the counterparties are banks and financial institutions with a minimum credit rating assigned by the management of our Group, for which our management considers to have low credit risk. For details, see Note 30(a) of the Accountants' Report set forth as Appendix I to this Document.

Liquidity Risk

Our policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. For details, see Note 30(b) of the Accountants' Report set forth as Appendix I to this Document.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Our interest rate risk arises primarily from cash at banks and lease liabilities. Instruments bearing interest at variable rates and fixed rates expose us to cash flow interest rate risk and fair value interest rate risk respectively. We regularly review our strategy on interest rate risk management in the light of the prevailing market condition. For details, see Note 30(d) of the Accountants' Report set forth as Appendix I to this Document.

Currency Risk

We are not exposed to significant foreign currency risk since financial assets and liabilities denominated in currencies other than the functional currencies of our Company and our subsidiaries are not significant.

DIVIDENDS

We have never declared or paid regular cash dividends on our Shares. Any declaration and payment, as well as the amount of dividends, will be subject to our Articles and the Cayman Companies Act. Currently, we do not have any dividend policy to guide the declaration or payment of dividends. Our board of Directors has the discretion to pay interim dividends and recommend the payment of final dividends to Shareholders. The decision will depend on various factors, including our earnings, capital requirements, overall financial condition, and any contractual restrictions. We may, by ordinary resolution, resolve to declare dividends in any currency and authorize the payment of such dividends out of the funds of the Company that are lawfully available, provided that (i) no dividends shall exceed the amount recommended by our Board and (ii) no dividends shall be paid except out of the realized or unrealized profits of the Company, the share premium account, or as otherwise permitted by law. There is no assurance that dividends of any amount will be declared or distributed in any year.

If we pay dividends in the future, we will rely, to some extent, on dividends distributed by our PRC subsidiaries. Any dividend distributions from our PRC subsidiaries to us will be subject to PRC withholding tax. Additionally, regulations in China currently permit the payment of dividends by a PRC company only out of accumulated distributable after-tax profits, as determined in accordance with its articles of association and the accounting standards and regulations in China. For further details, see "Risk Factors — Risks Related to Doing Business in China" in this Document.

DISTRIBUTABLE RESERVES

As of September 30, 2024, our Company had no retained profits that were available for distribution to our equity Shareholders.

[REDACTED]

The total **[REDACTED]** payable by our Company are estimated to be approximately HK$**[REDACTED]** (or approximately RMB**[REDACTED]**), assuming the **[REDACTED]** is not exercised and based on an **[REDACTED]** of HK$**[REDACTED]** (being the mid-point of our Track Summary **[REDACTED]** of HK$**[REDACTED]** to HK$**[REDACTED]** per **[REDACTED]**), accounting for approximately **[REDACTED]** of gross **[REDACTED]**. Among such estimated total **[REDACTED]** (i) **[REDACTED]**-related expense including **[REDACTED]** are expected to be approximately HK$**[REDACTED]**, and (ii) non-**[REDACTED]**-related expenses of approximately HK$**[REDACTED]**, comprising (a) fees and expenses of legal advisers and Reporting Accountant of approximately HK$**[REDACTED]** and (b) other fees and expenses of approximately [**REDACTED]**.

Among the total **[REDACTED]** payable of **[REDACTED]**, HK$**[REDACTED]** is expected to be expensed through the statement of profit or loss and other comprehensive income and the remaining amount of HK$**[REDACTED]** is directly attributable to the issue of shares and deducted from equity. As of September 30, 2024, we incurred **[REDACTED]** of **[REDACTED]** expensed through the statement of profit or loss and other comprehensive income and expect HK$**[REDACTED]** to be charged to the statement of profit or loss and other comprehensive income after the Track Record Period.

UNAUDITED [REDACTED] STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

[REDACTED]

[REDACTED]

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the Latest Practicable Date, there was no material adverse change in our financial, operational or trading position since September 30, 2024, being the date on which the latest consolidated financial information of our Group was prepared in Appendix I in this

Document and there had been no event since September 30, 2024 that would materially affect the information shown in the Accountants' Report set out in Appendix I to this Document.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there was no other circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS

Please see "Business — Our Growth Strategies" for a detailed description of our future plans.

USE OF [REDACTED]

We estimate that we will receive net **[REDACTED]** from the **[REDACTED]** of approximately **[REDACTED]**, after deducting **[REDACTED]** fees and estimated expenses payable by us in connection with the **[REDACTED]**, assuming no **[REDACTED]** is exercised, and an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]**, being the midpoint of the indicative **[REDACTED]** stated in this Document.

In line with our strategies, we intend to use the net **[REDACTED]** from the following purposes, subject to changes in light of our evolving business needs and changing market conditions:

- Approximately **[REDACTED]** of the net **[REDACTED]**, or HK$**[REDACTED]**, is expected to be used for the upgrade and expansion of our offline facilities, among which:
  - Approximately **[REDACTED]** of the net **[REDACTED]**, or HK$**[REDACTED]**, will be used for establishing regional operation centers in suburban areas of key economic regions, including Beijing-Tianjin-Hebei Area, Yangtze River Delta, Pearl River Delta, and Sichuan-Yunnan-Chongqing region. Each covering an area of over 20,000 sq.m., these regional operation centers serve as important reservoirs to host salvage and used vehicles sourced from the aforesaid key economic regions and are expected to significantly enhance our capacity on storage, preservation and auction preparation, further improve operational efficiency as well as reduce our lease expenses;
  - Approximately **[REDACTED]** of the net **[REDACTED]**, or HK$**[REDACTED]**, will be used for the upgrade of existing offline facilities to accommodate inspection, storage and delivery requirements of NEVs by procuring necessary equipment and investing in trainings and certification programs of NEV-related operations; and
  - Approximately **[REDACTED]** of the net **[REDACTED]**, or HK$**[REDACTED]**, will be used for the expansion of our offline network, increasing the number of cities covered by our offline facilities. We plan to establish more self-operated facilities, increase our partnership facilities, and recruit professional personnel to support our business expansions.
- Approximately **[REDACTED]** of the net **[REDACTED]**, or HK$**[REDACTED]**, is expected to be used for further investment in research and development, among which:
  - Approximately **[REDACTED]** of the net **[REDACTED]**, or HK$**[REDACTED]**, will be used to develop joint research programs with well-known universities and research institutions aimed at improving our research and development capabilities. Specifically, we intend to focus our joint research programs on (i) image recognition capabilities to enhance our valuation infrastructure, and (ii) inspection and battery safety programs for NEVs to store and transact more salvage NEVs and used NEVs;
  - Approximately **[REDACTED]** of the net **[REDACTED]**, or HK$**[REDACTED]**, will be used for upgrading our existing technology capabilities. We plan to further integrate our salvage and used vehicle auction platforms into one all-encompassing APP, and develop the new generation of E-Pricing and E-Value systems to increase transaction efficiency; and

- ○ Approximately **[REDACTED]** of the net **[REDACTED]** or HK$**[REDACTED]**, will be used to upgrade our technical tools which are used for upstream consignors and downstream buyers. We plan to upgrade Carwins Cloud to further improve OEMs, institutional sellers and dealership groups' used vehicle business operation efficiency, thereby accelerating the overall vehicle disposal cycle.

- Approximately **[REDACTED]** of the net **[REDACTED]**, or HK**[REDACTED]**, is expected to be used for potential investment, mergers and acquisitions opportunities, primarily strategic partnerships or acquisitions along the industry chain that align with our long-term goals. We target to acquire or invest in companies that (i) are engaged in auto insurance underwriting and claims settlement processes, (ii) have proven track records of facilitating used vehicle transactions by providing value-added services such as logistics, inspection and data, and (iii) are proficient in recycled auto parts trading. As of the Latest Practicable Date, we have not entered into any binding commitment, whether oral or written, for any business or asset acquisition.

- Approximately **[REDACTED]** of the net **[REDACTED]**, or HK$**[REDACTED]**, is expected to be used for working capital and general corporate purpose, providing us with sufficient financial flexibility to address ongoing operational needs, explore strategic growth initiatives, and maintain stability in unforeseen circumstances. By maintaining a reserve for general corporate purposes, we will be well-positioned to adapt to changes in market conditions and capitalize on new opportunities as they arise.

If the **[REDACTED]** is set at HK$**[REDACTED]** per **[REDACTED]**, being the high end of the indicative **[REDACTED]**, the net **[REDACTED]** from the **[REDACTED]** will increase by approximately HK$**[REDACTED]**. If the **[REDACTED]** is set at HK$**[REDACTED]** per **[REDACTED]**, being the low end of the indicative **[REDACTED]**, the net **[REDACTED]** from the **[REDACTED]** will decrease by approximately HK$**[REDACTED]**. **[REDACTED]** may be fixed at a higher or lower level compared to the midpoint of the indicative **[REDACTED]** stated in this Document.

If the **[REDACTED]** is exercised in full, the net **[REDACTED]** that we will receive will be approximately HK$**[REDACTED]**, assuming an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]** (being the midpoint of the indicative **[REDACTED]**). In the event that the **[REDACTED]** is exercised in full, we intend to apply the additional net **[REDACTED]** to the aforementioned purposes in the proportions stated above.

To the extent that our net **[REDACTED]** are not sufficient to fund the purposes set out above, we intend to fund the balance through a variety of means, including cash available on hands, bank loans and other borrowings.

If the net **[REDACTED]** of the **[REDACTED]** are not immediately used for the purposes described above, to the extent permitted by the relevant laws and regulations, we will only deposit the net **[REDACTED]** into short-term interest bearing accounts at licensed commercial banks and/or other authorized financial institutions as defined under the Securities and Futures Ordinance or applicable laws and regulations in other jurisdictions, as long as it is deemed to be in the best interests of the Company. We will comply with all disclosure requirements under the Listing Rules if there is any change to the above proposed use of **[REDACTED]**.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

The following is the text of a report set out on pages I-1 to I-69, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Document.

KPMG

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF BOCHE HOLDING LIMITED (CAYMAN) AND CITIC SECURITIES (HONG KONG) LIMITED AND FOSUN INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of Boche Holding Limited (Cayman) (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-69, which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at December 31, 2022 and 2023, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements, for each of the years ended December 31, 2022 and 2023 (the "Relevant Periods"), and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-69 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated **[REDACTED]** (the "Document") in connection with the initial **[REDACTED]** of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Company's and the Group's financial position as at December 31, 2022 and 2023 and of the Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Review of interim financial information

We have reviewed the interim financial information of the Group which comprises the consolidated statement of financial position of the Group and the statement of financial position of the Company as at September 30, 2024 and the consolidated statement of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements for the nine months ended September 30, 2023 and 2024 and other explanatory information (the "Interim Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Interim Financial Information in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Interim Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 28(d) to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its incorporation.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
[Date]

Historical financial information

Set out below is the Historical Financial Information which forms an integral part of this accountants’ report.

The consolidated financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by KPMG under separate terms of engagement with the Company in accordance with Hong Kong Standards on Auditing issued by the HKICPA (“Underlying Financial Statements”).

Consolidated statements of profit or loss and other comprehensive income

(Expressed in Renminbi ("RMB"))

	Note	Year ended December 31, 2022 RMB'000	Year ended December 31, 2023 RMB'000	Nine months ended September 30, 2023 RMB'000 (unaudited)	Nine months ended September 30, 2024 RMB'000 (unaudited)
Revenue	4(a)	388,113	518,329	391,139	403,978
Cost of sales		(215,760)	(259,461)	(191,103)	(213,009)
Gross profit		172,353	258,868	200,036	190,969
Other income or loss, net	5	10,555	(11,858)	(4,491)	479
Sales and marketing expenses		(90,659)	(101,559)	(71,814)	(66,945)
General and administrative expenses		(67,340)	(73,240)	(50,563)	(46,898)
Research and development expenses		(22,463)	(29,416)	(22,430)	(19,212)
Impairment (loss)/reversal on trade and other receivables		(2,174)	1,515	688	414
Profit from operations		272	44,310	51,426	58,807
Finance costs	6(a)	(3,859)	(4,530)	(3,872)	(3,186)
Changes in carrying amount of financial instruments issued to **[REDACTED]**	24	(172,531)	(151,157)	(73,862)	(40,299)
(Loss)/profit before taxation		(176,118)	(111,377)	(26,308)	15,322
Income tax	7	(4,127)	(10,093)	(13,190)	(13,897)
(Loss)/profit for the year/period		(180,245)	(121,470)	(39,498)	1,425
(Loss)/profit and total comprehensive income for the year/period		(180,245)	(121,470)	(39,498)	1,425
Attributable to:					
Equity shareholders of the Company		(180,257)	(121,392)	(39,431)	1,526
Non-controlling interests		12	(78)	(67)	(101)
(Loss)/profit and total comprehensive income for the year/period		(180,245)	(121,470)	(39,498)	1,425
(Loss)/earnings per share	10				
Basic and diluted		(0.40)	(0.27)	(0.09)	0.00

The accompanying notes form part of the Historical Financial Information.

Consolidated statements of financial position
(Expressed in RMB)

	Note	As at December 31, 2022 RMB'000	As at December 31, 2023 RMB'000	As at September 30, 2024 RMB'000 (unaudited)
Non-current assets				
Property and equipment	11	50,754	47,553	51,813
Intangible assets	12	100,855	59,996	29,577
Goodwill	13	295,038	295,038	295,038
Financial assets measured at fair value through other comprehensive income ("FVOCI")		2,000	2,000	2,000
Deferred tax assets	27(b)	21,819	16,971	13,032
		470,466	421,558	391,460
Current assets				
Inventories		—	11,937	220
Trade receivables	16	16,675	11,562	37,818
Prepayments and other receivables	17	105,671	125,285	160,215
Financial assets measured at fair value through profit or loss ("FVPL")	15	—	49,941	77,203
Restricted cash	18	54,610	—	—
Cash and cash equivalents	18	75,129	131,354	159,060
		252,085	330,079	434,516
Current liabilities				
Trade payables	19	9,276	11,611	23,022
Other payables	20	333,657	372,217	320,428
Contract liabilities	21	5,124	9,370	1,495
Bank loans	22	110,999	49,690	135,000
Lease liabilities	25	14,107	7,039	6,865
Financial instruments issued to **[REDACTED]**	24	1,422,968	1,558,569	1,584,811
Financial liabilities measured at FVPL	23	—	21,166	22,176
Current taxation	27(a)	2,367	8,652	9,221
		1,898,498	2,038,314	2,103,018
Net current liabilities		(1,646,413)	(1,708,235)	(1,668,502)
Total assets less current liabilities		(1,175,947)	(1,286,677)	(1,277,042)
Non-current liabilities:				
Leases liabilities	25	9,482	10,756	17,819
Deferred tax liabilities	27(b)	6,843	4,395	2,000
		16,325	15,151	19,819
NET LIABILITIES		(1,192,272)	(1,301,828)	(1,296,861)
CAPITAL AND RESERVES				
Share capital	28(b)	2,518	2,587	2,587
Reserves	28(c)	(1,195,168)	(1,304,715)	(1,299,647)
Total equity attributable to equity shareholders of the Company		(1,192,650)	(1,302,128)	(1,297,060)
Non-controlling interests		378	300	199
TOTAL DEFICIT		(1,192,272)	(1,301,828)	(1,296,861)

The accompanying notes form part of the Historical Financial Information.

Statements of financial position of the Company
(Expressed in RMB)

	Note	As at December 31,		As at September 30,
		2022	2023	2024
		RMB'000	RMB'000	RMB'000 (unaudited)
Non-current asset				
Investment in subsidiaries	14	666,096	678,012	681,554
		666,096	678,012	681,554
Current assets				
Prepayments and other receivables		30,361	43,202	43,208
Cash and cash equivalents		94	469	21,887
		30,455	43,671	65,095
Current liabilities				
Bank loans		51,007	—	—
Other payables		17,485	98,580	132,255
Financial instruments issued to **[REDACTED]**	24	1,422,968	1,558,569	1,584,811
		1,491,460	1,657,149	1,717,066
Net current liabilities		(1,461,005)	(1,613,478)	(1,651,971)
Total assets less current liabilities		(794,909)	(935,466)	(970,417)
NET LIABILITIES		(794,909)	(935,466)	(970,417)
CAPITAL AND RESERVES				
Share capital	28(b)	2,518	2,587	2,587
Reserves		(797,427)	(938,053)	(973,004)
Total equity attributable to equity shareholders of the Company		(794,909)	(935,466)	(970,417)
TOTAL DEFICIT		(794,909)	(935,466)	(970,417)

Consolidated statements of changes in equity

(Expressed in RMB)

	Note	Attributable to equity shareholders of the Company						Non-controlling interest	Total equity
		Share capital	Capital reserve	Other reserve	Share-based payment reserve	Accumulated losses	Subtotal		
		RMB'000 (Note 28(b))	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2022		2,518	5,250	(87,973)	93,966	(1,024,898)	(1,011,137)	—	(1,011,137)
Changes in equity for 2022:									
Loss for the year		—	—	—	—	(180,257)	(180,257)	12	(180,245)
Total comprehensive income for the year		—	—	—	—	(180,257)	(180,257)	12	(180,245)
Acquisition of a subsidiary	29	—	—	—	—	—	—	366	366
Repurchase of preferred shares	24	—	—	(20,134)	—	—	(20,134)	—	(20,134)
Equity settled share-based transactions	26	—	—	—	18,878	—	18,878	—	18,878
Balance at December 31, 2022		2,518	5,250	(108,107)	112,844	(1,205,155)	(1,192,650)	378	(1,192,272)
Balance at January 1, 2023		2,518	5,250	(108,107)	112,844	(1,205,155)	(1,192,650)	378	(1,192,272)
Changes in equity for 2023:									
Loss for the year		—	—	—	—	(121,392)	(121,392)	(78)	(121,470)
Total comprehensive income for the year		—	—	—	—	(121,392)	(121,392)	(78)	(121,470)
Equity settled share-based transactions	26	69	—	—	11,845	—	11,914	—	11,914
Balance at December 31, 2023		2,587	5,250	(108,107)	124,689	(1,326,547)	(1,302,128)	300	(1,301,828)

Consolidated statements of changes in equity (continued)

(Expressed in RMB)

		Attributable to equity shareholders of the Company							
	Note	Share capital	Capital reserve	Other reserve	Share-based payment reserve	Accumulated losses	Subtotal	Non-controlling interest	Total equity
		RMB'000 (Note 28(b))	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)									
Balance at January 1, 2024		2,587	5,250	(108,107)	124,689	(1,326,547)	(1,302,128)	300	(1,301,828)
Changes in equity for the period:									
Profit for the period		—	—	—	—	1,526	1,526	(101)	1,425
Total comprehensive income for the period		—	—	—	—	1,526	1,526	(101)	1,425
Equity settled share-based transactions	26	—	—	—	3,542	—	3,542	—	3,542
Balance at September 30, 2024		2,587	5,250	(108,107)	128,231	(1,325,021)	(1,297,060)	199	(1,296,861)

		Attributable to equity shareholders of the Company							
	Note	Share capital	Capital reserve	Other reserve	Share-based payment reserve	Accumulated losses	Subtotal	Non-controlling interest	Total equity
		RMB'000 (Note 28(b))	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)									
Balance at January 1, 2023		2,518	5,250	(108,107)	112,844	(1,205,155)	(1,192,650)	378	(1,192,272)
Changes in equity for the period:									
Loss for the period		—	—	—	—	(39,431)	(39,431)	(67)	(39,498)
Total comprehensive income for the period		—	—	—	—	(39,431)	(39,431)	(67)	(39,498)
Equity settled share-based transactions	26	—	—	—	9,405	—	9,405	—	9,405
Balance at September 30, 2023		2,518	5,250	(108,107)	122,249	(1,244,586)	(1,222,676)	311	(1,222,365)

The accompanying notes form part of the Historical Financial Information.

Consolidated cash flow statements

(Expressed in RMB)

	Note	Year ended December 31,		Nine months ended September 30,	
		2022	2023	2023	2024
		RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Operating activities					
(Loss)/profit before taxation		(176,118)	(111,377)	(26,308)	15,322
Adjustments for:					
Amortization and depreciation	6(c)	68,170	72,016	52,705	50,960
Impairment losses/(reversal) on trade receivables and other receivables	6(c)	2,174	(1,515)	(688)	(414)
Investment income from wealth management products	5	(2,722)	(947)	(541)	(562)
Fair value changes of financial instruments at FVPL	5	(2,732)	16,366	8,101	926
Gain on disposal of property and equipment	5	(2,061)	(267)	(397)	(20)
Equity-settled share-based payment expenses	6(b)	18,878	11,914	9,405	3,542
Changes in carrying amount of financial instruments issued to investors	24	172,531	151,157	73,862	40,299
Finance costs	6(a)	3,859	4,530	3,872	3,186
Changes in working capital					
(Increase)/decrease in inventories		388	(11,937)	(6,859)	11,717
(Increase)/decrease in trade receivables		(4,979)	5,225	756	(26,659)
Decrease/(increase) in prepayments and other receivables		30,723	(21,078)	(152,792)	(32,994)
Increase in trade payables		1,224	2,335	6,816	11,411
(Decrease)/increase in contract liabilities		(11,074)	4,246	1,193	(7,875)
(Decrease)/increase in other payables		(112,488)	54,880	156,865	(51,600)
Net cash (used in)/generated from operations		(14,227)	175,548	125,990	17,239
Income tax paid	27	(5)	(1,408)	(1,408)	(11,783)
Net cash (used in)/generated from operating activities		(14,232)	174,140	124,582	5,456
Investing activities					
Payment for purchase of intangible asset		(145)	—	(1,334)	—
Payment for purchase of property, plant and equipment		(12,341)	(17,102)	(10,998)	(4,945)
Proceeds from disposal of property and equipment		10,705	7,313	6,691	3,078
Investment income received		2,722	808	532	383
Payment for purchase of wealth management products		(372,000)	(415,000)	(155,000)	(368,000)
Proceeds from disposal of wealth management products		398,118	370,000	140,000	341,000
Payment for acquisition of subsidiaries, net of cash acquired	29	(83,821)	(2,810)	(2,810)	—
Payment of loans to third-parties		6,030	2,867	2,554	(1,119)
Net cash used in investing activities		(50,732)	(53,924)	(20,365)	(29,603)

Consolidated cash flow statements (continued)
(Expressed in RMB)

	Note	Year ended December 31,		Nine months ended September 30,	
		2022	2023	2023	2024
		RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	(unaudited)
Financing activities					
Capital element of lease rentals paid	18(b)	(21,609)	(23,695)	(20,547)	(16,025)
Interest element of lease rentals paid	18(b)	(1,138)	(1,053)	(850)	(630)
Proceeds from bank loans	18(b)	111,027	52,008	39,823	143,494
Repayment of bank loans	18(b)	(32,897)	(113,270)	(96,528)	(58,262)
Interest paid		(2,674)	(3,523)	(3,040)	(2,478)
Payment of prior years repurchase of ordinary shares and financial instruments issued to **[REDACTED]**		—	(13,671)	—	—
Proceeds from issuance of financial instruments to **[REDACTED]**		3,000	—	—	—
Payment for repurchase of financial instruments issued to **[REDACTED]**		(167,872)	(15,556)	(15,556)	(14,057)
(Increase)/decrease in restricted bank deposits		(54,610)	54,610	54,610	—
Net cash (used in)/generated from financing activities		(166,773)	(64,150)	(42,088)	52,042
Net (decrease)/increase in cash and cash equivalents		(231,737)	56,066	62,129	27,895
Cash and cash equivalents at the beginning of the year/period		305,871	75,129	75,129	131,354
Effect of foreign exchange rate changes		995	159	273	(189)
Cash and cash equivalents at the end of the year/ period		75,129	131,354	137,531	159,060

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

1 Basis of preparation and presentation of Historical Financial Information.

Boche Holding Limited (Cayman) (the "Company") was incorporated in the Cayman Islands on April 17, 2020 as an exempted company with limited liability under the Companies Act (Revised) of the Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together, "the Group") are principally engaged in the provision of salvage and used vehicle auction and facilitation services and vehicle sales (the "**[REDACTED]** Business") mainly in the People's Republic of China (the "PRC").

The **[REDACTED]** Business is mainly conducted by Beijing Hengtai Boche Auction Co., Ltd. ("Hengtai Boche") and its subsidiaries. Prior to May 30, 2024, Hengtai Boche and its subsidiaries were controlled by the Group via a series of contractual arrangements (the "Contractual Arrangements"). The directors of the Company consider that the Contractual Arrangements were in compliance with the relevant PRC laws and regulations currently in effect and were legally binding and enforceable. Pursuant to the Contractual Arrangements, the Company had rights to exercise power over Hengtai Boche and its subsidiaries, receive variable returns from involvement in over Hengtai Boche and its subsidiaries, had the ability to affect those returns through its power over Hengtai Boche and its subsidiaries and was considered to control over Hengtai Boche and its subsidiaries. Consequently, the Group regarded over Hengtai Boche and its subsidiaries as controlled structured entities through the date of termination of the Contractual Arrangements on May 30, 2024. After the termination of the previous Contractual Arrangements, the Group controls Hentai Boche by directly holding its 100% equity interest.

The Company has direct or indirect interest in the following principal subsidiaries, all of which are private companies:

Company name	Place and date of establishment/ incorporation	Particulars of registered capital	Particulars of paid-up capital	Attributable equity interest of the Group	Principal activities
Beijing Boche Technology Co., Ltd. (北京博車科技有限公司) (Note (i), (ii), (iii) and (iv))	The PRC January 22, 2021	USD100,000,000	USD84,799,666	100%	Salvage and used vehicle auction and facilitation services
Beijing Hengtai Boche Information Technology Co., Ltd. (北京恒泰博車信息技術有限公司) (Note (i), (ii) (iii) and (iv))	The PRC March 15, 2016	RMB2,000,000	RMB2,000,000	100%	Salvage and used vehicle auction and facilitation services
Beijing Hengtai Boche Auction Co., Ltd. ("Hengtai Boche") (北京恒泰博車拍賣有限公司) (Note (i), (ii), (iii) and (iv))	The PRC June 4, 2014	RMB24,680,943	RMB19,680,943	100%	Salvage and used vehicle auction and facilitation services
Beijing Boche Online Auction Co., Ltd. (北京博車網絡拍賣有限公司) ((Note (i), (ii), (iii) and (iv))	The PRC August 4, 2016	RMB50,000,000	RMB50,000,000	100%	Salvage and used vehicle auction and facilitation services

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

(Expressed in RMB unless otherwise indicated)

1 Basis of preparation and presentation of Historical Financial Information. (continued)

Company name	Place and date of establishment/ incorporation	Particulars of registered capital	Particulars of paid-up capital	Attributable equity interest of the Group	Principal activities
Beijing Hengtai Boche Internet Auction Co., Ltd. (北京恒泰博車網絡拍賣有限公司) (Note (i), (ii), (iii) and (iv))	The PRC March 13, 2015	RMB251,977,043	RMB223,956,052	100%	Salvage and used vehicle auction and facilitation services
Beijing Fengshun Lubao Vehicle Auction Co., Ltd. ("Fengshun Lubao") (北京豐順路寶機動車拍賣有限公司) (Note (i), (ii), (iii) and (iv))	The PRC June 10, 2011	RMB20,000,000	RMB20,000,000	100%	Salvage and used vehicle auction and facilitation services
Beijing Hengtai Boche Car Sales Co., Ltd. (北京恒泰博車汽車銷售有限公司) (Note (i), (ii), (iii) and (iv))	The PRC August 1, 2017	RMB10,000,000	RMB5,000,000	100%	Vehicle sales
Shanghai Carwins Info-Tech Co., Ltd. ("Shanghai Carwins") (上海車贏信息技術有限公司) (Note (i), (ii), (iv) and (v))	The PRC September 28, 2014	RMB46,960,000	RMB2,000,000	98%	Auction on used vehicle; Value added telecommunications services
Boche Urban Resources Internet Technology (Beijing) Co., Ltd. ("Boche Resources" formerly known as 國投城市資源互聯網科技(北京)股份有限公司 (Note (i), (ii), (iii) and (iv))	The PRC August 13, 2015	RMB42,000,000	RMB42,000,000	100%	Technical promotion services; Computer System Services

Notes:

(i) The official names of these entities are in Chinese. The English translation is included for identification purpose only.

(ii) These entities were registered as limited liability companies under the laws and regulations in the PRC.

(iii) The financial statements of these entities comprising the Group for year ended December 31, 2022 were audited by 北京永勤會計師事務所有限公司.

(iv) The financial statements of these entities comprising the Group for year ended December 31, 2023 were audited by 北京永勤會計師事務所有限公司.

(v) The financial statements of these entities comprising the Group for year ended December 31, 2022 were audited by 上海利永會計師事務所（普通合夥）.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)
(Expressed in RMB unless otherwise indicated)

1 Basis of preparation and presentation of Historical Financial Information. (continued)

All companies comprising the Group have adopted December 31, as their financial year end date.

The Historical Financial Information has been prepared in accordance with all applicable IFRS Accounting Standards as issued by the International Accounting Standards Board (the "IASB"). Further details of the material accounting policy information adopted are set out in Note 2.

The IASB has issued a number of new and revised IFRS Accounting Standards. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised IFRS Accounting Standards throughout the Relevant Periods, except for any new standards or interpretations that are not yet effective for the accounting period beginning on January 1, 2024. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning on January 1, 2024 are set out in Note 33.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange").

The Historical Financial Information has been prepared under the going concern basis notwithstanding the fact that the Group recorded net liabilities of RMB1,297 million and net current liabilities of RMB1,669 million as at September 30, 2024, which is primarily due to financial instruments issued to **[REDACTED]** amounting to RMB1,585 million. The Directors and management of the Company have considered that the preferential rights of these financial instruments would be terminated upon **[REDACTED]** and the preferred shares would be converted into equity. Taken the above into consideration, and together with the Group's cash flow projections prepared by management of the Group, which cover a period of at least twelve months the date of this report, the directors of the Company are of the opinion that there are no material uncertainties related to events or conditions which, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern. Accordingly, the directors of the Company consider it is appropriate to prepare the consolidated financial statements on a going concern basis.

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

The Interim Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)
(Expressed in RMB unless otherwise indicated)

2 Material accounting policy information

(a) Basis of measurement

The functional currency of the Company and its subsidies are RMB. The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis except that the following assets and liabilities are stated at their fair values as explained in the accounting policies set out below:

- financial assets measured at FVPL or OCI (see note 2(e)).
- other financial instruments measured at FVPL (see note 2(f)).

(b) Use of estimates and judgments

The preparation of the Historical Financial Information in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRS Accounting Standards that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in Note 3.

(c) Subsidiaries and non-controlling interests'

Subsidiaries are entities (including entities controlled through Contractual Arrangements) controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealized income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

For each business combination, the Group can elect to measure any non-controlling interests ("NCI") either at fair value or at the NCI's proportionate share of the subsidiary's net identifiable assets. NCI are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. NCI in

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)
(Expressed in RMB unless otherwise indicated)

2 Material accounting policy information (continued)

the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between NCI and the equity shareholders of the Company. Loans from holders of NCI and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 2(o), (p) or (q) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in that former subsidiary is measured at fair value when control is lost.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(j)).

(d) Business Combination

The Group accounts for business combination using the acquisition method except for business combination under common control. For business combination using the acquisition method, the consideration transferred in the acquisition is generally measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree.

Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities. Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in the profit and loss.

Business combination arising from transfer of interests in entities that are under the control of the controlling shareholder that controls the Group is accounted for as if the acquisition had occurred at the beginning of the Relevant Periods or, if later, at the date that common control was established. The assets acquired and liabilities assumed are recognized at the carrying amounts recognized previously in the Group's controlling shareholder's perspective. There is no recognition of any additional goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of the common control combination to the extent of the continuation of the Group's controlling shareholder's interests, and any difference between the net assets acquired and the consideration paid is recognized directly in equity.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)
(Expressed in RMB unless otherwise indicated)

2 Material accounting policy information (continued)

(d) Goodwill

Goodwill arising on acquisition of businesses is measured at cost less accumulated impairment losses and is tested annually for impairment (see note 2(j)).

(e) Other investments in securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, are set out below.

Investments in securities are recognized/derecognized on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at FVPL for which transaction costs are recognized directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 30(c). These investments are subsequently accounted for as follows, depending on their classification.

(i) Non-equity investments

Non-equity investments are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Expected credit losses, interest income calculated using the effective interest method (see note 2(u)(ii)(a)), foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
- FVOCI - recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses are recognized in profit or loss and computed in the same manner as if the financial asset was measured at amortised cost. The difference between the fair value and the amortised cost is recognized in OCI. When the investment is derecognized, the amount accumulated in OCI is recycled from equity to profit or loss.
- FVPL if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognized in profit or loss.

(ii) Equity investments

An investment in equity securities is classified as FVPL, unless the investment is not held for trading purposes and on initial recognition the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognized in OCI. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. If

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)
(Expressed in RMB unless otherwise indicated)

2 Material accounting policy information (continued)

such election is made for a particular investment, at the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings and not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognized in profit or loss as other income (see note 2(u)).

(f) Other financial instruments measured at FVPL

Forward contracts to buy a non-financial item that can be settled net in cash are accounted for as if the contracts were financial instruments, with the exception of contracts that were entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with Group's expected purchase, sale or usage requirements (the "own-use exemption"). For forward contracts to buy a non-financial item that meet the own-use exemption, the Group designates them as measured at FVPL if they eliminate or significantly reduce an accounting mismatch.

For guarantee contracts held by the Group that outside the scope of IFRS 9, IFRS 17 and IAS 37, the Group applies IFRS 9 by analogy to account for the guarantee contracts as financial assets measured at FVPL (see note 2(e)).

(g) Property and equipment

Property and equipment including right-of-use assets arising from leases of underlying plant and equipment, are stated at cost less accumulated depreciation and impairment losses (see note 2(j)):

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components).

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values, if any, using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

	Estimated useful lives
Electronic equipment	3 years
Office equipment	5 years
Motor vehicles	2-5 years
Leasehold improvement	the shorter of the unexpired term of lease and estimated useful lives
Right-of-use assets	Over the term of lease

Depreciation methods, useful lives and residual values are reviewed annually and adjusted if appropriate.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)
(Expressed in RMB unless otherwise indicated)

2 Material accounting policy information (continued)

(h) Intangible assets (other than goodwill)

Expenditure on research activities is recognised in profit or loss as incurred. Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the resulting asset. Otherwise, it is recognised in profit or loss as incurred. Capitalised development expenditure is subsequently measured at cost less accumulated amortisation and any accumulated impairment losses.

Other intangible assets, including patents and trademarks, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses (see note 2(j)). Expenditure on internally generated goodwill and brands is recognized as an expense in the period in which it is incurred.

Amortization is calculated to write-off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, if any, and is generally recognised in profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

Category	Estimated useful lives
Non-compete agreement	5-10 years
Software	5 years
Upstream consignor relationships	5 years
Trademarks	5 years
Non-proprietary technology	5-10 years

Amortization methods, useful lives and residual values are reviewed annually and adjusted if appropriate.

(i) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. This is the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognizes a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)
(Expressed in RMB unless otherwise indicated)

2 Material accounting policy information (continued)

assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalize the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalized are recognized as an expense on a systematic basis over the lease term.

Where the lease is capitalized, the lease liability is initially recognized at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortized cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognized when a lease is capitalized is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2(g) and 2(j)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the principal portion of contractual payments that are due to be settled within twelve months after the reporting period.

(j) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognizes a loss allowance for expected credit losses (ECLs) on financial assets measured at amortized cost (including cash and cash equivalents, trade receivables and other receivables).

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)
(Expressed in RMB unless otherwise indicated)

2 Material accounting policy information (continued)

Financial assets measured at FVPL include wealth management products measured at FVPL, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts.

The expected cash shortfalls of fixed-rate financial assets, trade and other receivables are discounted using the effective interest rate determined at initial recognition or an approximation thereof where the effect of discounting is material.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are the ECLs that result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

For all other financial instruments, the Group recognizes a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

When determining whether the credit risk of a financial instrument has increased significantly since initial recognition and when measuring ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is past the contractual due date.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)
(Expressed in RMB unless otherwise indicated)

2 Material accounting policy information (continued)

Credit-impaired financial assets

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or being past the contractual due date;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise; or
- it is probable that the debtor will enter bankruptcy or other financial reorganisation.

Write-off policy

The gross carrying amount of a financial asset is written off to the extent that there is no realistic prospect of recovery. This is generally the case when the Group otherwise determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment.

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognized no longer exists or may have decreased:

- property, plant and equipment, including right-of-use assets;
- intangible assets;
- goodwill; and
- investment in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)
(Expressed in RMB unless otherwise indicated)

2 Material accounting policy information (continued)

- Calculation of recoverable amount

  The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

  An impairment loss is recognized in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

- Reversals of impairment losses

  In respect of assets other than goodwill, an impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

  A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior periods. Reversals of impairment losses are credited to profit or loss in the period in which the reversals are recognized.

(k) Inventories

Inventories are assets which are held for sale in the ordinary course of business.

Inventories are carried at the lower of cost and net realizable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized.

The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)
(Expressed in RMB unless otherwise indicated)

2 Material accounting policy information (continued)

amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

(l) Contract liabilities

A contract liability is recognized when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 2(u)(i)). A contract liability is also recognized if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such latter cases, a corresponding receivable is also recognized (see note 2(m)).

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 2(u)(i)).

(m) Trade and other receivables

A receivable is recognized when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of the consideration is due. If revenue has been recognized before the Group has an unconditional right to receive consideration, that amount is presented as contract assets (see note 2(l)).

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortized cost, using the effective interest method and including an allowance for credit losses ((see note 2(j)).

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statements of cash flows. Cash and cash equivalents are assessed for ECL in accordance with the policy set out in note 2(j).

(o) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

***(p) Financial instruments issued to* [REDACTED]**

The Company issued several series of preferred shares to **[REDACTED]**. The preferred shares that entitle their holders to redeem the shares upon the occurrence of contingent events, which are

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)
(Expressed in RMB unless otherwise indicated)

2 Material accounting policy information (continued)

not all within the control of the Group, and are convertible into a variable number of ordinary shares at the option of the holders or automatically upon closing of a qualified **[REDACTED]** of the Company, are accounted for as compound financial instruments.

The Group's obligation to redeem the preferred shares gives rise to a financial liability that is measured at the present value of the redemption amount under the worst-case approach. Subsequently, any changes in the carrying amount of the financial liability arising from the remeasurement of the redemption amount are recognised in profit or loss as "changes in carrying amount of financial instruments issued to **[REDACTED]**".

The equity component is the difference between the initial fair value of the preferred shares as a whole and the initial carrying amount of the liability components, and it is not subsequently remeasured.

The Company repurchased several preferred shares during the Relevant Periods. The financial liability arising from the obligation to redeem the preferred shares is derecognized and a financial liability is recognized for the obligation to pay for the repurchase of preferred shares when the Company is released from its contractual obligations under the preferred shares. The difference between the carrying amount of the financial liability arising from the obligation to redeem the preferred shares and the consideration payable for the repurchase is recognized in equity as "Repurchase of preferred shares" under other reserve.

(q) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequently, these borrowings are stated at amortized cost using the effective interest method. Interest expense is recognized in accordance with note 2(w).

(r) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Obligations for contributions to defined contribution retirement plans are expensed as the related service is provided.

(ii) Share-based payments

The Group operates share incentive plans, under which it receives services from eligible participants as consideration for equity instruments (including share options and restricted ordinary shares) of the Group. The fair value of the services received in exchange for the grant of the equity instruments (share options and restricted ordinary shares) is recognized as an expense in the consolidated statements of profit or loss with a corresponding increase in share-based payments reserve in equity.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

(Expressed in RMB unless otherwise indicated)

2 Material accounting policy information (continued)

Share options

For grant of share options, the total amount to be expensed is determined by reference to the fair value of the options granted using option-pricing models.

The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity. The equity amount is recognized in the share-based payment reserve until either the option is exercised (when it is included in the amount recognized in share capital for the shares issued) or the option expires (when it is released directly to retained profits).

Restricted ordinary shares

For grant of restricted ordinary shares of the Company, the total amount to be expensed is determined by reference to the fair value of the Company's ordinary shares at the grant date.

The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the Group revises its estimates of the number of restricted ordinary shares that are expected to vest based on the non-market vesting and service conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

(iii) Termination benefits

Termination benefits are recognized at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognizes restructuring costs involving the payment of termination benefits.

(s) Income tax

Income tax expense comprises current tax and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in OCI.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)
(Expressed in RMB unless otherwise indicated)

2 Material accounting policy information (continued)

Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;
- temporary differences related to investment in subsidiaries, associates and joint venture to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;
- taxable temporary differences arising on the initial recognition of goodwill; and
- those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organization for Economic Cooperation and Development.

The Group recognized deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

Deferred tax assets and liabilities are offset only if certain criteria are met.

(t) Provisions and contingent liabilities

Generally provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

A provision for warranties is recognised when the underlying products or services are sold, based on historical warranty data and a weighting of possible outcomes against their associated probabilities.

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract, which is determined based on the incremental costs of fulfilling the obligation under that contract and an allocation of other costs directly related to fulfilling that contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract (see note 2(j)(ii)).

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)
(Expressed in RMB unless otherwise indicated)

2 Material accounting policy information (continued)

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

(u) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods or the provision of services in the ordinary course of the Group's business.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Revenue from contracts with customers

The Group derives its revenue from providing salvage vehicle auction and facilitation services, used vehicle auction and facilitation services, vehicle sales and other services to customers.

Revenue is recognized when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

The method the Group recognizes revenue from its customers is affected by the role under each contract with customers. For contracts where the Group acts as a principal, the Group recognizes revenue on a gross basis, while for contracts where the Group is acting as an agent, the Group recognizes revenue on a net basis.

Further details of the Group's revenue and other income recognition policies are as follows:

(a) Salvage and used vehicle auction and facilitation services

The Group connects upstream salvage vehicle consignors and used vehicle consignors with downstream buyers through its online auctions platforms and offline auctions. The Group charges auction fee and auction-related sales transaction fees to buyers for successful vehicle auctions on the Group's auction platform. The Group also charges service fees in connection with salvage vehicle transactions and used vehicle transactions to vehicle consignors or buyers, such as, storage and preservation, logistics, title transfer and various operation support. These services are not distinct within the context of the contract. Accordingly, revenue for these services is recognized when the single performance obligation is satisfied at the completion of the auction process.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)
(Expressed in RMB unless otherwise indicated)

2 Material accounting policy information (continued)

The Group provides its members access to its online auction platform and charges members an annual registration fee for the right to participate in its online auctions and access the Company's bidding platform. Revenue is recognized ratably over the term of the arrangement, generally one year, as customers receive the benefit of the services.

(b) Vehicle sales

The Group purchases damaged new vehicles and used vehicles from dealers or rental companies and then sells such vehicles to the customers on the Company's own behalf. Vehicle sales revenue is recognized when the customer takes possession of and accepts the vehicle.

(c) Other services

The Group also provides other services to customers. Revenue is recognized the point in time upon the completion of the service and customer acceptance.

(ii) Revenue from other sources and other income

(a) Interest income

Interest income is recognized as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset.

(b) Government grants

Government grants are recognized in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognized as deferred income and subsequently recognized in profit or loss over the useful life of the asset by way of being recognized in other income.

(v) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

(w) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)
(Expressed in RMB unless otherwise indicated)

2 Material accounting policy information (continued)

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(x) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)
(Expressed in RMB unless otherwise indicated)

3 Accounting judgement and estimates

Notes 13 and 30 contain information about the assumptions and their risk factors relating to goodwill impairment, measurement of ECL allowance for trade receivables and fair value of financial instruments. Other significant sources of estimation uncertainty are as follows:

(i) Impairment of non-current assets other than financial assets

If circumstances indicate that the carrying amount of a non-current asset other than financial assets may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognized in accordance with accounting policy for impairment of non-current assets as described in note 2(j)(ii). These assets are tested for impairment periodically or whenever the events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the fair value less costs of disposal and value in use. In determining the value in use, expected future cash flows generated by the asset are discounted to their present value, which requires significant judgment relating to the level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of the level of revenue and amount of operating costs. Changes in these estimates could have a significant impact on the recoverable amount of the assets and could result in additional impairment charge or reversal of impairment in future periods.

(ii) Share-based compensation arrangement and its fair value measurement

The Group measures the cost of share-based payments with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. The determination of the fair value of the share-based payments is affected by the significant assumptions such as the underlying equity value, the expected volatility of share price and risk-free interest rate. Details of share-based payments are contained in Note 26.

(iii) Recognition of deferred tax assets

Deferred tax assets in respect of tax losses and other deductible temporary differences carried forward have not been recognized, in view of the Group's assessment about based on the probability of realization or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the end of the reporting periods. In determining the recognition and/or carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and requires significant level of judgment exercised by the directors. Any change in such assumptions and judgment would affect whether deferred tax assets should be recognized, and if so, the carrying amounts of deferred tax assets to be recognized and hence the profit or loss in future years.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)
(Expressed in RMB unless otherwise indicated)

4 Revenue and segment reporting

(a) Revenue

The Group is principally engaged in the provision of auction and facilitation services and vehicle sales. Disaggregation of revenue from contracts with customers is as follows:

	Year ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Salvage vehicle auction and facilitation services	241,108	332,879	259,296	217,992
Used vehicle auction and facilitation services	66,141	112,376	78,528	92,403
Vehicle sales	70,260	62,772	43,659	83,274
Other services	10,604	10,302	9,656	10,309
Total	388,113	518,329	391,139	403,978

	Year ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Timing of revenue recognition				
At a point in time	379,704	510,655	384,437	393,638
Over time	8,409	7,674	6,702	10,340
Total	388,113	518,329	391,139	403,978

Remaining Performance Obligation

The Group has elected the practical expedient in paragraph 121 of IFRS 15 and does not disclose the information about remaining performance obligations which are part of contracts that have an original expected duration of one year or less.

The Group's customer base is diversified and there is no single customer with whom transactions have exceeded 10% of the Group's revenue during the Relevant Periods.

(b) Segment reporting

IFRS 8, Operating Segments, requires identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the Group's chief operating decision maker for the purpose of resources allocation and performance assessment. On this basis, as for the purpose of making decisions about resources allocation and performance assessment, the Group's management reviews on the operating results of the Group as a whole, the Group has determined that it only has one operating segment during the Relevant Periods.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

(Expressed in RMB unless otherwise indicated)

4 Revenue and segment reporting (continued)

The Group's revenue is substantially generated from customers in the PRC. The Group's operating assets and non-current assets are substantially situated in the PRC. Accordingly, no segment analysis based on geographical locations of the customers and assets is provided.

5 Other income or loss, net

	Year ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Investment income from wealth management products	2,722	947	541	562
Fair value changes of financial instrument measured at FVPL	2,732	(16,366)	(8,101)	(926)
Government grants	2,762	1,085	542	408
Gain on disposal of property and equipment	2,061	267	397	20
Interest income	1,071	1,113	916	425
Net foreign exchange (loss)/gain	(1,912)	28	149	(581)
Others	1,119	1,068	1,065	571
	10,555	(11,858)	(4,491)	479

6 (Loss)/profit before taxation

(Loss)/profit before taxation is arrived at after charging:

(a) Finance costs

	Year ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Interest on bank loans	2,722	3,476	3,022	2,556
Interest on lease liabilities	1,137	1,054	850	630
	3,859	4,530	3,872	3,186

(b) Staff costs

	Year ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Salaries, wages and other benefits	134,876	151,712	110,531	98,190
Contributions to defined contribution retirement plan	9,159	9,802	8,629	7,473
Share-based compensation expenses (Note 26)	18,878	11,914	9,405	3,542
	162,913	173,428	128,565	109,205

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)
(Expressed in RMB unless otherwise indicated)

6 (Loss)/profit before taxation (continued)

(i) Defined contribution retirement plans

Employees of the Group's subsidiaries in the PRC are required to participate in a defined contribution retirement scheme administered and operated by the local municipal governments where the subsidiaries are registered. The Group's subsidiaries in the PRC contributes funds which are calculated on certain percentages of the average employee salary as agreed by the respective local municipal governments to the scheme to fund the retirement benefits of the employees.

The Group has no further material obligation for payment of other retirement benefits beyond the above contributions.

(c) Other items

	Year ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Depreciation charge (Note 11)				
- property and equipment	5,331	7,705	3,390	3,010
- right-of-use assets	22,615	23,452	17,618	17,531
	27,946	31,157	21,008	20,541
Amortization of intangible assets (Note 12)	40,224	40,859	31,697	30,419
Impairment loss/(reversal) on trade and other receivables	2,174	(1,515)	(688)	(414)
Expense relating to short-term leases	5,951	5,858	3,082	3,416
Cost of vehicle transportation	44,015	68,254	53,032	41,423
Cost of inventories sold	69,280	61,708	42,863	79,842

7 Income tax in the consolidated statements of profit or loss and other comprehensive income

(a) Taxation in the consolidated statements of profit or loss and other comprehensive income represents:

	Year ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Current tax				
Provision for the year/period (Note 27(a))	2,372	7,693	7,449	12,353
Deferred taxation				
Origination and reversal of temporary differences (Note 27(b))	1,755	2,400	5,741	1,544
	4,127	10,093	13,190	13,897

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

(Expressed in RMB unless otherwise indicated)

7 Income tax in the consolidated statements of profit or loss and other comprehensive income (continued)

(b) Reconciliation between tax expense and accounting loss at applicable tax rates:

	Year ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
(Loss)/profit before taxation	(176,118)	(111,377)	(26,308)	15,322
Notional tax calculated at tax rate of 25% (i)	(44,030)	(27,844)	(6,577)	3,831
Tax effect of preferential tax rate (ii)	204	(3,053)	(2,510)	(1,683)
Tax effect of non-deductible expenses (iii)	51,502	43,406	21,786	13,081
Tax losses and temporary differences not recognized	443	3,704	5,161	2,726
Tax effect of additional tax deduction on research and development expenses (iv)	(3,992)	(6,120)	(4,670)	(4,057)
Actual tax expense	4,127	10,093	13,190	13,897

Notes:

(i) The Company is not subject to any income tax in the Cayman Islands pursuant to the rules and regulations of the Cayman Islands.

No provision for Hong Kong Profits Tax has been made, as the subsidiary of the Group incorporated in Hong Kong did not have assessable profits which are subject to Hong Kong Profits Tax during the Relevant Periods.

The subsidiaries of the Group established in the PRC are subject to the PRC Corporate Income Tax rate of 25% during the Relevant Periods unless otherwise specified.

(ii) The PRC Corporate Income Tax Law allows enterprises to apply for certificate of "High and New Technology Enterprise" ("HNTE"), which entitles the qualified companies to a preferential income tax rate of 15%, subject to fulfillment of the recognition criteria.

Shanghai Carwins and Hengtai Boche Information Technology renewed the HNTE certificate on December 14, 2022 and November 2, 2022 respectively, and are qualified as a HNTE and entitled to the preferential tax rate of 15% for the three calendar years ended December 31, 2022, 2023 and 2024.

(iii) Tax effect of non-deductible expenses mainly represent the changes in the carrying amount of financial instruments issued to **[REDACTED]**, share-based payments expenses and certain other costs and expenses exceeding the deductible amount, which all are not deductible in accordance with relevant tax regulations.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)
(Expressed in RMB unless otherwise indicated)

7 Income tax in the consolidated statements of profit or loss and other comprehensive income (continued)

(iv) An additional 75% of qualified research and development expenses incurred is allowed to be deducted from taxable income under the PRC Income Tax Law and its relevant regulations before October 1, 2022 during the Relevant Periods. And an additional 100% of qualified research and development expenses incurred is allowed to be deducted from taxable income under the PRC Income Tax Law and its relevant regulations after October 1, 2022.

8 Directors' emoluments

Details of the emoluments of the directors of the Company during the year ended December 31, 2022 and 2023 and nine months ended September 30, 2023 and 2024 are as followings:

	Year ended December 31, 2022						
	Directors' fee	**Salaries, allowances and benefits in kind**	**Discretionary bonuses**	**Contributions to defined contribution retirement schemes**	**Sub-total**	**Equity-settled share-based payments (Note 26)**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Executive directors:							
Mr. Chen Jianpeng	—	480	—	50	530	—	530
Mr. Lu Shimin	—	480	—	50	530	—	530
Ms. Song Qinghua	—	480	—	50	530	—	530
Mr. Chen Hua (Note b)	—	452	—	35	487	868	1,355
Non-executive directors:							
Mr. Luo Xiaobo	—	—	—	—	—	—	—
Mr. Kuang Yi	—	—	—	—	—	—	—
Mr. Chen Shuo	—	—	—	—	—	—	—
Ms. Lin Min (Note b)	—	—	—	—	—	—	—
Mr. Wang Jun (Note b)	—	—	—	—	—	—	—
Total	—	**1,892**	—	**185**	**2,077**	**868**	**2,945**

	Year ended December 31, 2023						
	Directors' fee	**Salaries, allowances and benefits in kind**	**Discretionary bonuses**	**Contributions to defined contribution retirement schemes**	**Sub-total**	**Equity-settled share-based payments (Note 26)**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Executive directors:							
Mr. Chen Jianpeng	—	566	—	52	618	—	618
Mr. Lu Shimin	—	575	—	52	627	—	627
Ms. Song Qinghua	—	566	—	52	618	—	618
Mr. Chen Hua (Note b)	—	527	—	42	569	—	569
Non-executive directors:							
Mr. Luo Xiaobo	—	—	—	—	—	—	—
Mr. Kuang Yi	—	—	—	—	—	—	—
Mr. Chen Shuo	—	—	—	—	—	—	—
Ms. Lin Min (Note b)	—	—	—	—	—	—	—
Mr. Wang Jun (Note b)	—	—	—	—	—	—	—
Total	—	**2,234**	—	**198**	**2,432**	—	**2,432**

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

(Expressed in RMB unless otherwise indicated)

8 Directors' emoluments (continued)

	Nine months ended September 30, 2023 (Unaudited)						
	Directors' fee	**Salaries, allowances and benefits in kind**	**Discretionary bonuses**	**Contributions to defined contribution retirement schemes**	**Sub-total**	**Equity-settled share-based payments (Note 26)**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Executive directors:							
Mr. Chen Jianpeng	—	353	—	39	392	—	392
Mr. Lu Shimin	—	355	—	39	394	—	394
Ms. Song Qinghua	—	353	—	39	392	—	392
Mr. Chen Hua (Note b)	—	326	—	30	356	—	356
Non-executive directors:							
Mr. Luo Xiaobo	—	—	—	—	—	—	—
Mr. Kuang Yi	—	—	—	—	—	—	—
Mr. Chen Shuo	—	—	—	—	—	—	—
Ms. Lin Min (Note b)	—	—	—	—	—	—	—
Mr. Wang Jun (Note b)	—	—	—	—	—	—	—
Total	—	**1,387**	—	**147**	**1,534**	—	**1,534**

	Nine months ended September 30, 2024 (Unaudited)						
	Directors' fee	**Salaries, allowances and benefits in kind**	**Discretionary bonuses**	**Contributions to defined contribution retirement schemes**	**Sub-total**	**Equity-settled share-based payments (Note 26)**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Executive directors:							
Mr. Chen Jianpeng	—	327	—	39	366	—	366
Mr. Lu Shimin	—	327	—	39	366	—	366
Ms. Song Qinghua	—	327	—	39	366	—	366
Mr. Chen Hua (Note b)	—	318	—	32	350	—	350
Non-executive directors:							
Mr. Luo Xiaobo	—	—	—	—	—	—	—
Mr. Kuang Yi	—	—	—	—	—	—	—
Mr. Chen Shuo	—	—	—	—	—	—	—
Ms. Lin Min (Note b)	—	—	—	—	—	—	—
Mr. Wang Jun (Note b)	—	—	—	—	—	—	—
Total	—	**1,299**	—	**149**	**1,448**	—	**1,448**

Notes:

(a) These represent the estimated value of share options granted to the directors under the Group's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions. The details of these benefits in kind, including the principal terms and number of options granted, are disclosed in Note 26.

(b) Mr. Chen Hua resigned as executive director in January 2025. Ms. Lin Min and Mr. Wang Jun resigned as non-executive directors in January 2025.

(c) Mr. Zhang Chunquan was appointed as executive directors of the Company in January 2025.

(d) Mr. Frederic Jean Emmanuel Azemard and Mr. Kin Ting Ng were appointed as non-executive directors of the Company in January 2025 and will resign from directorship before **[REDACTED]**.

(e) Mr. Tao Cunwen, Mr. Xu Kelei and Mr. Tang Rui will be appointed as Independent non-executive directors of the Company on the **[REDACTED]**.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

(Expressed in RMB unless otherwise indicated)

8 Directors' emoluments (continued)

During the Relevant Periods, there was no amount paid or payable by the Group to the directors or any of the five highest paid individuals as set out in Note 9 below as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director has waived or agreed to waive any remuneration during the Relevant Periods.

9 Individuals with highest emoluments

The number of directors and non-directors included in the five highest paid individuals for the year ended December 31, 2022 and 2023 and the nine months ended September 30, 2023 and 2024 are set forth below:

	Year ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Directors	1	—	—	—
Non-directors	4	5	5	5
	5	5	5	5

The emoluments of directors are disclosed in Note 8. The aggregate of the emoluments in respect of the remaining highest paid individuals are as follows:

	Year ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Salaries, allowances and benefits in kind	1,765	2,841	2,098	1,880
Equity-settled share-based payments	1,652	614	532	130
Contributions to defined contribution retirement schemes	152	219	152	189
	3,569	3,674	2,782	2,199

The emoluments of the individuals who are not directors and who are amongst the five highest paid individuals of the Group are within the following bands:

	Year ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
	Number of individuals	Number of individuals	Number of individuals (unaudited)	Number of individuals (unaudited)
Nil to Hong Kong Dollar ("HK$") 1,000,000	4	4	5	5
HK$1,000,001 to HK$1,500,000	—	1	—	—
	4	5	5	5

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)
(Expressed in RMB unless otherwise indicated)

10 Earning/(loss) per share

(a) Basic loss per share

The calculation of basic (loss)/earnings per share is based on the (loss)/profit for the year/period attributable to ordinary equity shareholders of the Company and the weighted average number of ordinary shares in issue or deemed to be in issue for the respective year/period.

On January 17, 2025, each of the Company's issued ordinary shares was subdivided into 10 shares. Accordingly, the weighted average number of shares has been adjusted retrospectively from January 1, 2022 for such share subdivision (see Note 28(b)).

(Loss)/profit attributable to ordinary equity shareholders of the Company:

	Year ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000 (Unaudited)
(Loss)/profit for the year/period attributable to ordinary equity shareholders of the Company	(180,257)	(121,392)	(39,431)	1,526

Weighted average number of ordinary shares:

	As at December 31,		As at September 30,	
	2022	2023	2023	2024
	'000	'000	'000 (Unaudited)	'000 (Unaudited)
Issued shares at January 1 for the purposes of basic loss per share	38,802	38,802	38,802	39,764
Effect of shares issued	—	240	—	—
Effect of shares issued under restricted ordinary shares (Note 26(b))	—	(240)	—	(320)
Effect of deemed issue of share under share subdivision	409,396	411,628	411,143	418,302
Effect of deemed issue of shares upon vesting under the Company's share option plan (Note 26(a))	6,686	6,934	6,880	7,035
Weighted average number of shares at December 31/September 30	454,884	457,365	456,825	464,780

(b) Diluted EPS

For the years ended December 31, 2022 and 2023, and nine months ended September 30, 2023, the financial instruments issued to **[REDACTED]** (note 24), the unvested share options under the share option plan (note 26(a)) and the restricted ordinary shares (note 26(b)) were not included in the calculation of diluted loss per share as their inclusion would have been anti-dilutive. Accordingly, the diluted loss per share were the same as the basic loss per share for the respective year/period.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

(Expressed in RMB unless otherwise indicated)

10 Earning/(loss) per share (continued)

For the nine months ended September 30, 2024, the calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB1,526,000 and the weighted average number of ordinary shares after adjustment for the effect of unvested share options under the Company's share option plan (note 26(a)), calculated as follows:

For the nine months ended September 30, 2024, the calculation of diluted earnings per share is based on the following data, after adjustment for the effects of all potentially dilutive ordinary shares.

	Nine months ended September 30,
	2024
	'000 Unaudited
Weighted average number of shares at September 30	464,780
Effect of deemed issue of share under share option plans	592
Weighted average number of shares (diluted) at September 30	465,372

The financial instruments issued to investors (note 24) were not included in the calculation of diluted earnings per share for the nine months ended September 30, 2024 as their inclusion would have been anti-dilutive.

11 Property and equipment

	Right-of-use assets	Office equipment	Electronic equipment	Motor vehicles	Leasehold improvement	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:						
At January 1, 2022	56,785	2,390	5,066	42,611	2,033	108,885
Additions	18,194	78	59	11,516	688	30,535
Disposals	(16,840)	(10)	(459)	(19,273)	(947)	(37,529)
At December 31, 2022 and January 1, 2023	58,139	2,458	4,666	34,854	1,774	101,891
Additions	17,900	152	443	15,040	1,467	35,002
Disposals	(13,955)	—	(562)	(13,819)	(849)	(29,185)
At December 31, 2023	62,084	2,610	4,547	36,075	2,392	107,708
Additions	22,914	130	116	4,153	546	27,859
Disposals	(32,598)	—	(22)	(4,880)	(529)	(38,029)
At September 30, 2024 (unaudited)	52,400	2,740	4,641	35,348	2,409	97,538

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

(Expressed in RMB unless otherwise indicated)

11 Property and equipment (continued)

	Right-of-use assets	Office equipment	Electronic equipment	Motor vehicles	Leasehold improvement	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Accumulated depreciation:						
At January 1, 2022	(20,388)	(1,837)	(4,303)	(24,383)	(1,165)	(52,076)
Charge for the year	(22,615)	(162)	(389)	(4,074)	(706)	(27,946)
Written back on disposal	16,840	9	440	10,649	947	28,885
At December 31, 2022 and January 1, 2023	(26,163)	(1,990)	(4,252)	(17,808)	(924)	(51,137)
Charge for the year	(23,452)	(192)	(644)	(6,234)	(635)	(31,157)
Written back on disposal	13,955	—	502	6,833	849	22,139
At December 31, 2023	(35,660)	(2,182)	(4,394)	(17,209)	(710)	(60,155)
Charge for the period	(17,531)	(57)	(85)	(2,205)	(663)	(20,541)
Written back on disposal	32,598	—	22	1,822	529	34,971
At September 30, 2024 (unaudited)	(20,593)	(2,239)	(4,457)	(17,592)	(844)	(45,725)
Net book value:						
At December 31, 2022	31,976	468	414	17,046	850	50,754
At December 31, 2023	26,424	428	153	18,866	1,682	47,553
At September 30, 2024 (unaudited)	31,807	501	184	17,756	1,565	51,813

The analysis of expense items in relation to leases recognized in profit or loss are as follows:

	Year ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Depreciation charge of right-of-use assets	22,615	23,452	17,618	17,531
Interest on lease liabilities (Note 6(a))	1,137	1,054	850	630
Expense relating to short-term leases	5,951	5,858	3,082	3,416

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in Note 18(c) and Note 25, respectively.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

(Expressed in RMB unless otherwise indicated)

12 Intangible assets

The amortization of intangible assets is included in research and development expenses, general and administrative expenses and sales and marketing expenses in the consolidated statements of profit or loss and other comprehensive income.

	Software	Upstream consignor relationships	Non-compete agreement	Trademarks	Non-proprietary technology	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:						
At January 1, 2022	2,854	120,870	37,350	26,200	10,819	198,093
Additions	8	—	—	—	137	145
Acquisition of a subsidiary (Note 29)	—	6,000	2,000	—	12,000	20,000
At December 31, 2022 and January 1, 2023	2,862	126,870	39,350	26,200	22,956	218,238
Disposals	—	—	—	—	(2,600)	(2,600)
At December 31, 2023	2,862	126,870	39,350	26,200	20,356	215,638
At September 30, 2024 (unaudited)	2,862	126,870	39,350	26,200	20,356	215,638
Accumulated amortization:						
At January 1, 2022	(1,245)	(48,103)	(12,809)	(10,043)	(4,959)	(77,159)
Charge for the year	(287)	(24,568)	(5,960)	(5,240)	(4,169)	(40,224)
At December 31, 2022 and January 1, 2023	(1,532)	(72,671)	(18,769)	(15,283)	(9,128)	(117,383)
Charge for the year	(285)	(24,868)	(6,060)	(5,240)	(4,406)	(40,859)
Written back on disposal	—	—	—	—	2,600	2,600
At December 31, 2023	(1,817)	(97,539)	(24,829)	(20,523)	(10,934)	(155,642)
Charge for the period	(212)	(18,651)	(4,545)	(3,930)	(3,081)	(30,419)
At September 30, 2024 (unaudited)	(2,029)	(116,190)	(29,374)	(24,453)	(14,015)	(186,061)
Net book value:						
At December 31, 2022	1,330	54,199	20,581	10,917	13,828	100,855
At December 31, 2023	1,045	29,331	14,521	5,677	9,422	59,996
At September 30, 2024 (unaudited)	833	10,680	9,976	1,747	6,341	29,577

13 Goodwill

	Total
	RMB'000
Cost:	
At January 1, 2022	231,764
Acquisition of a subsidiary (Note 29)	63,274
At December 31, 2022 and 2023 and September 30, 2024 (unaudited)	295,038
Accumulated impairment losses:	
At December 31, 2022 and 2023 and September 30, 2024 (unaudited)	—
Net book value:	
At December 31, 2022 and 2023 and September 30, 2024 (unaudited)	295,038

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

(Expressed in RMB unless otherwise indicated)

13 Goodwill (continued)

The goodwill as at January 1, 2022 arose from the Group's acquisition of Boche Resources completed in 2019 and the Group's acquisition of Fengshun Lubao completed in 2020. The addition of the goodwill during the year ended December 31, 2022 arose from the Group's acquisition of Shanghai Carwins (Note 29).

For the purpose of impairment testing as at December 31, 2022 and 2023, goodwill amounting to RMB231,764,000 arising from the acquisitions of Boche Resources and Fengshun Lubao was allocated to the Group's salvage vehicle auction and facilitation business CGU ("Salvage Vehicles Auction CGU"), and goodwill amounting to RMB63,274,000 arising from the acquisitions of Shanghai Carwins is allocated to the Group's used vehicle auction and facilitation business CGU ("Shanghai Carwins Used Vehicle Auction CGU").

The headroom of the CGUs were determined based on the higher of fair value less costs of disposal and value in use calculations of the underlying assets with reference to valuation reports issued by an independent valuer. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. The directors of the Group forecasted the revenue growth rate and gross margin based on each CGU's historical experience and the Group's expectations of future changes in the industry and adjusted for other factors that are specific to each CGU. Cash flows beyond the five-year period were extrapolated using a terminal growth rate based on the relevant industry growth forecasts and does not exceed the average terminal growth rate of the relevant industry. The discount rate used are pre-tax and reflect market assessment of time value and the specific risks relating to each CGU.

The key assumptions used for value in use calculations for the above CGUs are as follows:

	As at December 31,	
	2022	2023
Salvage Vehicles Auction CGU		
Annual revenue growth rate for the forecast period	5%~20%	5%~15%
Gross margin rate	56%~75%	56%~77%
Terminal growth rate	2%	2%
Pre-tax discount rate	16%	15%
Shanghai Carwins Used Vehicle Auction CGU		
Annual revenue growth rate for the forecast period	5%~15%	5%~15%
Gross margin rate	50%~53%	48%~53%
Terminal growth rate	2%	2%
Pre-tax discount rate	16%	15.5%

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)
(Expressed in RMB unless otherwise indicated)

13 Goodwill (continued)

The headroom of CGUs containing goodwill for Salvage Vehicles Auction and Shanghai Carwins Used Vehicle Auction is shown as belows:

	As at December 31,	
	2022	2023
	RMB'000	RMB'000
Salvage Vehicles Auction CGU		
Headroom	95,268	81,108
Shanghai Carwins Used Vehicle Auction CGU		
Headroom	23,028	24,908

The Company performs the sensitivity analysis based on the assumption that revenue growth rate or terminal growth rate or the discount rate has been changed. Had the estimated key assumption during the forecast period been changed as below, the headroom would be decreased to as below:

	As at December 31,	
	2022	2023
Salvage Vehicles Auction CGU		
Revenue growth rate decreases by 5%	74,082	66,965
Terminate growth rate decreases by 5%	92,637	78,611
Discount rate increases by 5%	65,075	54,598
Shanghai Carwins Used Vehicle Auction CGU		
Revenue growth rate decreases by 5%	19,432	23,033
Terminate growth rate decreases by 5%	22,522	24,396
Discount rate increases by 5%	17,110	19,156

As a result of the impairment tests, the Group is of the view that there was no impairment of goodwill as at December 31, 2022 and 2023. Reasonable possible changes in key assumptions would not lead to impairment of the goodwill as at December 31, 2022 and 2023.

14 Investment in subsidiaries

The Company

	As at December 31,		As at September 30,
	2022	2023	2024
	RMB'000	RMB'000	RMB'000 (unaudited)
Investment in subsidiaries, at cost	666,096	678,012	681,554

The list in Note 1 contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

(Expressed in RMB unless otherwise indicated)

14 Investment in subsidiaries (continued)

No subsidiaries of the Group have material non-controlling interests.

15 Financial assets measured at FVPL

	As at December 31,		As at September 30,
	2022	2023	2024
	RMB'000	RMB'000	RMB'000 (unaudited)
Financial assets measured at FVPL			
- Wealth management products (Note (i))	—	45,141	72,320
- Guarantee contract (Note 23 and 30(c))	—	4,800	4,883
	—	49,941	77,203

Note:

(i) Wealth management products were purchased from banks in the PRC with variable interest, and will mature within one year as of the end of each of the reporting period.

16 Trade receivables

	As at December 31,		As at September 30,
	2022	2023	2024
	RMB'000	RMB'000	RMB'000 (unaudited)
Trade receivables	17,299	12,074	38,733
Less: loss allowance	(624)	(512)	(915)
	16,675	**11,562**	**37,818**

An ageing analysis of the trade receivables as at December 31, 2022 and 2023 and September 30, 2024, based on the invoice date, is as follows:

	As at December 31,		As at September 30,,
	2022	2023	2024
	RMB'000	RMB'000	RMB'000 (unaudited)
Less than 1 year	16,863	11,694	38,375
From 1 year to 2 years	219	210	193
Above 2 years	217	170	165
	17,299	**12,074**	**38,733**

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

(Expressed in RMB unless otherwise indicated)

16 Trade receivables (continued)

Further details on the Group's credit policy and credit risk are set out in Note 30(a).

17 Prepayments and other receivables

	As at December 31,		As at September 30,
	2022	2023	2024
	RMB'000	RMB'000	RMB'000 (unaudited)
Prepayments	3,639	4,622	7,945
Receivables due auction participants from vehicle auctions	40,066	59,298	39,931
Guarantee deposits placed at auction consignors	40,120	46,171	75,707
Rental deposits	3,833	3,969	3,795
Deductible input VAT	2,656	7,259	3,856
Loans to third parties	7,551	4,684	5,803
Loans and advances to employees	12,140	2,213	25,292
Less: loss allowances	(4,334)	(2,931)	(2,114)
	105,671	**125,285**	**160,215**

All of the prepayments and other receivables are expected to be recovered or recognized as expense within one year.

18 Cash at bank and other cash flow information

(a) Cash at bank comprise:

	As at December 31,		As at September 30,
	2022	2023	2024
	RMB'000	RMB'000	RMB'000 (unaudited)
Cash at bank	129,739	131,354	159,060
Less: restricted cash (Note (i))	(54,610)	—	—
Cash and cash equivalents	75,129	131,354	159,060

Note:

(i) At December 31, 2022, restricted cash represents deposits placed at banks as collaterals for the Group's bank loans.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

(Expressed in RMB unless otherwise indicated)

18 Cash at bank and other cash flow information (continued)

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Financial instruments issued to [REDACTED]	Bank loans	Lease liabilities	Total
	RMB'000 (Note 24)	RMB'000	RMB'000 (Note 25)	RMB'000
At January 1, 2022	1,395,175	32,821	27,005	1,455,001
Changes from financing cash flows:				
Proceeds from bank loans	—	111,027	—	111,027
Repayment of bank loans	—	(32,897)	—	(32,897)
Interest paid	—	(2,674)	—	(2,674)
Capital element of lease rentals paid	—	—	(21,609)	(21,609)
Interest element of lease rentals paid	—	—	(1,138)	(1,138)
Proceeds from issuance of financial instruments issued to **[REDACTED]**	3,000	—	—	3,000
Payment for repurchase of financial instruments issued to **[REDACTED]**	(167,872)	—	—	(167,872)
Total changes from financing cash flows	(164,872)	75,456	(22,747)	(112,163)
Other changes:				
Interest expenses (Note 6(a))	—	2,722	1,137	3,859
Increase in lease liabilities from entering into new leases during the year	—	—	18,194	18,194
Repurchase of shares	20,134	—	—	20,134
Changes in carrying amount of financial instruments issued to **[REDACTED]**	172,531	—	—	172,531
Total other changes	192,665	2,722	19,331	214,718
At December 31, 2022	1,422,968	110,999	23,589	1,557,556
At January 1, 2023	1,422,968	110,999	23,589	1,557,556
Changes from financing cash flows:				
Proceeds from bank loans	—	52,008	—	52,008
Repayment of bank loans	—	(113,270)	—	(113,270)
Interest paid	—	(3,523)	—	(3,523)
Capital element of lease rentals paid	—	—	(23,695)	(23,695)
Interest element of lease rentals paid	—	—	(1,053)	(1,053)
Payment for repurchase of financial instruments issued to **[REDACTED]**	(15,556)	—	—	(15,556)
Total changes from financing cash flows	(15,556)	(64,785)	(24,748)	(105,089)
Other changes:				
Interest expenses (Note 6(a))	—	3,476	1,054	4,530
Increase in lease liabilities from entering into new leases during the year	—	—	17,900	17,900
Changes in carrying amount of financial instruments issued to **[REDACTED]**	151,157	—	—	151,157
Total other changes	151,157	3,476	18,954	173,587
At December 31, 2023	1,558,569	49,690	17,795	1,626,054

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

(Expressed in RMB unless otherwise indicated)

18 Cash at bank and other cash flow information (continued)

	Financial instruments issued to [REDACTED]	Bank loans	Lease liabilities	Total
	RMB'000 (Note 24)	RMB'000	RMB'000 (Note 25)	RMB'000
At January 1, 2024	1,558,569	49,690	17,795	1,626,054
Changes from financing cash flows:				
Proceeds from bank loans	—	143,494	—	143,494
Repayment of bank loans	—	(58,262)	—	(58,262)
Interest paid	—	(2,478)	—	(2,478)
Capital element of lease rentals paid	—	—	(16,025)	(16,025)
Interest element of lease rentals paid	—	—	(630)	(630)
Payment for repurchase of financial instruments issued to **[REDACTED]**	(14,057)	—	—	(14,057)
Total changes from financing cash flows	(14,057)	82,754	(16,655)	52,042
Other changes:				
Interest expenses (Note 6(a))	—	2,556	630	3,186
Increase in lease liabilities from entering into new leases during the year	—	—	22,914	22,914
Changes in carrying amount of financial instruments issued to **[REDACTED]**	40,299	—	—	40,299
Total other changes	40,299	2,556	23,544	66,399
At September 30, 2024 (unaudited)	1,584,811	135,000	24,684	1,744,495
At January 1, 2023	1,422,968	110,999	23,589	1,557,556
Changes from financing cash flows:				
Proceeds from bank loans	—	39,823	—	39,823
Repayment of bank loans	—	(96,528)	—	(96,528)
Interest paid	—	(3,040)	—	(3,040)
Capital element of lease rentals paid	—	—	(20,547)	(20,547)
Interest element of lease rentals paid	—	—	(850)	(850)
Payment for repurchase of financial instruments issued to **[REDACTED]**	(15,556)	—	—	(15,556)
Total changes from financing cash flows	(15,556)	(59,745)	(21,397)	(96,698)
Other changes:				
Interest expenses (Note 6(a))	—	3,022	850	3,872
Increase in lease liabilities from entering into new leases during the year	—	—	15,746	15,746
Changes in carrying amount of financial instruments issued to **[REDACTED]**	73,862	—	—	73,862
Total other changes	73,862	3,022	16,596	93,480
At September 30, 2023 (unaudited)	1,481,274	54,276	18,788	1,554,338

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

(Expressed in RMB unless otherwise indicated)

18 Cash at bank and other cash flow information (continued)

(c) Total cash outflow for leases

	Year ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Within operating cash flows	5,337	12,926	7,456	3,590
Within financing cash flows	22,747	24,748	21,397	16,655
	28,084	37,674	28,853	20,245

These amounts relate to the following:

	Year ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Lease rentals paid	28,084	37,674	28,853	20,245

19 Trade payables

	As at December 31,		As at September 30,
	2022	2023	2024
	RMB'000	RMB'000	RMB'000 (unaudited)
Trade payables due to third parties	9,276	11,611	23,022

As at the end of each reporting period, the aging analysis of trade payables, based on the invoice date, is as follows:

	As at December 31,		As at September 30,
	2022	2023	2024
	RMB'000	RMB'000	RMB'000 (unaudited)
Within 1 year	9,276	11,611	23,022

As at the end of each reporting period, trade payables of the Group are expected to be settled within one year or are payable on demand.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

(Expressed in RMB unless otherwise indicated)

20 Other payables

	As at December 31,		As at September 30,
	2022	2023	2024
	RMB'000	RMB'000	RMB'000 (unaudited)
Payment from auction participants collected on behalf of salvage and used vehicle consignors	138,519	152,288	115,548
Guarantee deposits from auction participants and suppliers	147,861	168,220	166,760
Staff cost payables	23,967	34,330	24,644
Payables for repurchaces of ordinary shares and preferred shares	13,671	—	—
Accrued expenses	5,838	14,058	6,662
Other taxes and levies payables	1,209	1,875	5,912
Others	2,592	1,446	902
Other payables	333,657	372,217	320,428

As at the end of each reporting period, all other payables of the Group are expected to be settled within one year or are payable on demand.

21 Contract liabilities

	As at December 31,		As at September 30,
	2022	2023	2024
	RMB'000	RMB'000	RMB'000 (unaudited)
Advance receipts for vehicle services	5,124	9,370	1,495

All of the contract liabilities are expected to be recognized as revenue within one year.

Movements in contract liabilities:

	As at December 31,		As at September 30,
	2022	2023	2024
	RMB'000	RMB'000	RMB'000 (unaudited)
Balance at January 1	5,857	5,124	9,370
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the period	(5,857)	(5,124)	(9,370)
Increase in contract liabilities as a result of receipts in advance	5,124	9,370	1,495
Balance at December 31/September 30	5,124	9,370	1,495

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

(Expressed in RMB unless otherwise indicated)

22 Bank loans

	As at December 31,		As at September 30,
	2022	2023	2024
	RMB'000	RMB'000	RMB'000 (unaudited)
Bank loans:			
- Secured by the Group's bank deposits	51,009	—	—
- Guaranteed by related parties	59,990	49,690	135,000
	110,999	49,690	135,000

As at the end of each reporting period, borrowings were repayable within 1 year or on demand, and the annual interest rate of these bank loans were ranged from 3.78% to 5.20% at December 31, 2022, from 3.40% to 4.00% at December 31, 2023 and from 2.20% to 4.20% at September 30, 2024.

23 Financial liabilities measured at FVPL

	As at December 31,		As at September 30,
	2022	2023	2024
	RMB'000	RMB'000	RMB'000 (unaudited)
Financial instruments measured at FVPL			
- Forward contract	—	21,166	22,176

The Group has entered into a forward contract with a third-party supplier in August 2023, pursuant to which the Group has committed to buy certain used vehicles from that supplier at a designated purchase price after 12 months. The Group has designated the forward contract as measured at FVPL. In order to protect the Group from losses resulting from the potential decrease in market price of those used vehicles after 12 months, the Group has also entered into a guarantee contract with a third-party guarantor in August 2023, pursuant to which the Group has the right to receive certain cash compensation from that guarantor if the final selling price of the used vehicles is lower than the designated purchase price. The Group has applied IFRS 9 by analogy to account for such guarantee contract as a financial asset measured at FVPL (see Note 15). See note 2(f) for relevant accounting policy.

24 Financial instruments issued to [REDACTED]

The Company issued several series of preferred shares, including Series A, Series A+, Series B, Series C, Series C1, Series C2 Preferred Shares (together, the "preferred shares") to its **[REDACTED]** (the "**[REDACTED]**"). The preferred shares entitle their holders to redeem the shares upon the occurrence of contingent events, which are not all within the control of the Group, and are convertible into a variable number of ordinary shares at the option of the holders or automatically upon closing of a qualified **[REDACTED]** of the Company. The holders of the preferred shares are also entitled to a distribution of the Company's distributable assets in case of a liquidation, dissolution or winding up of the Company.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)
(Expressed in RMB unless otherwise indicated)

24 Financial instruments issued to [REDACTED] (continued)

The key terms of the preferred shares are summarised as follows:

[REDACTED] ***redemption features***

The Company shall redeem Series A, Series A+, Series B and Series C Preferred Shares at the holders' option at the subscription price plus a compound interest of 10% per annum accruing from the original investment date and any declared but unpaid dividends.

Upon the occurrence of certain contingent events, including but not limited to the failure of the Company to complete a qualified **[REDACTED]** before specified dates and a material breach of the transaction documents by the founder or any of his affiliates, the Company shall redeem Series C1 and Series C2 Preferred Shares at the holders' option at the subscription price plus a compound interest of 8% per annum accruing from the original investment date and any declared but unpaid dividends.

In the event of (1) the consummation of a consolidation, merger, reorganisation or other similar transaction of the Company resulting in its shareholders (immediately prior to such transaction), transferring a majority of the voting power of the Company or of the surviving entity immediate following such transaction to another party, or (2) sale, conveyance, transfer or disposition of all or substantially all of the equity securities, assets or business of the Company in a single transaction or a series of related transactions, or (3) a qualified trade sale, the Company shall distribute first, to the holders of Series C, Series C1 and Series C2 Preferred Shares at the subscription price plus a compound interest of 10% per annum accruing from the original investment date and any declared but unpaid dividends, and second to the holders of Series A, Series A+ and Series B Preferred Shares at the subscription price plus a compound interest of 10% per annum accruing from the original investment date and any declared but unpaid dividends. The remaining assets and funds of the Company calculated at the Company's equity value (after allowing the distribution at the subscription price plus compound interest and declared but unpaid dividends) are then distributed to the holders of preferred shares on a pro-rata basis among all shareholders. The preferred shares will be cancelled after such distribution.

The movements of financial instruments issued to **[REDACTED]** during the Relevant Periods are set out below:

The Group and the Company

	As at December 31,		As at September 30,
	2022	2023	2024
	RMB'000	RMB'000	RMB'000 (unaudited)
At January 1	1,395,175	1,422,968	1,558,569
Recognition	3,000	—	—
Repurchase of shares	(167,872)	(15,556)	(14,057)
Repurchase through equity	20,134	—	—
Changes in carrying amount	172,531	151,157	40,299
At December 31/September 30	1,422,968	1,558,569	1,584,811

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

(Expressed in RMB unless otherwise indicated)

24 Financial instruments issued to investors (continued)

In 2021, 2022 and 2024, the Company entered into share repurchase agreements to repurchase some of the Series A and Series A+ and Series C Preferred Shares in exchange of cash consideration ("the Repurchase Price") of RMB152,758,000, RMB30,670,000, and RMB14,057,000 respectively. Consideration payable to **[REDACTED]** for the repurchased shares was settled during the years ended December 31, 2022 and 2023 at RMB167,872,000 and RMB15,556,000, and the period ended September 30, 2024 at RMB14,057,000 respectively.

25 Lease liabilities

The following table shows the remaining contractual maturities of the Group's lease liabilities at December 31, 2022 and 2023 and September 30, 2024.

	As at December 31,		As at September 30,
	2022	2023	2024
	RMB'000	RMB'000	RMB'000 (unaudited)
Within 1 year	14,107	7,039	6,865
After 1 year but within 2 years	7,938	6,753	11,563
After 2 years but within 5 years	1,544	4,003	6,256
Total amount after 1 year	9,482	10,756	17,819
	23,589	17,795	24,684

26 Equity-settled share-based transactions

(a) Share option plan

In 2015, the board of directors of Beijing Hengtai Boche approved the establishment of the "2015 Stock Incentive Plan" ("Beijing Hengtai Boche Plan"), an equity-settled share-based compensation plan with the purpose of providing incentives and rewards to eligible participants for their contribution or potential contribution to the Group. Pursuant to the Beijing Hengtai Boche Plan, the awards issued to participants were generally subject to a four-year service schedule, under which 25% of share options shall vest on each anniversary date since the second anniversary of the grant date.

All outstanding options awarded under Beijing Hengtai Boche Plan were replaced with the Company's Incentive Plan I at a ratio of 1:1. This share replacement represents a modification of the awards under the accounting guidance.

7,117,700 share options were issued to employees of the Group on the date of respective employees joining the Group from 2016 until the end of 2022.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

(Expressed in RMB unless otherwise indicated)

26 Equity-settled share-based transactions (continued)

A summary of activities of the share options is presented as follows:

	Number of share options	Weighted average exercise price
		USD
Outstanding – January 1, 2022	7,092,100	0.01
Granted during the year	25,600	0.01
Forfeited during the year	—	N/A
Outstanding – December 31, 2022	7,117,700	0.01
Vested – December 31, 2022	6,250,475	0.01
Vested – December 31, 2023	6,770,900	0.01
Vested – September 30, 2024	6,993,300	0.01

During the years ended December 31, 2023 and the nine months ended September 30, 2024, no new share options were granted or forfeited.

Fair value of share options

The fair value of share options was estimated using the binomial option-pricing model. The determination of estimated fair value of share options on the grant date is affected by the fair value of the Company's ordinary shares as well as assumptions regarding a number of complex and subjective variables.

Key assumptions are set as below:

	At grant date
Risk-free interest rate	2.44%
Expected volatility	53.00%
Dividend yield	0.00%

The total expenses recognized in the consolidated statement of profit or loss and other comprehensive income in respect of these share options for the year ended December 31, 2022 and 2023 and the nine months ended September 30, 2023 and 2024 were RMB13,181,000, RMB3,496,000, RMB3,090,000 and RMB820,000 respectively.

(b) Restricted ordinary shares

In 2022, the board of directors of the Company approved for a restricted ordinary shares plan for its key employees and key management. Pursuant to the plan, 961,262 restricted shares were granted. The purpose is to provide incentives and rewards to eligible participants for their contribution or potential contribution to continue leading the future success of the Group. The restricted ordinary shares plan contains two-year service condition and non-market performance conditions. Such restricted shares were vested during the nine months period ended September 30, 2024. The fair value of each restricted ordinary share at the grant dates is determined by reference to the fair value of the underlying ordinary shares of the Company on the date of grant, at a weighted average price of RMB17.52 per share.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

(Expressed in RMB unless otherwise indicated)

26 Equity-settled share-based transactions (continued)

During the years ended December 31, 2023 and the nine months ended September 30, 2024, no new restricted ordinary shares were granted or forfeited.

The fair value of each restricted ordinary share at the grant dates is determined by reference to the fair value of the underlying ordinary shares of the Company on the date of grant.

The total expenses recognized in the consolidated statement of profit or loss and other comprehensive income in respect of these restricted ordinary shares for the years ended December 31, 2022 and 2023 and the nine months ended September 30, 2023 and 2024 were RMB5,697,000, RMB8,418,000, RMB6,316,000 and RMB2,722,000 respectively.

27 Income tax in the consolidated statements of financial position

(a) Current taxation in the consolidated statements of financial position represent:

	As at December 31,		As at September 30,	
	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Net balance of tax payable at January 1	—	2,367	2,367	8,652
Provision for the year/period (Note 7(a))	2,372	7,693	7,449	12,353
Income tax paid	(5)	(1,408)	(1,408)	(11,784)
Net balance of income tax payable at December 31/September 30	2,367	8,652	8,408	9,221

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

(Expressed in RMB unless otherwise indicated)

27 Income tax in the consolidated statements of financial position (continued)

(b) Deferred tax assets and liabilities

The component of deferred tax assets/(liabilities) recognized in the consolidated statements of financial position and the movements during the year/period are as follows:

	Provision for impairment of assets	Depreciation charge of right-of-use assets	Effect of lease liability	Intangible assets separately identified in business combination	Accumulated losses	Effect of financial instruments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2022	695	(9,099)	6,751	(29,382)	47,514	—	16,479
Business combination (Note 29)	—	—	—	(3,000)	3,252	—	252
(Charged)/credited to profit or loss	544	1,105	(854)	9,467	(12,017)	—	(1,755)
At December 31, 2022 and January 1, 2023	1,239	(7,994)	5,897	(22,915)	38,749	—	14,976
(Charged)/credited to profit or loss	(379)	1,388	(1,449)	9,617	(15,668)	4,091	(2,400)
At December 31, 2023 and January 1, 2024	860	(6,606)	4,448	(13,298)	23,081	4,091	12,576
(Charged)/credited to profit or loss	(103)	(1,346)	1,722	7,115	(9,165)	233	(1,544)
At September 30, 2024 (unaudited)	757	(7,952)	6,170	(6,183)	13,916	4,324	11,032

A reconciliation to the consolidated statement of financial position is shown as below:

	As at December 31,		As at September 30,
	2022	2023	2024
	RMB'000	RMB'000	RMB'000 (unaudited)
Net deferred tax asset in the consolidated statement of financial position	21,819	16,971	13,032
Net deferred tax liability in the consolidated statement of financial position	(6,843)	(4,395)	(2,000)
	14,976	12,576	11,032

In accordance with the accounting policy set out in Note 2(s), the Group has not recognized deferred tax assets in respect of cumulative tax losses RMB2,664,000, RMB17,480,000, RMB28,384,000 and as at December 31, 2022 and 2023 and September 30, 2024, respectively, as it is not probable that future taxable profits against which the losses can be utilized will be available in the relevant tax jurisdiction and entity.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

(Expressed in RMB unless otherwise indicated)

28 Capital, reserves and dividends

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the period are set out below:

	Note	Share capital	Capital reserve	Other reserve	Share-based payment reserve	Accumulated losses	Total equity
		RMB'000 (Note 28(b))	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2022		**2,518**	**(11,940)**	**(87,973)**	**93,966**	**(613,682)**	**(617,111)**
Changes in equity for 2022:							
Loss for the year		—	—	—	—	(176,542)	(176,542)
Total comprehensive income for the year		**—**	**—**	**—**	**—**	**(176,542)**	**(176,542)**
Repurchase preferred shares		—	—	(20,134)	—	—	(20,134)
Equity settled share-based transactions		—	—	—	18,878	—	18,878
Balance at December 31, 2022 and January 1, 2023		**2,518**	**(11,940)**	**(108,107)**	**112,844**	**(790,224)**	**(794,909)**
Changes in equity for 2023:							
Loss for the year		—	—	—	—	(152,471)	(152,471)
Total comprehensive income for the year		**—**	**—**	**—**	**—**	**(152,471)**	**(152,471)**
Equity settled share-based transactions		69	—	—	11,845	—	11,914
Balance at December 31, 2023 and January 1, 2024		**2,587**	**(11,940)**	**(108,107)**	**124,689**	**(942,695)**	**(935,466)**

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

(Expressed in RMB unless otherwise indicated)

28 Capital, reserves and dividends (continued)

	Note	Share capital	Capital reserve	Other reserve	Share-based payment reserve	Accumulated losses	Total equity
		RMB'000 (Note 28(b))	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)							
Balance at January 1, 2024		**2,587**	**(11,940)**	**(108,107)**	**124,689**	**(942,695)**	**(935,466)**
Changes in equity for 2024:							
Loss for the period		—	—	—	—	(38,493)	(38,493)
Total comprehensive income for the period		**—**	**—**	**—**	**—**	**(38,493)**	**(38,493)**
Equity settled share-based transactions		—	—	—	3,542	—	3,542
Balance at September 30, 2024		**2,587**	**(11,940)**	**(108,107)**	**128,231**	**(981,188)**	**(970,417)**
Balance at January 1, 2023		**2,518**	**(11,940)**	**(108,107)**	**112,844**	**(790,224)**	**(794,909)**
Changes in equity for 2023:							
Loss for the period		—	—	—	—	(69,441)	(69,441)
Total comprehensive income for the period		**—**	**—**	**—**	**—**	**(69,441)**	**(69,441)**
Equity settled share-based transactions		—	—	—	9,405	—	9,405
Balance at September 30, 2023		**2,518**	**(11,940)**	**(108,107)**	**122,249**	**(859,665)**	**(854,945)**

(b) Share capital

The Company was incorporated on April 17, 2020 in the Cayman Islands as an exempted company with limited liability. Upon incorporation, the Company's authorized share capital was USD100,000 divided into 10,000,000 shares of par value USD0.01 each. In March 2021, the authorized share capital was increased to USD2,000,000 divided into 200,000,000 shares of par value USD0.01 each.

Issued ordinary shares:

	As at December 31,				As at September 30,	
	2022		2023		2024	
	No. of shares ('000)	RMB'000	No. of shares ('000)	RMB'000	No. of shares ('000)	RMB'000 (unaudited)
Ordinary shares						
At January 1	38,802	2,518	38,802	2,518	39,763	2,587
Share issued	—		961	69		
At December 31/September 30	38,802	2,518	39,763	2,587	39,763	2,587

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)
(Expressed in RMB unless otherwise indicated)

28 Capital, reserves and dividends (continued)

On January 17, 2025, the authorized share capital has been revised to USD2,000,000 and divided into 2,000,000,000 shares of USD0.001 par value each.

(c) Nature and purpose of reserves

(i) Capital reserve

Capital reserve mainly comprised the paid-in capital and capital reserves of Hengtai Boche.

(ii) Share-based payments reserve

The share-based payment reserve comprises the Company's equity settled share-based payments (see Note 26).

(iii) Other reserve

Other reserves comprise the difference between the consideration exchanged and the accumulated changes in the Company's financial liabilities arising from the preferred shares repurchased.

(d) Dividends

No dividends have been declared or paid by the Company during the years ended December 31, 2022 and 2023 and nine months ended September 30, 2023 and 2024.

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

29 Business combination

Prior to March 2022, the Group held 7.5% equity interests in Shanghai Carwins, which the Group accounted for as financial assets measured at fair value through profit or loss. In March 2022, the Group entered into several share purchased agreement with various equity holders of Shanghai Carwins to acquire an aggregate of 91.86% interest in Shanghai Carwins with a total cash consideration of RMB106,266,000. Shanghai Carwins is mainly engaged in providing used vehicle auction and facilitation services. The acquisition was made as part of the Group's strategy to expand its market share of car trading in the eastern China area.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

(Expressed in RMB unless otherwise indicated)

29 Business combination (continued)

The acquisition was completed on April 1, 2022, and after completion of the acquisition, the financial results Shanghai Carwins was consolidated into the consolidated financial statements of the Group.

The fair value of the identifiable assets and liabilities of the Shanghai Carwins as at the date of business acquisition is set out as follows:

	RMB'000
Purchase consideration	
Cash consideration	106,266
Fair value of previous equity interests	13,982
Total acquisition price	120,248
Identifiable assets and liabilities:	
Intangible assets	20,000
Deferred tax assets	3,252
Trade receivables	66
Other receivables	614
Financial assets measured at FVPL	39,189
Cash and cash equivalents	18,983
Trade payables	(3,234)
Other payables and accruals	(18,530)
Deferred tax liabilities	(3,000)
Net identifiable assets acquired	57,340
Less: non-controlling interests	366
Add: goodwill (Note 13)	63,274
Net assets acquired	120,248

The goodwill is attributable mainly to the platform resources and used vehicle dealer channels of Shanghai Carwins and the synergies expected to be achieved from integrating into the Group's existing used vehicle car auction and facilitation business. None of the goodwill recognized is expected to be deductible for tax purposes.

Analysis of net cash outflow of cash and cash equivalents in respect of acquisition of Shanghai Carwins as at the date of acquisition:

	RMB'000
Total cash consideration	106,266
Less: consideration payable	3,462
Consideration paid in cash	102,804
Less: cash acquired as at the date of acquisition	18,983
Net cash inflow for the acquisition of a subsidiary included in the cash flows from investing activities	83,821

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)
(Expressed in RMB unless otherwise indicated)

29 Business combination (continued)

For the period from the completion of the acquisition to December 31, 2022, Shanghai Carwins contributed revenue of RMB42,738,000 and net profit of RMB3,446,000 to the Group's results for the year ended December 31, 2022. If the acquisition had occurred on January 1, 2022, consolidated revenue and profit for the year ended December 31, 2022 would have been RMB 58,278,000 and RMB5,726,000 respectively. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same had the acquisition occurred on January 1, 2022.

30 Financial risk management and fair values of financial instruments

Exposure to credit, liquidity and interest rate arise in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to cash and cash equivalents, trade receivables and other receivables. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with a minimum credit rating assigned by the management of the Group, for which the Group considers to have low credit risk.

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At December 31, 2022 and 2023 and September 30, 2024, 14%, 15% and 20% of the total trade receivables were due from the Group's five largest customers respectively.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

(Expressed in RMB unless otherwise indicated)

30 Financial risk management and fair values of financial instruments (continued)

The following tables provide information about the Group's exposure to credit risk and ECLs for trade receivables as at December 31, 2022 and, 2023 and September 30, 2024:

	As at December 31, 2022		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	RMB'000	RMB'000
Less than 1 year	1.11%	16,863	188
More than 1 year but less than 2 years	100.00%	219	219
More than 2 years	100.00%	217	217
		17,299	624

	As at December 31, 2023		
	Expected loss rate	Gross carrying amount	Loss Allowance
	%	RMB'000	RMB'000
Less than 1 year	1.13%	11,694	132
More than 1 year but less than 2 years	100.00%	210	210
More than 2 years	100.00%	170	170
		12,074	512

	As at September 30, 2024		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	RMB'000 (unaudited)	RMB'000 (unaudited)
Less than 1 year	1.45%	38,375	557
More than 1 year but less than 2 years	100.00%	193	193
More than 2 years	100.00%	165	165
		38,733	915

Expected loss rates are based on actual loss experience over the past recent years. These rates are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movements in the loss allowance account in respect of trade receivables during the Relevant Periods are as follows:

	As at December 31		As at September 30
	2022	2023	2024
	RMB'000	RMB'000	RMB'000 (unaudited)
Balance at January 1	577	624	512
Impairment loss/(reversal) on trade receivables	47	(112)	403
Balance at December 31/September 30	624	512	915

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

(Expressed in RMB unless otherwise indicated)

30 Financial risk management and fair values of financial instruments (continued)

Other receivable mainly includes Receivables due auction participants from vehicle auctions, Guarantee deposits placed at auction consignors, rental deposits and others. The Group has assessed all other receivables are in the stage 1 base on the historical settlements records and quantitative and qualitative information that is reasonable and supportive.

	Stage 1 12-month ECL RMB'000
As at December 31, 2022	
Expected loss rate	4.07%
Gross carrying amount	106,366
Loss allowance	4,334
As at December 31, 2023	
Expected loss rate	2.37%
Gross carrying amount	123,594
Loss allowance	2,931
As at September 30, 2024 (unaudited)	
Expected loss rate	1.37%
Gross carrying amount	154,384
Loss allowance	2,114

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at December 31, 2022 and 2023 and September 30, 2024 of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of each reporting period) and the earliest dates the Group can be required to pay:

	As at December 31, 2022					
	Contractual undiscounted cash flow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Over 5 years	Total	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial instruments issued to **[REDACTED]** (Note 24)	1,422,968	—	—	—	1,422,968	1,422,968
Lease liabilities (Note 25)	15,503	7,504	1,616	—	24,623	23,589
Trade payables (Note 19)	9,276	—	—	—	9,276	9,276
Other payables (Note 20)	333,657	—	—	—	333,657	333,657
Bank loans	110,999	—	—	—	110,999	110,999
	1,892,403	7,504	1,616	—	1,901,523	1,900,489

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

(Expressed in RMB unless otherwise indicated)

30 Financial risk management and fair values of financial instruments (continued)

	As at December 31, 2023					
	Contractual undiscounted cash flow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Over 5 years	Total	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial instruments measured at FVPL	21,166	—	—	—	21,166	21,166
Financial instruments issued to **[REDACTED]** (Note 24)	1,558,569	—	—	—	1,558,569	1,558,569
Lease liabilities (Note 25)	10,668	3,899	4,174	—	18,741	17,795
Trade payables (Note 19)	11,611	—	—	—	11,611	11,611
Other payables (Note 20)	372,217	—	—	—	372,217	372,217
Bank loans	49,690	—	—	—	49,690	49,690
	2,023,921	3,899	4,174	—	2,031,994	2,031,048

	As at September 30, 2024 (unaudited)					
	Contractual undiscounted cash flow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Over 5 years	Total	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial instruments measured at FVPL	22,176	—	—	—	22,176	22,176
Financial instruments issued to **[REDACTED]** (Note 24)	1,584,811	—	—	—	1,584,811	1,584,811
Lease liabilities (Note 25)	7,711	12,002	6,495	—	26,208	24,684
Trade payables (Note 19)	23,022	—	—	—	23,022	23,022
Other payables (Note 20)	320,428	—	—	—	320,428	320,428
Bank loans	135,000	—	—	—	135,000	135,000
	2,093,148	12,002	6,495	—	2,111,645	2,110,121

(c) Fair values measurement

Fair value hierarchy

Fair values are categorized into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)
(Expressed in RMB unless otherwise indicated)

30 Financial risk management and fair values of financial instruments (continued)

- Level 2 valuations: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

(i) Financial assets and liabilities measured at fair value

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorized into the three-level fair value hierarchy.

	Fair value at December 31, 2022	**Fair value measurements as at December 31, 2022 categorized into**		
		Level 1	**Level 2**	**Level 3**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets measured at FVOCI	2,000	—	—	2,000

	Fair value at December 31, 2023	**Fair value measurements as at December 31, 2023 categorized into**		
		Level 1	**Level 2**	**Level 3**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets:				
- Financial assets measured at FVOCI	2,000	—	—	2,000
- Wealth management products	45,141	—	—	45,141
- Guarantee contract at FVPL	4,800	—	—	4,800
Liabilities:				
- Forward contract at FVPL	(21,166)	—	—	(21,166)

	Fair value at September 30 2024	**Fair value measurements as at September 30 2024 categorized into**		
		Level 1	**Level 2**	**Level 3**
	RMB'000 (unaudited)	*RMB'000*	*RMB'000*	*RMB'000*
Assets:				
- Financial assets measured at FVOCI	2,000	—	—	2,000
- Wealth management products	72,320	—	—	72,320
- Guarantee contract at FVPL	4,883	—	—	4,883
Liabilities:				
- Forward contract at FVPL	(22,176)	—	—	(22,176)

During the Relevant Periods, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognize transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)
(Expressed in RMB unless otherwise indicated)

30 Financial risk management and fair values of financial instruments (continued)

Information about Level 3 fair value measurements

Wealth management products

Wealth management products purchased by the Group are issued by major and reputable commercial banks without guaranteed returns. The Group managed and evaluated the performance of investments on a fair value basis in accordance with the Group's risk management and investment strategy. The fair values are based on cash flow discounted using the expected return based on unobservable interest return rate and are within level 3 of the fair value hierarchy.

Below is a summary of significant unobservable inputs to the valuation of these wealth management products at December 31, 2022, 2023 and September 30, 2024:

	Valuation techniques	Significant unobservable inputs
Wealth management products	Discounted cash flow method	Interest return rate

The expected rate of return is 1.5%-3.80% as at December 31, 2022 and 2023 and September 30, 2024. The fair value measurement is correlated to the interest return rate. As at December 31, 2022 and 2023 and September 30, 2024, it is estimated that with all other variables held constant, a decrease/increase in the interest return rate by 1% would not have significant impact on the fair value of the wealth management products.

Unlisted equity securities

The fair value of unlisted equity securities is approximated using the market approach, which is based on either the equity investments' recent transaction price or a comparable companies analysis valuation.

Guarantee contract and forward contract

Guarantee contract and forward contract measured at FVPL are using Level 3 inputs. For the forward contract, the Group compares the expected selling price of the used cars with the designated purchase price to determine its fair value. For the guarantee contract, the Group considers the expected cash compensation that can be entitled to receive from the guarantor to determine its fair value. The Group then discounts with the risk-free interest rate to reach the present value of the fair value amount of guarantee contract and forward contract.

(ii) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at amortized cost are not materially different from their fair values as at December 31, 2022 and 2023 and September 30, 2024.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

(Expressed in RMB unless otherwise indicated)

30 Financial risk management and fair values of financial instruments (continued)

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arising from loans receivable, lease liabilities, bank borrowings and financial instruments with preferred rights is not significant as these financial instruments primarily are at fixed rate.

(e) Currency risk

The Group is not exposed to significant foreign currency risk since financial assets and liabilities denominated in currencies other than the functional currencies of the Company and its subsidiaries are not significant.

31 Material related party transactions and balances

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 8 and certain of the highest paid employees as disclosed in Note 9 is as follows:

	As at December 31		As at September 30	
	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Salaries, allowances and benefits in kind	1,765	2,841	1,485	1,934
Contributions to defined contribution retirement schemes	152	219	165	189
Equity-settled share-based payments	2,258	614	784	130
	4,175	3,674	2,434	2,253

Total remuneration is included in "staff costs" in Note 6(b).

(b) Related parties and the relationship

Name of related parties	Relationship with the Group
Mr. Chen Jianpeng	Shareholder and director of the Company
Mr. Lu Shimin	Director of the Company
Mr. Chen Hua	Director of the Company
Mr. Zhang Chunquan	Key management personnel
Mr. Yuan Xinghua	Key management personnel
Mr. Wang Lei	Key management personnel

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

(Expressed in RMB unless otherwise indicated)

31 Material related party transactions and balances (continued)

(c) Related party balances

The Group's balances with related parties as at the end of each reporting period are as follows:

	As at December 31		As at September 30
	2022	2023	2024
	RMB'000	RMB'000	RMB'000 (unaudited)
Non-trade in nature:			
Amounts due from related parties	—	—	10,650
Guarantees received from related parties at the end of the reporting period	59,944	49,689	135,000

Amounts due from and to related parties of the Group are unsecured, interest-free, repayable on demand/on contract terms.

(d) Investing and financing arrangements with related parties

	As at December 31		As at September 30	
	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Proceeds of loans to related parties	2,000	7,650	7,650	10,650
Repayment of loans to related parties	4,000	7,650	—	—

32 Subsequent events

In January 2025, the Company repurchased 612,008 series C preferred shares of US$0.01 each from preferred shares investors at a total consideration of RMB36.0 million. The consideration was fully paid up in January 2025.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

(Expressed in RMB unless otherwise indicated)

33 Possible impact of amendments, new standards and interpretations issued but not yet effective for the accounting period beginning on January 1, 2024

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, which are not yet effective for the accounting period beginning on January 1, 2024 and which have not been adopted in the Historical Financial Information. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IAS 21, The effects of changes in foreign exchange rates — Lack of exchangeability	January 1 2025
Amendments to IFRS 9, Financial instruments and IFRS 7, Financial instruments: disclosures — Amendments to the classification and measurement of financial instruments	January 1 2026
Annual improvements to IFRSs — Volume 11	January 1 2026
IFRS 18, Presentation and disclosure in financial statements	January 1 2027
IFRS 19, Subsidiaries without public accountability: disclosures	January 1 2027
Amendments to IFRS 10 and IAS 28, Sale or contribution of assets between an **[REDACTED]** and its associate or joint venture	To be determined

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

Subsequent financial statements

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to September 30, 2024.

THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED "WARNING" ON THE COVER OF THIS DOCUMENT.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Set out below is a summary of certain provisions of the constitution of the Company and certain aspects of the company laws of the Cayman Islands.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on April 17, 2020 under the Companies Act. The Company's constitutional documents consist of the Memorandum of Association and the Articles of Association.

1. MEMORANDUM OF ASSOCIATION

The Memorandum provides, *inter alia*, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted (and therefore include acting as an investment holding company) and that the Company shall have full power and authority to carry out any object not prohibited by the Companies Act or any other law of the Cayman Islands.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on [●] and will become effective on the **[REDACTED]** A summary of certain provisions of the Articles is set out below.

2.1 Shares

(a) Classes of Shares

The share capital of the Company consists of a single class of ordinary shares.

(b) Variation of Rights of Existing Shares or Classes of Shares

If at any time the share capital of the Company is divided into different classes of Shares, all or any of the rights attached to any class of Shares for the time being issued (unless otherwise provided by the terms of issue of the Shares of that class) may, whether or not the Company is being wound up, be varied with the consent in writing of the holders of at least three-fourths of the issued Shares of that class, or with the approval of a resolution passed by at least three-fourths of the votes cast by the holders of the Shares of that class present and voting in person (whether physically or by virtual attendance with the use of technology) or by proxy at a separate meeting of such holders. The provisions of the Articles relating to general meetings shall apply *mutatis mutandis* to every such separate meeting, except that the necessary quorum shall be two persons together holding (or, in the case of a member being a corporation, by its duly authorized representative), or representing by proxy, at least one-third of the issued Shares of that class. Every holder of Shares of the class shall be entitled on a poll to one vote for every such Share held by him, and any holder of Shares of the class present in person (whether physically or by virtual attendance with the use of technology), or, by proxy may demand a poll.

For the purposes of a separate class meeting, the Board may treat two or more classes of Shares as forming one class of Shares if the Board considers that such classes of Shares would be affected in the same way by the proposals under consideration, but in any other case shall treat them as separate classes of Shares.

Any rights conferred upon the holders of Shares of any class shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of the Shares of that class, be deemed to be varied by the creation or issue of further Shares ranking *pari passu* therewith.

(c) Alteration of Capital

The Company may by ordinary resolution:

(i) increase its share capital by the creation of new Shares of such amount and with such rights, priorities and privileges attached to such Shares as it may determine;

(ii) consolidate and divide all or any of its share capital into Shares of a larger amount than its existing Shares. On any consolidation of fully paid Shares and division into Shares of a larger amount, the Board may settle any difficulty which may arise as it thinks expedient and, in particular (but without prejudice to the generality of the foregoing), may as between the holders of Shares to be consolidated determine which particular Shares are to be consolidated into a consolidated Share, and if it shall happen that any person shall become entitled to fractions of a consolidated Share or Shares, such fractions may be sold by some person appointed by the Board for that purpose and the person so appointed may transfer the Shares so sold to the purchaser(s) thereof and the validity of such transfer shall not be questioned, and the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated Share or Shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

(iii) sub-divide its Shares or any of them into Shares of an amount smaller than that fixed by the Memorandum; and

(iv) cancel any Shares which, as at the date of passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the Shares so canceled.

The Company may by special resolution reduce its share capital or any undistributable reserve, subject to the provisions of the Companies Act.

(d) Transfer of Shares

Subject to the terms of the Articles, any member of the Company may transfer all or any of his Shares by an instrument of transfer. If the Shares in question were issued in conjunction with rights, options, warrants or units issued pursuant to the Articles on terms that one cannot be transferred without the other, the Board shall refuse to register the transfer of any such Share without evidence satisfactory to it of the like transfer of such right, option, warrant or unit.

Subject to the Articles and the requirements of the Stock Exchange, all transfers of Shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a recognized clearing house or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a Share until the name of the transferee is entered in the register of members of the Company in respect of that Share.

Subject to the provisions of the Companies Act, if the Board considers it necessary or appropriate, the Company may establish and maintain a branch register or registers of members at such location or locations within or outside the Cayman Islands as the Board thinks fit. The Board may, in its absolute discretion, at any time transfer any Share on the principal register to any branch register or any Share on any branch register to the principal register or any other branch register.

The Board may, in its absolute discretion, decline to register a transfer of any Share (not being a fully paid Share) to a person of whom it does not approve or on which the Company has a lien, or a transfer of any Share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any Share to more than four joint holders. It may also decline to recognize any instrument of transfer if the proposed transfer does not comply with the Articles or any requirements of the Listing Rules.

The Board may decline to recognize any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of Share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules and the relevant section of the Companies Ordinance, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine (or such longer period as the members of the Company may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

Fully paid Shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(e) Redemption of Shares

Subject to the provisions of the Companies Act, the Listing Rules and any rights conferred on the holders of any Shares or attaching to any class of Shares, the Company may issue Shares that are to be redeemed or are liable to be redeemed at the option of the members or the Company. The redemption of such Shares shall be effected in such manner and upon such other terms as the Company may by special resolution determine before the issue of such Shares.

(f) Power of the Company to Purchase its own Shares

Subject to the Companies Act, or any other law or so far as not prohibited by any law and subject to any rights conferred on the holders of any class of Shares, the Company shall have the power to purchase or otherwise acquire all or any of its own Shares (which includes redeemable Shares), provided that the manner and terms of purchase have first been authorized by ordinary resolution and that any such purchase shall only be made in accordance with the relevant code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong from time to time in force.

(g) Power of any Subsidiary of the Company to own Shares in the Company

There are no provisions in the Articles relating to the ownership of Shares in the Company by a subsidiary.

(h) Calls on Shares and Forfeiture of Shares

Subject to the terms of allotment and issue of any Shares (if any), the Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the Shares held by them (whether in respect of par value or share premium). A member who is the subject of the call shall (subject to receiving at least 14 clear days' notice specifying the time or times for payment) pay to the Company at the time or times so specified the amount called on his Shares. A call may be made payable either in one sum or by installments, and shall be deemed to have been made at the time when the resolution of the Board authorizing such call was passed. The joint holders of a Share shall be severally as well as jointly liable for the payment of all calls and installments due in respect of such Share.

If a call remains unpaid after it has become due and payable, the member from whom the sum is due shall pay interest on the unpaid amount at such rate as the Board shall determine (together with any expenses incurred by the Company as a result of such non-payment) from the day it became due and payable until it is paid, but the Board may waive payment of such interest or expenses in whole or in part.

If a member fails to pay any call or installment of a call after it has become due and payable, the Board may, for so long as any part of the call or installment remains unpaid, give to such member not less than 14 clear days' notice requiring payment of the unpaid amount together with any interest which may have accrued and which may still accrue up to the date of payment (together with any expenses incurred by the Company as a result of such non-payment). The notice shall specify a further day on or before which the payment required by the notice is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the Shares in respect of which the call was made will be liable to be forfeited.

If such notice is not complied with, any Share in respect of which the notice was given may, before the payment required by the notice has been made, be forfeited by a resolution of the Board. Such forfeiture shall include all dividends, other distributions and other monies payable in respect of the forfeited Share and not paid before the forfeiture.

A person whose Shares have been forfeited shall cease to be a member in respect of the forfeited Shares, shall surrender to the Company for cancelation the certificate(s) for the Shares forfeited and shall remain liable to pay to the Company all monies which, as at the date of forfeiture, were payable by him to the Company in respect of the Shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until the date of payment as the Board may determine and any expenses incurred by the Company as a result of such non-payment.

2.2 Directors

(a) Appointment, Retirement and Removal

The Company may by ordinary resolution of the members elect any person to be a Director. The Board may also appoint any person to be a Director at any time, either to fill a casual vacancy or as an additional Director subject to any maximum number fixed by the members in general meeting or the Articles. Any Director so appointed shall hold office only until the first annual general meeting of the Company after his appointment and shall then be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The members may by ordinary resolution remove any Director (including a managing or executive Director) before the expiration of his term of office, notwithstanding anything in the Articles or any agreement between the Company and such Director, and may by ordinary resolution elect another person in his stead. Nothing shall be taken as depriving a Director so removed of any compensation or damages payable to such Director in respect of the termination of his appointment as Director or of any other appointment or office as a result of the termination of his appointment as Director.

The office of a Director shall be vacated if:

(i) the Director gives notice in writing to the Company that he resigns from his office as Director;

(ii) the Director is absent, without being represented by proxy or an alternate Director appointed by him, for a continuous period of 12 months without special leave of absence from the Board, and the Board passes a resolution that he has by reason of such absence vacated his office;

(iii) the Director becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(iv) the Director dies or an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Board resolves that his office be vacated;

(v) the Director is prohibited from being or ceases to be a Director by operation of law;

(vi) the Director has been required by the Stock Exchange to cease to be a Director or no longer qualifies to be a Director pursuant to the Listing Rules; or

(vii) the Director is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) then in office.

At each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation. If the number of Directors is not a multiple of three, then the number nearest to but not less than one-third shall be the number of retiring Directors, provided that every Director shall be subject to retirement by rotation at least once every three years. The Directors to retire at each annual general meeting shall be those who have been in office longest since their last re-election or appointment and, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

(b) Power to Allot and Issue Shares and other Securities

Subject to the provisions of the Companies Act, the Memorandum and Articles and, where applicable, the Listing Rules, and without prejudice to any rights or restrictions for the time being attached to any Shares, the Board may allot, issue, grant options over or otherwise dispose of Shares with or without preferred, deferred or other rights or restrictions, whether with regard to dividend, voting, return of capital or otherwise, to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, provided that no Shares shall be issued at a discount to their par value.

The Company may issue rights, options, warrants or convertible securities or securities of a similar nature conferring the right upon the holders thereof to subscribe for, purchase or receive any class of Shares or other securities in the Company on such terms as the Board may from time to time determine.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of Shares, to make, or make available, any such allotment, offer, option or Shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(c) Power to Dispose of the Assets of the Company or any of its Subsidiaries

Subject to the provisions of the Companies Act, the Memorandum and Articles and any directions given by special resolution of the Company, the Board may exercise all powers and do all acts and things which may be exercised or done by the Company to dispose of the assets of the Company or any of its subsidiaries. No alteration to the Memorandum or Articles and no direction given by special resolution of the Company shall invalidate any prior act of the Board which would have been valid if such alteration or direction had not been made or given.

(d) Borrowing Powers

The Board may exercise all the powers of the Company to raise or borrow money, secure the payment of any sum or sums of money for the purposes of the Company, mortgage or charge all or any part of its undertaking, property and uncalled capital of the Company, and, subject to the Companies Act, issue debentures, debenture stock, bonds and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(e) Remuneration

A Director shall be entitled to receive such sums as shall from time to time be determined by the Board or the Company in general meetings. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in connection with attendance at meetings of the Board or committees of the Board, or general meetings of the Company or separate meetings of the holders of any class of Shares or debentures of the Company, or otherwise in connection with the business of the Company and the discharge of their duties as Directors, and/or to receive fixed allowances in respect thereof as may be determined by the Board.

The Board or the Company in general meetings may also approve additional remuneration to any Director for any services which in the opinion of the Board or the Company in general meetings go beyond such Director's ordinary routine work as a Director.

(f) Compensation or Payments for Loss of Office

There are no provisions in the Articles relating to compensation or payment for loss of office.

(g) Loans to Directors

There are no provisions in the Articles relating to making of loans to Directors.

(h) Disclosure of Interest in Contracts with the Company or any of its Subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company.

No person shall be disqualified from the office of Director or alternate Director or prevented by such office from contracting with the Company, nor shall any such contract or any other contract or transaction entered into by or on behalf of the Company in which any Director or alternate Director is in any way interested be or be liable to be avoided, nor shall any Director or alternate Director so contracting or being so interested be liable to account to the Company for any profit realized by or arising in connection with any such contract or transaction by reason of such Director or alternate Director holding such office or of the fiduciary relationship established by it, provided that the nature of interest of any Director or alternate Director in any such contract or transaction shall be disclosed by such Director or alternate Director at or prior to the consideration and vote thereon.

A Director shall not vote on (or be counted in the quorum in relation to) any resolution of the Board in respect of any contract or arrangement or other proposal in which he or any of his close associate(s) has a material interest, and if he shall do so his vote shall not be counted and he shall not be counted in the quorum for such resolution. This prohibition shall not apply to any of the following matters:

(i) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any proposal concerning an offer of Shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub- underwriting of the offer;

(iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of (A) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit or (B) any pension fund or retirement, death or disability benefits scheme which relates to the Director, his close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(v) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of Shares, debentures or other securities of the Company by virtue only of his/their interest in those Shares, debentures or other securities.

2.3 Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Unless otherwise determined, two Directors shall be a quorum. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.4 Alterations to the Constitutional Documents and the Company's Name

The Memorandum and Articles may only be altered or amended, and the name of the Company may only be changed, by special resolution of the Company.

2.5 Meetings of Members

(a) Special and Ordinary resolutions

A special resolution must be passed by a majority of not less than two-thirds (other than in relation to any resolution approving changes to the Company's constitutional documents or a voluntary winding up of the Company, in which case a special resolution must be passed by a majority of not less than three-fourths) of the voting rights held by such members as, being entitled so to do, vote in person (whether physically or by virtual attendance with the use of technology), or by proxy or, in the case of any members which is a corporation, by its duly authorized representative(s) or by proxy, at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given. A special resolution may also be approved in writing by all the members entitled to vote at a general meeting in one or more instruments each signed by one or more of such members.

An ordinary resolution, in contrast, is a resolution passed by a simple majority of the voting rights held by such members as, being entitled to do so, vote in person or by proxy or, in the case of any member which is a corporation, by its duly authorized representative(s) or by proxy, at a general meeting. An ordinary resolution may also be approved in writing by all the members entitled to vote at a general meeting in one or more instruments each signed by one or more of such members.

The provisions of special resolutions and ordinary resolutions shall apply *mutatis mutandis* to any resolutions passed by the holders of any class of shares.

(b) Voting Rights and Right to Demand a Poll

Subject to any rights, restrictions or privileges as to voting for the time being attached to any class or classes of Shares, at any general meeting: (a) on a poll every member present in person (whether physically or by virtual attendance with the use of technology), or, in the case of a member being a corporation, by its duly authorized representative or by proxy shall have one vote for every Share and (b) on a show of hands every member who is present in person (whether physically or by virtual attendance with the use of technology), or, in the case of a member being a corporation, by its duly authorized representative or by proxy shall have one vote.

In the case of joint holders, the vote of the senior holder who tenders a vote, whether in person or by proxy shall be accepted to the exclusion of the votes of the other join holders, and seniority shall be determined by the order in which the names of the holders stand in the register of members of the Company.

No person shall be counted in a quorum or be entitled to vote at any general meeting unless he is registered as a member on the record date for such meeting, nor unless all calls or other monies then payable by him in respect of the relevant Shares have been paid.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands (whether physically or by virtual attendance with the use of technology).

Any corporation or other non-natural person which is a member of the Company may in accordance with its constitutional documents, or in the absence of such provision by resolution of its directors or other governing body or by power of attorney, authorize such person as it thinks fit to act as its representative at any meeting of the Company or of any class of members, and the person so authorized shall be entitled to exercise the same powers as the corporation or other non-natural person could exercise as if it were a natural person member of the Company.

If a recognized clearing house or its nominee(s) is a member of the Company, it may appoint proxies or authorize such person or persons as it thinks fit to act as its representative(s), who enjoy rights equivalent to the rights of other members, at any meeting of the Company (including but not limited to general meetings and creditors meetings) or at any meeting of any class of members of the Company, provided that if more than one person is so authorized, the authorization shall specify the number and class of Shares in respect of which each such person is so authorized. A person so authorized shall be entitled to exercise the same rights and powers on behalf of the recognized clearing house or its nominee(s) as if such person were a natural person member of the Company, including the right to speak and vote individually on a show of hands or on a poll (whether physically or by virtual attendance with the use of technology).

All members of the Company (including a member which is a recognized clearing house (or its nominee(s))) shall have the right to (i) speak at a general meeting and (ii) and vote at a general meeting except where a member is required by the Listing Rules to abstain from voting to approve the matter under consideration. Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(c) Annual General Meetings and Extraordinary General Meetings

The Company must hold a general meeting as its annual general meeting in each financial year. Such meeting shall be specified as such in the notices calling it, and must be held within six months after the end of the Company's financial year. A meeting of the members or any class thereof may be held by telephone, tele-conferencing or other electronic means, provided that all participants can attend the meeting virtually with the use of technology and are able to communicate contemporaneously with one another, and participation in a meeting in such manner shall constitute presence at such meetings.

The Board may convene an extraordinary general meeting whenever it thinks fit. In addition, one or more members holding, as at the date of deposit of the requisition, in aggregate not less than one-tenth of the voting rights (on a one vote per Share basis) in the share capital of the Company may make a requisition to convene an extraordinary general meeting and/or add resolutions to the agenda of a meeting. Such requisition, which must state the objects and the resolutions to be added to the agenda of the meeting and must be signed by the requisitionists, shall be deposited at the principal place of business of the Company in Hong Kong or, in the event the Company ceases to have such a principal place of business, the registered office of the Company. If the Board does not within 21 days from the date of deposit of such requisition duly proceed to convene a general meeting to be held within the following 21 days, the requisitionists or any of them representing more than one-half of the total voting rights of all the requisitionists may themselves convene a general meeting, but any such meeting so convened shall be held no later than the day falling three months after the expiration of the said 21-day period. A general meeting convened by requisitionists shall be convened in the same manner as nearly as possible as that in which general meetings are to be convened by the Board, and all reasonable expenses incurred by the requisitionists shall be reimbursed to the requisitionists by the Company.

(d) Notices of Meetings and Business to be Conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the date, time, place and agenda of the meeting, the particulars of the resolution(s) to be considered at the meeting and the general nature of the business to be considered at the meeting and details for members to attend the meeting virtually with the use of technology.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address, (to the extent permitted by the Listing Rules and all applicable laws and regulations) by electronic means or (in the case of a notice) by advertisement published in the manner prescribed under the Listing Rules.

Notwithstanding that a meeting of the Company is called by shorter notice than as specified above, if permitted by the Listing Rules, such meeting may be deemed to have been duly called if it is so agreed:

(i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of an extraordinary general meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights held by such members.

If, after the notice of a general meeting has been sent but before the meeting is held, or after the adjournment of a general meeting but before the adjourned meeting is held (whether or not notice of the adjourned meeting is required), the Board in its absolute discretion consider that it is impractical or unreasonable for any reason to hold a general meeting on the date or at the time and place specified in the notice calling such meeting, it may change or postpone the meeting to another date, time and place.

The Board also has the power to provide in every notice calling a general meeting that in the event of a gale warning, a black rainstorm warning or extreme conditions is/are in force at any time on the day of the general meeting (unless such warning is canceled at least a minimum period of time prior to the general meeting as the Board may specify in the relevant notice), the meeting shall be postponed without further notice to be reconvened on a later date.

Where a general meeting is postponed:

(A) the Company shall endeavor to cause a notice of such postponement, which shall set out the reason for the postponement in accordance with the Listing Rules, to be placed on the Company's website and published on the Stock Exchange's website as soon as practicable, provided that failure to place or publish such notice shall not affect the automatic postponement of a general meeting due to a gale warning, a black rainstorm warning or extreme conditions being in force on the day of the general meeting;

(B) the Board shall determine the date, time, place and details for members to attend virtually with the use of technology for the reconvened meeting and at least seven clear days' notice shall be given for the reconvened meeting. Such notice shall specify the date, time and place at which the postponed meeting will be reconvened, details for members to attend such postponed meeting virtually with the use of technology and the date and time by which proxies shall be submitted in order to be valid at such reconvened meeting (provided that any proxy submitted for the original meeting shall continue to be valid for the reconvened meeting unless revoked or replaced by a new proxy); and

(C) only the business set out in the notice of the original meeting shall be considered at the reconvened meeting, and notice given for the reconvened meeting does not need to specify the business to be considered at the reconvened meeting, nor shall any accompanying documents be required to be recirculated. Where any new business is to be considered at such reconvened meeting, the Company shall give a fresh notice for such reconvened meeting in accordance with the Articles.

(e) Quorum for Meetings and Separate Class Meetings

No business shall be considered at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (whether physically or by virtual attendance with the use of technology), or in the case of a member being a corporation, by its duly authorized representative or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to approve the variation of class rights, the necessary quorum shall be two persons holding or representing by proxy not less than one-third of the issued Shares of that class.

(f) Proxies

Any member of the Company (including a member which is a recognized clearing house (or its nominee(s))) entitled to attend and vote at a meeting of the Company is entitled to appoint another person (being a natural person) as his proxy to attend and vote in his place. A member who is the holder of two or more Shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is a natural person and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were a natural person member present in person (whether physically or by virtual attendance with the use of technology) at any general meeting. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing and executed under the hand of the appointor or of his attorney duly authorized in writing, or if the appointor is a corporation or other non-natural person, either under its seal or under the hand of a duly authorized representative.

The Board shall, in the notice convening any meeting or adjourned meeting, or in an instrument of proxy sent out by the Company, specify the manner by which the instrument appointing a proxy shall be deposited and the place and time (being no later than the time appointed for the commencement of the meeting or adjourned meeting to which the instrument of proxy relates) at which such instrument shall be deposited.

Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form that complies with the Listing Rules as the Board may from time to time approve. Any form issued to a member for appointing a proxy to attend and vote at a general meeting at which any business is to be considered shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favor of or against (or, in default of instructions, to exercise the discretion of the proxy in respect of) each resolution dealing with any such business.

2.6 Accounts and Audit

The Board shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to explain its transactions in accordance with the Companies Act.

The books of accounts of the Company shall be kept at the principal place of business of the Company in Hong Kong or, subject to the provisions of the Companies Act, at such other place or places as the Board thinks fit and shall always be open to inspection by any Director. No member (not being a Director) or other person shall have any right to inspect any account, book or document of the Company except as conferred by the Companies Act or ordered by a court of competent jurisdiction or as authorized by the Board or the Company in general meeting.

The Board shall cause to be prepared and laid before the Company at every annual general meeting a profit and loss account for the period since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up, a Directors' report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditors' report on such accounts and such other reports and accounts as may be required by law and the Listing Rules.

The members shall at each annual general meeting appoint auditor(s) to hold office by ordinary resolution of the members until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the members at the annual general meeting at which they are appointed by ordinary resolution of the members or in any other manner as specified in such ordinary resolution. The members may, at any general meeting convened and held in accordance with the Articles, remove the auditors by ordinary resolution at any time before the expiration of the term of office and shall, by ordinary resolution, at that meeting appoint new auditors in their place for the remainder of the term.

The accounts of the Company shall be prepared and audited based on the generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

2.7 Dividends and other Methods of Distribution

Subject to the Companies Act and the Articles, the Company may by ordinary resolution resolve to declare dividends and other distributions on Shares in issue in any currency and authorize payment of the dividends or distributions out of the funds of the Company lawfully available therefor, provided that (i) no dividends shall exceed the amount recommended by the Board, and (ii) no dividends or distributions shall be paid except out of the realized or unrealized profits of the Company, out of the share premium account or as otherwise permitted by law.

The Board may from time to time pay to the members of the Company such interim dividends as appear to the Board to be justified by the financial conditions and the profits of the Company. In addition, the Board may from time to time declare and pay special dividends on Shares of such amounts and on such dates as it thinks fit.

Except as otherwise provided by the rights attached to any Shares, all dividends and other distributions shall be paid according to the amounts paid up on the Shares that a member holds during the period in respect of which the dividends and distributions are paid. No amount paid up on a Share in advance of calls shall for this purpose be treated as paid up on the Share.

The Board may deduct from any dividends or other distributions payable to any member of the Company all sums of money (if any) then payable by him to the Company on account of calls or otherwise. The Board may retain any dividends or distributions payable on or in respect of a Share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

No dividends or other distributions payable by the Company on or in respect of any Share shall carry interest against the Company.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may further resolve:

(a) that such dividend be satisfied in whole or in part in the form of an allotment of Shares credited as fully paid on the basis that the Shares so allotted shall be of the same class as the class already held by the allottee, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

(b) that the members entitled to such dividend will be entitled to elect to receive an allotment of Shares credited as fully paid in lieu of the whole or such part of the dividend as the Board may think fit on the basis that the Shares so allotted shall be of the same class as the class already held by the allottee.

Upon the recommendation of the Board, the Company may by ordinary resolution resolve in respect of any one particular dividend of the Company determine that notwithstanding the foregoing, a dividend may be satisfied wholly in the form of an allotment of Shares credited as fully paid without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividends, distributions or other monies payable in cash in respect of Shares may be paid by wire transfer to the holder of such Shares or by check or warrant sent by post to the registered address of such holder, or in the case of joint holders, to the registered address of the holder who is first named on the register of members of the Company, or to such person and to such address as the holder or joint holders may in writing direct. Any one of two or more joint holders may give effectual receipts for any dividends, distributions or other monies payable in respect of the Shares held by them as joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied in whole or in part by the distribution of specific assets of any kind.

Any dividends or other distributions which remain unclaimed for six years from the date on which such dividends or distributions become payable shall be forfeited and shall revert to the Company.

2.8 Inspection of Corporate Records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed in accordance with the Companies Ordinance) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Companies Ordinance.

2.9 Rights of Minorities in relation to Fraud or Oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under the Cayman Islands laws, as summarized in paragraph 3.6 below.

2.10 Procedures on Liquidation

Subject to the Companies Act, the members of the Company may by special resolution resolve to wind up the Company voluntarily or by the court.

Subject to any rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of Shares:

(a) if the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the Company's paid up capital at the commencement of the winding up, the surplus shall be distributed *pari passu* among such members in proportion to the amount paid up on the Shares held by them at the commencement of the winding up; and

(b) if the assets available for distribution among the members of the Company are insufficient to repay the whole of the Company's paid up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or ought to be paid up, on the Shares held by them at the commencement of the winding up.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the approval of a special resolution and any other approval required by the Companies Act, divide among the members in kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like approval, vest any part of the assets in trustees upon such trusts for the benefit of the members as the liquidator thinks fit, provided that no member shall be compelled to accept any shares or other property upon which there is a liability.

3. COMPANY LAWS OF THE CAYMAN ISLANDS

The Company was incorporated in the Cayman Islands as an exempted company on April 17, 2020 subject to the Companies Act. Certain provisions of the company laws of the Cayman Islands are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the company laws of the Cayman Islands, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

3.1 Company Operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorized share capital.

3.2 Share Capital

Under the Companies Act, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premium on those shares shall be transferred to an account, to be called the share premium account. At the option of a company, these provisions may not apply to premium on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancelation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

(a) paying distributions or dividends to members;

(b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(c) any manner provided in section 37 of the Companies Act;

(d) writing-off the preliminary expenses of the company; and

(e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorized to do so by its articles of association, by special resolution reduce its share capital in any way.

3.3 Financial Assistance to Purchase Shares of a Company or its Holding Company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

3.4 Purchase of Shares and Warrants by a Company and its Subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorize the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as canceled but shall be classified as treasury shares if held in compliance with the requirements of section 37A(1) of the Companies Act. Any such shares shall continue to be classified as treasury shares until such shares are either canceled or transferred pursuant to the Companies Act.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under the Cayman Islands laws that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

3.5 Dividends and Distributions

Subject to a solvency test, as prescribed in the Companies Act, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

3.6 Protection of Minorities and Shareholders' Suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss vs. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

3.7 Disposal of Assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

3.8 Accounting and Auditing Requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it; and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (2021 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

3.9 Exchange Control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

3.10 Taxation

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

3.11 Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

3.12 Loans to Directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

3.13 Inspection of Corporate Records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

3.14 Register of Members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (2021 Revision) of the Cayman Islands.

3.15 Register of Directors and Officers

Pursuant to the Companies Act, the Company is required to maintain at its registered office a register of directors, alternate directors and officers. The Registrar of Companies shall make available the list of the names of the current directors of the Company (and, where applicable, the current alternate directors of the Company) for inspection by any person upon payment of a fee by such person. A copy of the register of directors and officers must be filed with the Registrar of Companies in the Cayman Islands, and any change must be notified to the Registrar of Companies within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

3.16 Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s).The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

3.17 Mergers and Consolidations

The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (a) a special resolution of each constituent company and (b) such other authorization, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting members have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

3.18 Mergers and Consolidations involving a Foreign Company

Where the merger or consolidation involves a foreign company, the procedure is similar, save that with respect to the foreign company, the directors of the Cayman Islands exempted company are required to make a declaration to the effect that, having made due enquiry, they are of the opinion that the requirements set out below have been met: (i) that the merger or consolidation is permitted or not prohibited by the constitutional documents of the foreign company and by the laws of the jurisdiction in which the foreign company is incorporated, and that those laws and any requirements of those constitutional documents have been or will be complied with; (ii) that no petition or other similar proceeding has been filed and remains outstanding or order made or resolution adopted to wind up or liquidate the foreign company in any jurisdictions; (iii) that no receiver, trustee, administrator or other similar person has been appointed in any jurisdiction and is acting in respect of the foreign company, its affairs or its property or any part thereof; (iv) that no scheme, order, compromise or other similar arrangement has been entered into or made in any jurisdiction whereby the rights of creditors of the foreign company are and continue to be suspended or restricted.

Where the surviving company is the Cayman Islands exempted company, the directors of the Cayman Islands exempted company are further required to make a declaration to the effect that, having made due enquiry, they are of the opinion that the requirements set out below have been met: (i) that the foreign company is able to pay its debts as they fall due and that the merger or consolidated is bona fide and not intended to defraud unsecured creditors of the foreign company; (ii) that in respect of the transfer of any security interest granted by the foreign company to the surviving or consolidated company (a) consent or approval to the transfer has been obtained, released or waived; (b) the transfer is permitted by and has been approved in accordance with the constitutional documents of the foreign company; and (c) the laws of the jurisdiction of the foreign company with respect to the transfer have been or will be complied with; (iii) that the foreign company will, upon the merger or consolidation becoming effective, cease to be incorporated, registered or exist under the laws of the relevant foreign jurisdiction; and (iv) that there is no other reason why it would be against the public interest to permit the merger or consolidation.

3.19 Reconstructions and Amalgamations

Reconstructions and amalgamations may be approved by (i) 75% in value of the members or class of members or (ii) a majority in number representing 75% in value of the creditors or class of creditors, in each case depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, it can be expected that the court would approve the transaction if it is satisfied that (i) the company is not proposing to act illegally or beyond the scope of our corporate authority and the statutory provisions as to majority vote have been complied with, (ii) the members have been fairly represented at the meeting in question, (iii) the transaction is such as a businessman would reasonable approve and (iv) the transaction is not one that would more properly be sanctioned under some other provisions of the Companies Act or that would amount to a "fraud on the minority".

If the transaction is approved, no dissenting member would have any rights comparable to the appraisal rights (namely the right to receive payment in cash for the judicially determined value of his shares), which may be available to dissenting members of corporations in other jurisdictions.

3.20 Takeovers

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

3.21 Indemnification

The Cayman Islands laws do not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

3.22 Economic Substance

The Cayman Islands enacted the International Tax Co-operation (Economic Substance) Act (2024 Revision) together with the Guidance Notes published by the Cayman Islands Tax Information Authority from time to time. If a company is considered to be a "relevant entity" and is conducting one or more of the nine "relevant activities", then such company will be required to comply with the economic substance requirements in relation to the relevant activity from July 1, 2019. All companies whether a relevant entity or not is required to file an annual report with the Registrar of Companies of the Cayman Islands confirming whether or not it is carrying on any relevant activities and if it is, it must satisfy an economic substance test.

4. GENERAL

Harney Westwood & Riegels, the Company's legal adviser on Cayman Islands laws, has sent to the Company a letter of advice summarizing the aspects of the Companies Act set out in section 3 above. This letter, together with copies of the Companies Act, the Memorandum and the Articles, is on display on the websites of the Stock Exchange and the Company as referred to in the paragraph headed "Documents Delivered to the Registrar of Companies and Available on Display" in Appendix V. Any person wishing to have a detailed summary of the Companies Act or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of Our Company

Our Company was incorporated in the Cayman Islands under the Companies Act as an exempted company with limited liability on April 17, 2020. Our registered office is at Osiris International Cayman Limited, Suite#4-210, Governors Square, 23 Lime Tree Bay Avenue, PO Box 32311, Grand Cayman KY1-1209, Cayman Islands. Accordingly, our Company's corporate structure and Articles of Association are subject to the relevant laws of the Cayman Islands. A summary of our Articles of Association is set out in the section headed "Summary of the Constitution of our Company" in Appendix III to this Document.

Our headquarters and principal places of business in the PRC are at No. 311601, Building No. 5 Courtyard No. 1, Futong East Street, Chaoyang District, Beijing, PRC. We [have] been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance with the Registrar of Companies in Hong Kong. Ms. Ho Yan Lai (賴浩恩) has been appointed as the authorized representative of our Company for the acceptance of service of process in Hong Kong. The address for service of process is Room 1922, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong.

2. Changes in the Share Capital of Our Company

Save as disclosed in the section headed "History, Reorganization and Corporate Structure", there has been no alternation in our share capital of our Company within the two years immediately preceding the date of this Document.

3. Changes in the Share Capital of Our Subsidiaries

A summary of the corporate information and the particulars of our subsidiaries are set out in the Accountants' Report in Appendix I to this Document.

The following sets out the changes in the share capital of the Company's subsidiaries during the two years immediately preceding the date of this Document.

- On August 24, 2023, Hengtai Boche transferred all of shares of Boche Sales to WOFE.
- On October 26, 2023, Hengtai Boche decreased its share capital from RMB22.48 million to RMB19.68 million.
- On March 18, 2024, Boche Sales increased its share capital from RMB5 million to RMB10 million.
- On July 5, 2024, Hengtai Boche increased its share capital from RMB19.68 million to RMB24.68 million.

Save as disclosed above and the section headed "History, Reorganization and Corporate Structure", there had been no other alterations of share capital of our subsidiaries within the two years preceding the date of this Document.

4. Resolutions of our Shareholders

Pursuant to a Shareholders' written resolutions dated [●], our Shareholders resolved that, among others:

(a) the Memorandum and Articles of Association were approved and adopted conditional upon **[REDACTED]**

(b) the **[REDACTED]** and the **[REDACTED]** were approved;

(c) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to (i) allot, issue and deal with Shares or securities convertible into Shares and to make or grant offers or agreements or options (including any warrants, bonds, notes and debentures conferring any rights to subscribe for or otherwise receive Shares) and (ii) sell and/or transfer Shares out of treasury that are held as treasury shares which might require Shares to be allotted, issued, or dealt with, or to be sold and/or transferred out of treasury that are held as treasury shares, other than pursuant to the **[REDACTED]** or pursuant to a rights issue or pursuant to the exercise of any subscription rights attaching to any warrants or any option scheme or similar arrangement which may be allotted and issued by our Company from time to time on a specific authority granted by the Shareholders in general meeting or, pursuant to the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles, Shares not exceed 20% of the number of the Shares in issue (excluding any treasury shares) immediately following completion of the **[REDACTED]** such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles or any applicable laws, or until revoked or varied by an ordinary resolution of Shareholders in general meeting, whichever is the earliest;

(d) a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors to exercise all the powers of our Company to repurchase Shares on the Stock Exchange or on any other stock exchange on which the securities of our Company may be **[REDACTED]** and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares shall not exceed 10% of the total number of Shares in issue immediately following the completion of the **[REDACTED]** excluding any treasury shares or Shares to be sold, or issued and allotted pursuant to the exercise of the **[REDACTED]**; and

(e) the Repurchase Mandate was extended by the addition to the number of the Shares which may be allotted, or agreed conditionally or unconditionally to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the number of Shares repurchased by the Company pursuant to the mandate to purchase shares referred to in paragraph (d) above, provided that such amount shall not exceed 10% of the total number of the Shares in issue (excluding any treasury shares) immediately following the completion of the **[REDACTED]** excluding any Shares to be sold, or issued and allotted pursuant to the exercise of the **[REDACTED]**

5. Repurchases of Our Own Securities

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary **[REDACTED]** on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the more important of which are summarized below:

(i) Shareholders' approval

All proposed repurchases of shares (which must be fully paid up) by a company with a primary **[REDACTED]** on the Stock Exchange must be approved in advance by an ordinary resolution of the Shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a written resolutions of our Shareholders dated [●], the Repurchase Mandate was given to the Directors authorizing any repurchase by our Company of Shares on the Stock Exchange or on any other stock exchange on which the securities may be **[REDACTED]** and which is recognized by the SFC and the Stock Exchange for this purpose, of not more than 10% of the number of Shares in issue (excluding any treasury shares) immediately following the completion of the **[REDACTED]** but excluding any Shares which may be issued pursuant to the exercise of the **[REDACTED]** until the conclusion of our next annual general meeting, or the date by which our next annual general meeting is required by the Articles of Association or any applicable law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to the Directors, whichever occurs first.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with our Articles and the applicable laws of Hong Kong and the Cayman Islands. A **[REDACTED]** company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the **[REDACTED]** rules of the Stock Exchange from time to time. As a matter of Cayman Islands law, any repurchases by the Company may be made out of profits or out of the **[REDACTED]** of a new issue of shares made for the purpose of the repurchase or from sums standing to the credit of our share premium account or out of capital, if so authorised by the Articles of Association and subject to the Cayman Companies Act. Any premium payable on the repurchase over the par value of the shares to be repurchased must have been provided for out of profits or from sums standing to the credit of our share premium account or out of capital, if so authorised by the Articles of Association and subject to the Cayman Companies Act.

(iii) **[REDACTED]** *restrictions*

The total number of Shares which our Company may repurchase is up to **[REDACTED]** of the total number of our Shares in issue (excluding any treasury shares) immediately after the completion of the **[REDACTED]** (but not taking into account any Shares which may be issued pursuant to the exercise of the **[REDACTED]** Our Company may not issue new Shares, or a sale or transfer of any treasury shares, or announce a proposed issue of new Shares, or a sale or transfer of any treasury shares for a period of 30 days immediately following a share repurchase without the prior approval of the Stock Exchange. For the avoidance of doubt, this restriction will not apply to (i) a new issue of Shares, or a sale or transfer of treasury shares under a **[REDACTED]**, (ii) a grant of share awards or options under a share scheme that complies with Chapter 17 of the Listing Rules or a new issue of Shares or a transfer of treasury shares upon vesting or exercise of share awards or options under the share scheme that complies with Chapter 17 of the Listing Rules, and (iii) a new issue of Shares or a transfer of treasury shares pursuant to the exercise of warrants, share options or similar instruments requiring the issuer to issue securities which were outstanding prior to the repurchase. Our Company is also prohibited from repurchasing Shares on the Stock Exchange if the repurchase would result in the number of **[REDACTED]** Shares which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. Our Company is required to procure that the broker appointed by our Company to effect a repurchase of Shares discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require. As required by the prevailing requirements of the Listing Rules, an issuer shall not purchase its shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its shares were **[REDACTED]** on the Stock Exchange.

(iv) Status of repurchased Shares

Following a repurchase of Shares, the Company may cancel any repurchased Shares and/ or hold them as treasury shares subject to, among others, market conditions and its capital management needs at the relevant time of the repurchases, which may change due to evolving circumstances.

(v) Suspension of repurchase

Pursuant to the Listing Rules, our Company may not make any repurchases of Shares after inside information has come to its knowledge until the information is made publicly available. In particular, under the requirements of the Listing Rules in force as of the date hereof, during the period of 30 days immediately preceding the earlier of:

(i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half year, quarterly or any other interim period (whether or not required under the Listing Rules); and

(ii) the deadline for our Company to publish an announcement of our Company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and in each case ending on the date of the results announcement, our Company may not repurchase Shares on the Stock Exchange unless the circumstances are exceptional.

In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a **[REDACTED]** company has breached the Listing Rules.

The Company may not purchase any of its Shares on the Stock Exchange for a period of 30 days after any sale or transfer of any treasury shares on the Stock Exchange, without the prior approval of the Stock Exchange.

(vi) Procedural and reporting requirements

As required by the Listing Rules, repurchases of Shares on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the Stock Exchange business day following any day on which our Company may make a purchase of Shares. The report must state the total number of Shares purchased the previous day, the purchase price per Share or the highest and lowest prices paid for such purchases, and whether the purchased Shares are cancelled following settlement of any such purchase or held as treasury shares, and where applicable, the reasons for any deviation from the intention statement previously disclosed by the Company. In addition, our Company's annual report is required to disclose details regarding repurchases of Shares made during the year, including a monthly breakdown of the number of shares repurchased, the purchase price per Share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate prices paid.

(vii) Connected parties

A company is prohibited from knowingly repurchasing securities on the Stock Exchange from a core connected person (as defined in the Listing Rules) and a core connected person shall not knowingly sell its securities to the company on the Stock Exchange.

(b) Reasons and impact for repurchases

The Directors believe that it is in the best interests of our Company and Shareholders for the Directors to have general authority from the Shareholders to enable the Directors to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where the Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws and regulations of Hong Kong.

On the basis of the current financial position as disclosed in this Document and taking into account the current working capital position, the Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Company as compared with the position disclosed in this Document The Directors, however, do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing levels of our Company which in the opinion of the Directors are from time to time appropriate for our Company.

(d) Interim measures

For any treasury shares of the Company deposited with **[REDACTED]** pending **[REDACTED]** on the Stock Exchange, the Company shall, upon approval by the Board, implement the below interim measures which include (without limitation):

(i) procuring its broker not to give any instructions to **[REDACTED]** to vote at general meetings for the treasury shares deposited with **[REDACTED]**;

(ii) in the case of dividends or distributions (if any and where applicable), withdrawing the treasury shares from **[REDACTED]** and either re-register them in its own name as treasury shares or cancel them, in each case before the relevant record date for the dividend or distributions; or

(iii) taking any other measures to ensure that it will not exercise any Shareholders' rights or receive any entitlements which would otherwise be suspended under the applicable laws if those Shares were registered in its own name as treasury shares.

(e) General

The Company did not hold any treasury shares as of the Latest Practicable Date and will not hold any treasury shares upon **[REDACTED]** To the best knowledge of the Directors, neither the explanatory statement contained herein nor the proposed share repurchase has unusual features.

None of the Directors or, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to our Company.

The Directors have undertaken that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws and regulations in the Cayman Islands.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than such minimum percentage prescribed by the Stock Exchange could only be implemented if the Stock Exchange agreed to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be granted other than in exceptional circumstances.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the general mandate to repurchase Shares.

No core connected person has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this Document that are or may be material:

(a) **[REDACTED]**

2. Intellectual Property Rights of our Group

(a) Trademarks

As of the Latest Practicable Date, our Group had registered the following trademarks which we consider to be material to our Group's business:

No.	Trademark Registered	Registered Owner	Registration Number	Place of Registration	Expiration Date (dd/mm/yyyy)
1.	博车网	Hengtai Boche	14818997	PRC	13/09/2025
2.	博车网	Hengtai Boche	17951330	PRC	27/12/2026
3.	联盟拍	Carwins	25864905	PRC	13/08/2028
4.	联盟拍	Carwins	26882258	PRC	06/10/2018
5.	车赢	Carwins	18504488	PRC	13/05/2027
6.	车赢	Carwins	22957078	PRC	20/04/2028

As of the Latest Practicable Date, our Group had applied for the registration of the following trademarks which we consider to be material to our Group's business:

No.	Trademark	Applicant	Intended Place of Registration
1.	博车网	Hengtai Boche	Hong Kong
2.	(A) (B)	Hengtai Boche	Hong Kong

(b) Patents

As of the Latest Practicable Date, our Group had applied for the registration of the following material patents which we consider to be material to our Group's business:

No.	Patent Description	Applicant	Intended Places of Registration
1.	Used vehicle valuation model generation system and generation method (二手車估價模型生成系統及生成方法)	Carwins	PRC
2.	A vehicle part classification method, system, device, and medium (一種車輛部位分類方法、系統、設備及介質)	Carwins	PRC

(c) Copyrights

As of the Latest Practicable Date, we owned the following copyrights which we consider to be material to our business:

No.	Copyright Name	Registered Owner	Place of Registration
1.	Carwins Used Vehicle Management System SaaS Software [abbreviated as: Carwins Cloud Platform] V2.1 (車贏二手車管理系統SAAS軟件[簡稱：車贏雲平台]V2.1)	Carwins	PRC
2.	Carwins Alliance Auction Software [abbreviated as: Alliance Auction] V10.1 (車贏聯盟拍軟件[簡稱：聯盟拍]V10.1)	Carwins	PRC
3.	Carwins Artificial Intelligence Pricing Software [abbreviated as: AI Pricing System] V1.1 (車贏人工智慧定價軟體[簡稱：人工智慧定價系統]V1.1)	Carwins	PRC
4.	"Insurance Company Salvage Vehicle Inquiry System V1.0 (保險公司事故車詢價系統V1.0)	Beijing Hengtai Boche Information Technology Co., Ltd.	PRC
5.	Boche Vehicle Online Auction Participation Platform V1.0 (博車車輛在綫拍賣參拍平台 V1.0)	Hengtai Boche	PRC
6.	Boche Towing App [abbreviated as: Boche Towing] V1.0 (博車拖運App [簡稱：博車拖運] V1.0)	Beijing Hengtai Boche Information Technology Co., Ltd.	PRC
7.	Boche Online Auction App V2.0 (博車網拍賣APP V2.0)	Beijing Hengtai Boche Information Technology Co., Ltd.	PRC
8.	Boche Parts Mall Management Backend System (Merchant End) [abbreviated as: Boche Parts Mall Management Backend - Merchant End] V1.0 (博車配件商城管理後台系統（商家端） [簡稱：博車配件商城管理後台-商家端]V1.0)	Beijing Hengtai Boche Information Technology Co., Ltd.	PRC
9.	Vehicle Price Analysis and Evaluation System V1.0 (車輛價格分析評估系統V1.0)	Beijing Hengtai Boche Information Technology Co., Ltd.	PRC
10.	Boche Operations Center System [abbreviated as: Operations Center] V1.0 (博車運營中心系統[簡稱：運營中心] V1.0)	Beijing Hengtai Boche Information Technology Co., Ltd.	PRC

(d) Domain Name

As of the Latest Practicable Date, we had registered the following domain names which we consider to be material to our business:

No.	Domain Name	Registered Owner	Registration Date (dd/mm/yyyy)	Expiry Date (dd/mm/yyyy)
1.	bochewang.cn	Hengtai Boche	24/03/2014	24/03/2025
2.	bochewang.com.cn	Beijing Bochewang Online Auction Co., Ltd.	24/03/2014	24/03/2025
3.	bochewang.vip	Beijing Hengtai Boche Information Technology Co., Ltd.	03/07/2017	03/07/2025
4.	carwins.com.cn	Carwins	01/09/2014	01/09/2025
5.	carwins.com.	Carwins	04/09/2003	04/09/2025
6.	cheyingpai.com	Carwins	04/02/2017	04/02/2026
7.	lianmengpai.com	Carwins	22/02/2017	22/02/2026

Save as disclosed above, as of the Latest Practicable Date, there were no other intellectual property rights which are or may be material in relation to our business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) Interests and short positions of our Directors in the share capital of our Company and its associated corporations following completion of the [REDACTED]

Save as disclosed in the section headed "Substantial Shareholders" and below, immediately following the completion of the **[REDACTED]** (assuming that the **[REDACTED]** is not exercised), so far as our Directors are aware, none of our Directors and chief executive has any interests and short positions in our Shares, underlying Shares or debentures of our Company or any of our associated corporations (within the meaning of Part XV of the SFO) (i) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO), or (ii) which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (iii) which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") contained in the Listing Rules:

Shareholder	Capacity/Nature of Interest(1)	Shares held as of the Latest Practicable Date		Shares held immediately following the completion of the [REDACTED]	
		Number	Approximate Percentage	Number	Approximate Percentage
Qinghua Song(2)	Interest in controlled corporation	11,324,500	1.26%	**[REDACTED]**	**[REDACTED]**
Lucky Shelley Trading Limited(2) . . .	Beneficial owner	11,324,500	1.26%	**[REDACTED]**	**[REDACTED]**
Shimin Lu(3) . .	Interest in controlled corporation	11,324,500	1.26%	**[REDACTED]**	**[REDACTED]**
Sun Central Limited(3) . . .	Beneficial owner	11,324,500	1.26%	**[REDACTED]**	**[REDACTED]**

Notes:

(1) All interests stated are long positions.

(2) Lucky Shelley Trading Limited is wholly owned by Qinghua Song. By virtue of the SFO, Qinghua Song is deemed to be interested in the Shares in which Lucky Shelley Trading Limited is interested.

(3) Sun Central Limited is wholly owned by Shimin Lu. By virtue of the SFO, Shimin Lu is deemed to be interested in the Shares in which Sun Central Limited is interested.

(b) Interests of the substantial shareholders in the Shares

Save as disclosed in "Substantial Shareholders", immediately following the completion of the **[REDACTED]** and without taking into account any Shares which may be issued pursuant to the exercise of the **[REDACTED]** our Directors are not aware of any other person (not being a Director or chief executive of our Company) who will have an interest or short position in our Shares or the underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the issued voting shares of our Company.

(c) Interests of the substantial shareholders in other members of our Group

Save as disclosed in "Substantial Shareholders", as of the Latest Practicable Date, our Directors are not aware of any other persons who would, immediately following the completion of the **[REDACTED]** be directly or indirectly interested in 10% or more of the issued voting shares of any member of our Group (other than our Company).

2. Particulars of Service Contracts

(a) Executive Directors

Each of the executive Directors [has] entered into a service contract with our Company under which they agreed to act as executive Directors for an initial term of three years commencing from the **[REDACTED]** which may be terminated by not less than three months' notice in writing served by either the executive Director or our Company.

The appointments of the executive Directors are subject to the provisions of retirement and rotation of Directors under the Articles.

(b) Independent Non-executive Directors

Each of the independent non-executive Directors [has] signed an appointment letter with our Company for a term of three years with effect from the **[REDACTED]**. The appointments are subject to the provisions of retirement and rotation of Directors under the Articles.

3. Director's Remuneration

Save as disclosed in "Directors and Senior Management" and Note 8 to the Accountants' Report set out in Appendix I to this Document for the two financial years ended December 31, 2022 and 2023 and the nine months ended September 30, 2024, none of our Directors received other remunerations of benefits in kind from us.

4. Disclaimers

Save as disclosed in this Document:

(a) none of the Directors or chief executive of our Company has any interest or short positions in the Shares, underlying Shares or debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to in that section, or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code, in each case once our Shares are **[REDACTED]** on the Stock Exchange;

(b) none of our Directors is aware of any person (not being a Director or chief executive of our Company) who will, immediately following the completion of the **[REDACTED]** (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the **[REDACTED]** have an interest or short position in our Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is interested, directly or indirectly, in 10% or more of the issued voting shares of any member of our Group;

(c) none of our Directors, their respective close associates (as defined under the Listing Rules) or Shareholders who own more than 5% of the number of issued shares of our Company have any interests in the five largest customers or the five largest suppliers of our Group; and

(d) none of our Directors or any of the parties listed in "Qualifications of Experts" of this Appendix is:

   (i) interested in our promotion, or in any assets which have been, within two years immediately preceding the date of this Document, acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to any member of our Group; or

   (ii) materially interested in any contract or arrangement subsisting at the date of this Document which is significant in relation to our business.

D. [REDACTED] SHARE INCENTIVE PLANS

1. Incentive Plan I

The following is a summary of the principal terms of the Incentive Plan I, the underlying Shares of which was reserved in February 2022 and the plan was adopted in January 2025. The Incentive Plan I is not subject to Chapter 17 of the Listing Rules as it does not involve any further grant of options or share awards by the Company after the **[REDACTED]**.

(a) Purpose

The purpose of the Incentive Plan I is to promote the success of the Company and the interests of our Shareholders and to attract, motivate, retain and reward certain officers, employees, Directors and other eligible persons and to further link the interests of option recipients with those of our Shareholders generally.

(b) Eligible Participants

Eligible participants include (a) management personnel and outstanding employee who meets the required years of service; (b) members of the Board or directors of the Company's affiliates; (c) individual consultant or advisor who renders or has rendered bona fide services; and (d) other persons as deemed appropriate by Mr. Chen (the "**Administrator**").

(c) Type of Awards

The Incentive Plan I provides for grant of options.

(d) Duration

Unless earlier terminated by the Board, the Incentive Plan I will terminate at the sole discretion of the Administrator.

(e) Administration

The Incentive Plan I and all options granted thereunder shall be administered by the Administrator. Subject to the provisions of the Incentive Plan I, the Administrator is authorized to administer the grant of options and all other administration matters in connection with the Incentive Plan I as deemed necessary or desirable.

(f) Maximum Number of Shares

The maximum aggregate number of shares that may be issued under the Incentive Plan I shall not exceed 71,177,000.

(g) Performance Target

The option may be subject to performance targets or other criteria as determined and established by the Administrator in applicable option agreement.

(h) Restricted Period

An option may be exercised only when it is vested and exercisable as determined by the Administrator in applicable option agreement. The Administrator may, in its sole discretion, accelerate the vesting by designating any option as an early exercise option.

(i) Options

(i) Exercise price

The Administrator will determine the exercise price of the option at the time of grant, which will be set forth in applicable option agreement. The exercise price of an option will be no less than the higher of the: (a) par value of the ordinary shares; (b) 100% of the fair market value of the ordinary shares on the grant date (or 110% if granted to a person holding more than 10% of the combined voting power of all classes of the shares of the Company or its affiliates); or (c) as otherwise required by applicable law.

(ii) Vesting schedule

The Administrator will determine the vesting and/or exercisability provisions of each option (which may be based on performance criteria, passage of time or other factors or any combination thereof), which provisions will be set forth in applicable option agreement.

(iii) Term of Option

Each option shall expire at the time as otherwise determined by the Administrator.

(iv) Restricted Shares

(i) General

The Administrator may, in its discretion, designate any option as an early exercise option which, by express provision in the applicable option agreement, may be exercised prior to the date such option has vested. If the participant elects to exercise all or a portion of an early exercise option before it is vested, the ordinary shares acquired under the option which are attributable to the unvested portion of the option shall be restricted shares.

(ii) Restrictions on Restricted Shares

The applicable option agreement will specify the restrictions imposed on such restricted shares and the conditions of release or lapse of such restrictions.

(k) Restrictions on Transfer

Options are non-transferable and may not be sold, transferred, anticipated, alienated, assigned, pledged, encumbered, or charged, except for transfers to the Company, immediate family by gifts and upon disability and death of a participant. Options may only be exercised by the participant, with amounts payable or shares issuable delivered and registered exclusively in the participant's name.

(l) Change in Control

Upon the occurrence of a change in control event, each option will become immediately vested and exercisable unless the surviving corporation assumes the right to repurchase shares acquired by participants upon their termination of employment ("**Call Right**"). If the surviving corporation assumes the Call Right, the outstanding unvested options shall be deemed vested upon the one-year anniversary of the change in control event. The Administrator may expedite the vesting of options if expressly provided. However, any option subject to substitution, assumption, exchange, continuation or settlement will follow its existing terms.

Outstanding Awards

As of the Latest Practicable Date, our Company had granted outstanding options under the Incentive Plan I to 71 grantees to subscribe for an aggregate of 23,181,000 Shares, representing approximately **[REDACTED]** of the total issued share capital immediately after completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised), among which all outstanding options were held by our employees, and none of the option was held by Directors, members of senior management, consultants or other connected persons of the Company. These outstanding options were granted between February 2022 and December 2022 with exercise price of US$0.001 per Share. The options were vested upon grant or will be vested after 4 years from the grant date. As of the Latest Practicable Date, 22,132,750 Shares underlying the options have been vested.

Dilution Effect and Impact on Earnings per Share

Immediately following completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised) and assuming exercise of all outstanding options under the Incentive Plan I, the dilution effect on our earnings per Share will be diluted by approximately **[REDACTED]**.

2. Incentive Plan II

The Incentive Plan II was adopted by the Company in January 2025. The Incentive Plan II is not subject to Chapter 17 of the Listing Rules as it does not involve any further grant of options or share awards by the Company after the **[REDACTED]**.

For major terms of the Incentive Plan II, please refer to "—Incentive Plan I" in this section, except that the maximum aggregate number of shares that may be issued under the Incentive Plan II shall not exceed 74,843,260.

Outstanding Awards

As of the Latest Practicable Date, the Company has not granted any options or share awards under the Incentive Plan II. It is expected that grant of options or share awards thereunder will be made before the **[REDACTED]** and no further grant will be made after the **[REDACTED]**.

E. OTHER INFORMATION

1. Litigation

As of the Latest Practicable Date, we are not aware of any other litigation or arbitration proceedings of material importance pending or threatened against us or any of our Directors that could have a material adverse effect on our financial condition or results of operations.

2. No Material Adverse Change

The Directors confirm that there has been no material change in the financial or trading position or prospects of our Group since September 30, 2024 (being the date to which the latest interim reviewed consolidated financial statements of our Group were prepared) and up to the date of this Document.

3. The Joint [REDACTED] and Joint [REDACTED] fees

CITIC Securities (Hong Kong) Limited satisfies the independence criteria applicable to **[REDACTED]** set out in Rule 3A.07 of the Listing Rules.

Fosun International Capital Limited is a wholly-owned subsidiary of Fosun International Limited, which ultimately held approximately 8.31% of the total issued share capital of the Company as at the Latest Practicable Date. For further details, please refer to the section headed "History, Reorganization and Corporate Structure—**[REDACTED]** Investments—Information on the **[REDACTED]** Investors". Accordingly, Fosun International Capital Limited is not considered to be independent pursuant to Rule 3A.07 of the Listing Rules.

The fee payable by our Company to the Joint **[REDACTED]** to act as **[REDACTED]** to our Company in connection with the **[REDACTED]** is US$**[REDACTED]** in total.

4. Preliminary expenses

We have not incurred any material preliminary expenses.

5. Promoter

Our Company has no promoter for the purpose of the Listing Rules.

6. Qualification of Experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this Document.

Name	Qualification
CITIC Securities (Hong Kong) Limited	A licensed corporation under the SFO to conduct Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
Fosun International Capital Limited	A licensed corporation under the SFO to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
Han Kun Law Offices	Legal adviser to our Company as to PRC laws
Harney Westwood & Riegels	Legal adviser to our Company as to Cayman Islands laws
KPMG	Certified Public Accountants under Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong) and Registered Public Interest Entity Auditor under Accounting and Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)
China Insights Industry Consultancy Limited	Industry consultant

7. Consent of Experts

Each of the experts named above has given and has not withdrawn its respective written consent to the issue of this Document with the inclusion of its report and/or letter and/or opinion and/or the references to its name included in this Document in the form and context in which it is respectively included.

8. Binding Effect

This Document shall have the effect, if an **[REDACTED]** is made in pursuance of this Document of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

9. Bilingual document

The English and Chinese language versions of this Document are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

MISCELLANEOUS

Save as otherwise disclosed in this Document:

(a) within the two years preceding the date of this Document: (i) we have not issued nor agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash; and (ii) no **[REDACTED]**, discounts, brokerage fee or other special terms have been granted in connection with the issue or sale of any shares of our Company;

(b) no share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option;

(c) we have not issued nor agreed to issue any founder shares, management shares or deferred shares;

(d) there are no arrangements under which future dividends are waived or agreed to be waived;

(e) there are no contracts for hire or hire purchase of plant to or by us for a period of over one year which are substantial in relation to our business;

(f) there have been no interruptions in our business which may have or have had a significant effect on our financial position in the last 12 months;

(g) there are no restrictions affecting the remittance of profits or repatriation of capital by us into Hong Kong from outside Hong Kong; and

(h) no part of the equity or debt securities of our Company, if any, is currently **[REDACTED]** on or dealt in on any stock exchange or trading system, and no such **[REDACTED]** or permission to **[REDACTED]** on any stock exchange other than the Hong Kong Stock Exchange is currently being or agreed to be sought.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this Document delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

(a) the written consents referred to in the section headed "Statutory and General Information—E. Other Information—7. Consent of Experts" in Appendix IV to this Document; and

(b) a copy of each of the material contracts referred to in the section headed "Statutory and General Information—B. Further Information about Our Business—1. Summary of Material Contracts" in Appendix IV to this Document.

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the Company's website (**www.bochewang.cn**) and the Stock Exchange's website (**https://www.hkexnews.hk**) up to and including the date which is 14 days from the date of this Document:

(a) the Memorandum and Articles of Association of our Company;

(b) the consolidated financial statements of our Company for the two financial years ended December 31, 2022 and 2023 and the interim reviewed consolidated financial statements for the nine months ended September 30, 2024;

(c) the Accountant's Report from KPMG, the text of which is set out in Appendix I to this Document;

(d) the report on the unaudited **[REDACTED]** financial information from KPMG, the text of which is set out in Appendix II to this Document;

(e) the legal opinion issued by Han Kun Law Offices, our PRC Legal Adviser in respect of general matters and property interests of our Group in the PRC;

(f) the letter of advice from Harney Westwood & Riegels, our legal adviser as to the laws of the Cayman Islands, summarizing certain aspects of the Cayman Companies Act referred to in Appendix III to this Document;

(g) the report issued by China Insights Industry Consultancy Limited, a summary of which is set forth in the section headed "Industry Overview";

(h) the material contracts referred to in the section entitled "Statutory And General Information—B. Further Information about Our Business—1. Summary of Material Contracts" in Appendix IV to this Document;

(i) the written consents referred to in the section entitled "Statutory and general information—E. Other Information—7. Consent of Experts" in Appendix IV to this Document;

(j) the service contracts and the letters of appointment with our Directors referred to in the section headed "Statutory and General Information—C. Further Information about Our Directors and Substantial Shareholders—2. Particulars of Service Contracts" in Appendix IV to this Document;

(k) the terms of the **[REDACTED]** Share Incentive Plans; and

(l) the Cayman Companies Act.

DOCUMENT AVAILABLE FOR INSPECTION

A copy of a list of grantees under the **[REDACTED]** Share Incentive Plans, containing all details as required under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance, will be available for inspection at the office of Davis Polk & Wardwell at 10/F, The Hong Kong Club Building, 3A Chater Road, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this Document.