An [**REDACTED**] *in Shares involves various risks. You should carefully consider all of the information in this document, including the risks and uncertainties described below, before making an* [**REDACTED**] *in Shares. The following is a description of what we consider to be our material risks. The occurrence of any of the following events could materially and adversely affect our business, financial condition, results of operations or prospects. If any of these events occurs, the* [**REDACTED**] *of Shares could decline and you may lose all or part of your* [**REDACTED**]. *You should seek professional advice from your relevant advisers regarding your prospective* [**REDACTED**] *in the context of your particular circumstances.*

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 "Forward-Looking Statements."

RISKS RELATED TO OUR BUSINESS AND INDUSTRY

Our business is subject to risks related to the larger automotive ecosystem, including consumer demand and other macroeconomic issues.

Our business is affected by industry and economic conditions. Purchases of new and used vehicles are typically discretionary for consumers and have been, and may continue to be, affected by negative trends in the economy. Adverse conditions affecting one or more automotive manufacturers, including labor disruptions at manufacturer facilities, could also impact the supply of new and used vehicles and our inventory, change consumer car purchasing behaviors, and have a material adverse effect on our sales and results of operations.

Our business may also be negatively affected by challenges to the larger automotive ecosystem: increase in urbanization, which may decrease demand for vehicles due to the popularity of rideshare services; new technologies such as autonomous driving software and the increasing popularity of electric vehicles, which may affect the consumers' preferences for purchasing new or used vehicles; and other macroeconomic issues. In addition, technology related to generative AI is advancing rapidly, and its future impact on the automotive ecosystem is unknown. Finally, any changes in government regulations or policies may change vehicle supply or the supply of important vehicle parts and components, as well as customer vehicle purchasing behavior. Any of the foregoing could have a material adverse effect on our business, results of operations and financial condition.

Our rapid growth may not be indicative of our future growth and, if we continue growing rapidly, we may not be able to manage our growth and profitability effectively.

Our history has often been characterized by rapid growth. For our revenues and profits to grow, we need a healthy industry and macroeconomic environment. We have no control over the industry and macroeconomic environment we face and may be adversely affected as a result. Further, even if we succeed and our revenue and profits increase, we may not achieve historical rates of growth.

Our historical and current rapid growth has placed and may continue to place significant demands on our management and our operational and financial resources. We have in the past expended, and may again expend, substantial financial and other resources on marketing and advertising, inventory expansion, production capacity expansion, and general administration expenses related to being a growing [**REDACTED**] company. If we cannot manage our growth effectively to maintain profitability, as well as the quality and efficiency of our customers' car-buying and selling experience, our business could be harmed and our results of operations and financial condition could be materially and adversely affected.

If we fail to provide a differentiated and superior customer experience, the size of our customer base and the number of transactions on our platform could decline, and our business would be materially and adversely affected.

Providing a differentiated and superior online and offline used car transaction experience for our customers, including both consumers and businesses, is critical to our business. Our ability to provide a high-quality customer experience depends on a number of factors, including:

- our ability to provide customers with high-quality used cars and other related products;
- our ability to improve our existing service offerings and upgrade our platform;
- our ability to meet the diverse needs of our customers with ongoing innovation and new service offerings;
- our ability to maintain and improve operating efficiency, customer experience of online transactions and service quality of our offline networks and personnel;
- our ability to leverage technology and data to improve our services;
- our ability to adequately train and manage our employees; and
- our ability to effectively ensure the quality of services provided by our third-party service providers on our platform.

We cannot guarantee that we can provide a differentiated and superior experience to our customers as our business continues to evolve. Failure to do so would materially and adversely affect our business, financial condition and results of operations.

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

We rely on our proprietary technology, including websites and mobile apps, car inspection system and AI algorithms for critical functions of our businesses. 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 AI algorithms are based on data-driven 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 AI algorithms may fail to perform effectively. If we fail to properly maintain or promptly upgrade our technology, our services may be disrupted or become of lower quality or unprofitable, and our results of operations and financial condition may be materially and adversely affected.

Our failure to maintain our reputation and to otherwise maintain and enhance our customer service quality and brand could adversely affect our business, sales, and results of operations.

Our business model is based on our ability to provide customers with a transparent and simplified solution to car buying and selling that will save them time and money. Accordingly, our ability to consistently deliver a high-quality experience and our reputation as a company of integrity are critical to our success. If we fail to maintain the high standards on which our reputation is built, or if an actual, or alleged failure of these standards occurs that damages this reputation, it could adversely affect consumer trust, customer demand, and our marketing and branding efforts, and have a material adverse effect on our business, sales, and results of operations.

The use of social media increases the speed with which information, misinformation, and opinions can be shared and thus the speed with which our reputation can be affected. Negative or inaccurate postings, articles, or comments on social media, the internet, or the press about us have, from time to time, generated negative publicity that damages the reputation of our brand. If we fail to correct or mitigate misinformation or negative information about us, the vehicles we offer to sell or purchase, our customer experience, or any aspect of our brand, including information spread through social media or traditional media channels, it could have a material adverse effect on our business, sales, and results of operations.

The used car marketplace is a highly competitive industry. Pressure from existing and new companies may adversely affect our business and operating results.

The used car marketplace is a highly fragmented and highly competitive industry. We face significant competition from companies that provide listings, information, lead generation, and car-buying and selling services designed to reach businesses and consumers and enable dealers to reach these consumers and inventory sources. Our current and future competitors may include: traditional used vehicle dealerships; internet and online automotive sites; providers of offline, membership-based car-buying services; new and used vehicle dealers or marketplaces with e-commerce business or online platforms; automobile manufacturers; and privately negotiated transactions.

Our competitors may also develop and market new technologies that render our existing or future business model, products, and services less competitive, unmarketable, or obsolete. For example, rapid changes in technology, including rideshare services and the development of autonomous vehicles, could lead to a decrease in demand for our products. Competitors may also impede our ability to reach consumers or commence operations in certain areas. For example, we depend in part on internet search engines, lead generators, automotive finance partners, social networking sites, and vehicle listing sites to drive traffic to our website and mobile application and our competitors may increase their search engine optimization efforts and outbid us for search terms on various search engines, use their political influence, or align with Internet search engine providers to receive a higher search result page ranking than ours.

In addition, if one or more of our competitors were to merge or partner with another of our competitors, the change in the competitive landscape could adversely affect our ability to compete effectively. Our competitors may also establish or strengthen cooperative relationships with our current or future data providers, technology partners, or other parties with whom we have relationships, thereby limiting our ability to develop, improve, and promote our solutions. We may not be able to compete successfully against current or future competitors, and competitive pressures may harm our revenue, business, and financial results.

Our expansion into overseas markets may involve significant risks and uncertainties, which could adversely affect our business, financial condition and results of operations.

We intend to expand our business into more countries and regions to broaden our market coverage and enhance our brand recognition. However, our overseas expansion may expose us to a number of risks and uncertainties. Different jurisdictions impose varying requirements on used vehicle transactions, consumer protection, taxation, data privacy and cross-border capital flows, and we may not be able to fully comply with such requirements in a timely manner, which could result in fines, litigation or restrictions on our operations. Complicated overseas markets with diverse local consumers may also make it difficult for us to fulfill their distinct preferences of purchasing channels, payment methods, after-sales services and brand perception, which may not be covered under our existing business model. In addition, the competition from local used vehicle platforms or traditional dealerships may obstruct our expansion. Overseas expansion requires substantial investment in local teams, compliance systems, marketing and technology, and if such investments fail to generate expected returns, our profitability may be adversely affected. Moreover, political instability, economic volatility or foreign exchange risks in certain jurisdictions may negatively impact our operations and financial performance. If we are unable to effectively address these risks, our overseas expansion plans may not be successfully implemented, which could materially and adversely affect our business, financial condition and results of operations.

We face risks related to changes in global and regional macroeconomic conditions, geopolitical tensions, regional conflicts, and other force majeure events, any of which could materially and adversely affect our business operations, financial condition, results of operations and prospects.

Uncertainties about global economic conditions, regulatory changes, geopolitical tensions and other factors, including fluctuation of interest rates, oil prices, inflation level, unemployment, labor and healthcare costs, access to credit, consumer confidence and other macroeconomic factors may pose risks and materially and adversely affect demand for new or used vehicles. A deteriorating global economic outlook could result in a slowdown in business investment, tighter budget allocations for technology spending, and greater pricing sensitivity among customers, which may in turn reduce the market adoption of our products and services.

The current military conflicts in Iran and the broader Middle East region pose significant challenges to our operations and planned expansion of activities in the region based out of Dubai. A range of factors including liquidity of the global financial markets, the level and volatility of debt and equity prices, interest rates, oil prices, investor sentiment, inflation and the availability and cost of capital and credit have been affecting, and will continue to affect our business operations.

The ongoing armed conflict involving Iran and the resulting disruption to maritime traffic through the Strait of Hormuz have adversely affected, and may continue to adversely affect, our overseas operations and results of operations.

We currently operate an overseas wholesale business under the TAOCARS brand, with a sales center in Dubai that has served as a hub for sales of used vehicles to auto dealers across the Middle East. Since the escalation of the armed conflict involving Iran, the United States and Israel commencing in early 2026 and the related closure of, and continued disruption to, maritime traffic through the Strait of Hormuz, our operations in Dubai have been, and continue to be, adversely affected. Heightened security concerns, regional travel restrictions and the broader deterioration in the regional security environment have reduced the ability and willingness of prospective dealer customers and individual buyers to travel to our Dubai sales center to inspect and purchase vehicles, and transaction volumes and sales at the sales center have declined since the onset of the conflict.

The closure of, and continuing restrictions on, commercial shipping through the Strait of Hormuz, together with the laying of sea mines in the Strait, attacks on commercial vessels by various parties to the conflict and the suspension of operations by a number of major shipping firms, have severely disrupted our ability to ship vehicles from Dubai to dealers and end-customers in neighboring markets in the Gulf and the broader Middle East. Even where shipping routes remain available, war-risk insurance premiums for vessels transiting the Strait of Hormuz have risen substantially since the onset of the conflict, alternative routing options are typically longer, more costly and may not be feasible for all categories of cargo, and as a result, we may experience increases in shipping, insurance and logistics costs in respect of vehicles dispatched to or from our Dubai sales center.

Beyond the direct operational disruptions, the conflict has negatively affected business and consumer sentiment across the Gulf region. Regional demand has declined as households and businesses have curtailed discretionary spending in response to economic uncertainty. Even after the conflict subsides, regional demand may take an extended period to recover, and consumer purchasing patterns and dealer inventory practices in the region may be permanently altered in ways that adversely affect our business.

The duration, intensity and ultimate resolution of the current conflict involving Iran are highly uncertain and outside our control. There can be no assurance as to when, or on what terms, maritime traffic through the Strait of Hormuz will be fully restored, when regional demand will recover, or whether further escalation, the involvement of additional parties or further attacks on commercial shipping or facilities in the region will occur. More broadly, the Middle East remains exposed to geopolitical tensions, sectarian conflicts, civil unrest, terrorism and other force majeure events, any of which could disrupt regional commerce, restrict the movement of goods and personnel, increase our operating costs or otherwise adversely affect our overseas operations. We continue to monitor the situation closely and to assess potential mitigation measures, although there can be no assurance that any such measures will be effective in mitigating the impact of the conflict on our business, financial condition, and 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 strategy, we intend to increase our penetration in existing markets and expand into new geographic markets. Our experience in the markets in which we currently operate may not be applicable to other parts of China. We may not be able to leverage our experience to expand into new geographic markets in China. As a result, our expansion and monetization strategies, including sales and marketing efforts designed to attract more consumers and businesses, may not be successful. Furthermore, if we are unable to successfully expand 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.

Moreover, our business upgrade and expansion may lead to new challenges and risks. Effectively managing our growth is dependent on a number of other factors, including our ability to: provide high-quality and value-for-money used vehicles; continue to improve our existing full-range car purchasing service and customer's satisfaction; launch new services and develop cross-selling opportunities; stabilize our costs and expenses and enhance our efficiency; recruit and retain skilled and experienced employees; strengthen relationships with our business partners; enhance our risk management and internal control; upgrade our technology and continue to innovate; and maintain and enhance the network effects of our platform. If we fail to effectively manage our growth or implement our business strategies, our business, results of operations and financial condition may be materially and adversely affected.

Our business is sensitive to changes in the prices of new and used vehicles.

Any significant changes in prices for new or used vehicles could have a material adverse effect on our revenues and results of operations. An overall increase in prices or monthly payments for used vehicles, including as a result of increased interest rates customers face when financing a vehicle, makes it difficult for certain customers to afford to purchase a vehicle. Similarly, if prices for used vehicles rise relative to prices for new vehicles, it could make buying a new vehicle more attractive to our customers than buying a used vehicle. Manufacturer incentives could also contribute to narrowing this price gap. In addition, while lower used vehicle prices reduce our cost of acquiring new inventory, lower prices could also lead to reductions in the prices at which we can sell such inventory, which could have a negative impact on gross profit. Furthermore, any significant changes in wholesale prices for used vehicles could have a material adverse effect on our results of operations by reducing wholesale margins.

Our business is dependent upon our ability to acquire desirable vehicles, and to expeditiously sell such vehicle inventory. Obstacles to acquiring and selling attractive inventory, whether because of supply, competition, or other factors, could have a material adverse effect on our business, sales, and results of operations.

We acquire vehicles for sale through numerous sources which are then evaluated for mechanical soundness, consumer desirability, and relative value as prospective inventory. There can be no assurance that the supply or price of desirable used vehicles will be sufficient to meet our needs. If we fail to adjust appraisal offers to stay in line with broader market trade-in offer trends, to recognize those trends, or to properly assess vehicles before we purchase them, it could adversely affect our ability to acquire desirable inventory. A reduction in the availability of or access to sources of desirable inventory, whether due to supply chain constraints, pricing, or otherwise, could have a material adverse effect on our business, sales and results of operations.

Finally, used vehicle inventory has typically represented a significant portion of our total assets. Having such a large portion of our total assets in the form of used vehicle inventory for an extended period of time subjects us to depreciation, inflation, and other risks, which have in the past affected and may again affect our results of operations. Our purchases of used vehicles are based in large part on projected demand. If actual sales are materially less than our forecasts, we have and may again experience an over-supply of used vehicle inventory. An over-supply of used vehicle inventory will generally cause downward pressure on our product sales prices and margins and increase our average days to sale. This increase has and may again subject us to accelerated depreciation of our vehicle inventory due to changes in economic conditions, which could result in reduced retail and wholesale margins. Accordingly, if we have excess inventory or our average days to sale increases, we may be unable to liquidate such inventory at prices that allow us to meet margin targets or to recover our costs, which could have a material adverse effect on our results of operations.

We rely on third-party vendors for aspects of our business.

Certain aspects of our business, including cloud services, financial management system and human resources system, are provided by third parties. We carefully select our third-party vendors, but we do not control their actions. If our vendors fail to perform as we expect or conduct operations that are inconsistent with our values, our operations and reputation could suffer if the failure harms the vendors' ability to serve us and our customers. One or more of these third-party vendors may experience financial distress, technology challenges, cybersecurity incidents, staffing shortages, liquidity challenges, file for bankruptcy protection, go out of business, suffer disruptions in their business or experience significant increases in the cost of their goods or services sold due to factors beyond their control, including tariffs. The use of third-party vendors represents an inherent risk to our company that could have a material adverse effect on our business, sales and results of operations.

We rely, in part, on our marketing efforts for customer acquisition and achieving higher level of brand recognition. If we fail to conduct our marketing activities effectively and efficiently, our business could be harmed.

We may continue to invest substantial financial and other resources in marketing initiatives to grow our customer base. We currently carry out our marketing activities mainly by acquiring traffic through new media platforms with the goal of attracting more visitors to our platform. We face intense competition from our competitors who may have greater marketing resources than we do. If we fail to conduct our marketing activities effectively and efficiently, or if our traffic acquisition efforts and marketing campaigns are not successful, our growth, results of operations and financial condition could be materially and adversely affected.

We rely on internal and external logistics to transport our inventory, which subjects us to business risks and costs associated with the transportation industry. Many of these risks and costs are out of our control, and any of them could have a material adverse effect on our business, financial condition, and results of operations.

We rely on a combination of internal and external logistics to transport vehicles. As a result, we are exposed to risks associated with the transportation industry such as weather, traffic patterns, gasoline prices, recalls affecting our vehicle fleet, governmental regulations, vehicular crashes, insufficient internal capacity, rising prices of transportation vendors, taxes, license and registration fees, insurance premiums, self-insurance levels, difficulty in recruiting and retaining qualified drivers, disruption of our technology systems, equipment supply, equipment quality, and increasing equipment and operational costs. Our failure to successfully manage our logistics and fulfillment process could cause a disruption in our inventory supply chain and distribution, which may adversely affect our operating results and financial condition.

We were previously subject to risks relating to third-party payment arrangements.

During the Track Record Period, there were instances where the payment for used vehicles purchased through our platform were settled by third parties (the "**Third-party Payors**"), instead of the customers who entered into the relevant purchase agreements with us (the "**Third-party Payment Arrangements**"). In the years ended December 31, 2023, 2024 and 2025, our revenue generated from transactions involving Third-party Payment Arrangements represented 29.2%, 21.8% and 15.4% of our total revenue, respectively.

We were subject to various risks relating to such Third-party Payment Arrangement during the Track Record Period, such as (i) possible claims from third-party payors for return of funds as they were not contractually indebted to us and possible claims from liquidators of Third-party Payors and (ii) potential money laundering risks as we have limited knowledge about the source and purpose of the funds utilized by the Third-party Payors. In the event of any claims from Third-party Payors or their liquidators, or legal proceedings (whether civil or criminal) instituted or brought against us to demand return of the relevant payment or for violation or non-compliance with laws and regulations, we will have to spend significant financial and managerial resources to defend against such claims and legal proceedings, and we may be forced to comply with the court ruling and return the payment for the solutions that we sold and services that we provided.

We may not be able to achieve or sustain profitability in the future.

We experienced losses of RMB695.5 million, RMB574.0 million, and RMB916.9 million, for the years ended December 31, 2023, 2024, and 2025, respectively. Further investments in technological research and development and expansion of our business and operations could incur additional costs and expenses. In addition, we will start incurring costs associated with being a [**REDACTED**] company in Hong Kong after the [**REDACTED**]. Even if we achieve profitability in the future, we may not be able to sustain profitability in subsequent periods. Our failure to become and remain profitable would decrease the value of our Company and could impair our ability to raise capital, maintain our platform, expand our business or continue our operations.

Our net current liabilities may expose us to certain liquidity risks and could restrain our operational flexibility as well as affect our ability to expand our business.

During the Track Record Period, we recorded net current liabilities of RMB4,161.6 million, RMB4,673.2 million, and RMB5,205.4 million as of December 31, 2023, 2024, and 2025, respectively. 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, the payment of trade and other payables when they become due, 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 have been and intend to continue investing significantly in research and development and such investment may not generate the results we expect to achieve.

To compete successfully, we must maintain successful research and development efforts, upgrade and innovate our technologies, and improve or develop new solutions and services, all ahead of any competitors. We have invested and expect to continue to invest significant resources in our R&D activities. In 2023, 2024, and 2025, our research and development expenses were RMB38.5 million, RMB44.9 million, and RMB44.1 million, respectively. The industry in which we operate is subject to rapid technological changes and is evolving quickly in terms of technological innovation. We need to invest significant resources, including financial and human resources, in research and development to achieve technological advancements in order to improve and expand our services to keep us innovative and competitive in the markets in which we operate. As a result, there is no assurance that our research and development expenses will not continue to increase significantly, which may adversely impact our profitability and operating cash flow in the short-term.

Furthermore, we cannot guarantee that our research and development efforts will deliver the benefits we anticipate or be recognized as expected. Research and development activities are inherently uncertain, and we may not be able to obtain and retain sufficient resources, including qualified research and development personnel. Additionally, our research and development efforts may not contribute to our future results of operations for several years, if at all, and such contributions may not meet our expectations or even cover the costs of the research and development efforts, which would materially and adversely affect our business, results of operations, financial condition and competitive position.

We have granted and may continue to grant share-based awards under our share incentive plan, which may result in increased share-based compensation expenses.

We adopted our Pre-[**REDACTED**] Share Incentive Scheme on July 16, 2018, as further amended on August 19, 2025, to recognize the contribution of certain eligible participants and to provide incentives to retain and attract quality personnel for the continued operation and development of our business. See "History, Reorganization and Corporate Structure – Share Incentive Scheme" and "Statutory and General Information – Pre-[**REDACTED**] Share Incentive Schemes" in Appendix IV to this document. We believe the granting of share-based awards is of significant importance to our ability to attract and retain key personnel and employees. As a result, we will continue to grant share-based compensation to employees in the future, which may further increase our expenses associated with share-based compensation, cause shareholding dilution to our Shareholders, and adversely affect the [**REDACTED**] of our Shares, and in turn materially and adversely affect our business, financial condition, and results of operations.

We may require additional capital to pursue our business objectives and respond to business opportunities, challenges, or unforeseen circumstances. If such capital is not available to us, our business, operating results, and financial condition may be harmed.

We may require additional capital to pursue our business objectives and respond to business opportunities, challenges, or unforeseen circumstances, including to increase our marketing expenditures to improve our brand awareness, build and maintain our inventory of quality used vehicles, develop new products or services, further improve existing products and services, enhance our operating infrastructure, fund our growth or expansion into new markets, implement strategic initiatives, or acquire complementary businesses and technologies. Accordingly, we may need to engage in equity or debt financings to secure additional capital. However, additional capital may not be available when we need it, on terms that are acceptable to us, or at all. In addition, any debt financing that we secure in the future could involve restrictive covenants which may make it more difficult for us to obtain additional capital and to pursue business opportunities.

Volatility in the credit markets may also have an adverse effect on our ability to obtain debt financing. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, 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, operating results, financial condition and prospects could be adversely affected.

Our financial conditions and results of operations during the Track Record Period had been adversely affected by changes in the carrying amount of redemption liabilities, and such changes may continue to have adverse effect on our results of operations until conversion of redemption liabilities into ordinary shares upon the [REDACTED].

During the Track Record Period, we recorded redemption liabilities of RMB2,324.6 million, RMB2,554.6 million, and RMB2,728.2 million as of December 31, 2023, 2024 and 2025, and changes in the carrying amount of redemption liabilities of RMB175.0 million, RMB202.7 million and RMB219.0 million in 2023, 2024 and 2025, respectively. These liabilities arising from the redemption obligations are measured at the present value of the redemption amount. Upon the [**REDACTED**], the carrying amount of the liabilities will be reclassified from liabilities to equity with no gain or loss. Changes in the carrying amount of redemption liabilities affected our performance significantly during the Track Record Period and may continue to have adverse effect on our results of operations until conversion of the redemption liabilities into ordinary shares upon the [**REDACTED**].

We may be held liable for information or content displayed on or linked to our platform, which may materially and adversely affect our business and operating results.

We may be held liable for inaccurate or incomplete information, including car listings, that is available through or linked to our platform. The data we collect and use for the car listings may be inaccurate or incomplete due to errors on the part of our employees or third-party information providers, or fraud. Our failure to ensure the accuracy and integrity of our data, regardless of its source, could undermine customer trust, result in further administrative penalties and adversely affect our business, financial position and results of operations.

AI technologies are constantly evolving. Any flaws or inappropriate usage of AI technologies, such as in the pricing of our used vehicles, whether actual or perceived, whether intended or inadvertent, whether committed by us or by other third parties, could have negative impact on our business, reputation and the general acceptance of AI solutions by the society.

AI technologies are still at a preliminary stage of development and will continue to evolve. Flaws or deficiencies in AI technologies could undermine the accuracy and thoroughness of the analysis and decisions made by our solutions, including in the pricing and assessment of our used vehicles. There can be no assurance that we will be able to detect and remedy such flaws or deficiencies in a timely manner, or at all. If the pricing, analysis or decisions that our AI tools assist in producing are deficient or inaccurate, we could be subjected to competitive harm, potential legal liability, and ethical or reputational harm. Any flaws or deficiencies in our AI technologies and solutions, whether actual or perceived, could materially and adversely affect our business, reputation, results of operations and prospects.

Our business is dependent on the performance of the internet and mobile internet infrastructure and telecommunications networks in China, which may not be able to support the demands associated with our growth.

Our internet businesses are heavily dependent on the performance and reliability of China's internet infrastructure, the continual accessibility of bandwidth and servers to our service providers' networks, and the continuing performance, reliability and availability of our technology platform. We use the internet to deliver services to our customers, who access our websites and mobile apps on the internet.

We rely on major Chinese telecommunication companies to provide us with bandwidth for our services, and we may not have any access to comparable alternative networks or services in the event of disruptions, failures or other problems.

Internet access may not be available in certain areas due to national disasters, such as earthquakes, or local government decisions. Surges in internet traffic on our platform, regardless of the cause, may seriously disrupt services we provide through our platform and in-store or cause our technology systems and our platform to shut down. If we experience technical problems in delivering our services over the internet either at national or regional level or system shutdowns, we could experience reduced demand for our services, lower revenues and increased costs. Consequently, our business, results of operations and financial condition would be adversely affected.

If our cybersecurity measures are breached or there is a disruption in our technology systems, our business, brand, operating results, and financial condition could be harmed.

We are highly dependent on technology networks and infrastructure for our business. Our brand, reputation, and ability to attract consumers depend on the safe and reliable performance of our website and mobile application and the supporting systems, technology, and infrastructure, such as our logistics network. Although we consider cybersecurity protection and system stability to be an important piece of our business, strategy, and management, we may experience potentially significant interruptions to our systems. Interruptions in these systems, whether due to system failures, programming or configuration errors, computer viruses, or physical or electronic break-ins, including from ransomware or distributed denial of service attacks, could prevent us from selling cars, providing customary financing options to our customers, limit the availability of the inventory on our website and mobile application, prevent or inhibit consumers from accessing our website or mobile application, delay our communication, or cause a breach of data (including PII).

If an actual or perceived breach of our security occurs or there is a disruption in our technology systems, we could lose competitively sensitive business information, intellectual property or lose control of our information processes or internal controls. In addition, the public perception of the effectiveness of our security measures or services could be harmed, and we could lose employees, customers, and business partners. In the event of a security breach, we could suffer financial exposure in connection with demands from perpetrators, penalties and fines, remediation efforts, investigations and legal proceedings, and changes in our security and system protection measures. In the event of an error, defects, disruptions, or other performance or reliability problems with our network operations, our customers' physical or electronic access to our inventory, or purchase, financing, and fulfillment process, and our access to data that drives our inventory purchase operations could be interrupted as well as cause delays and additional expense in arranging access to new facilities and services, any of which could harm our reputation, business, operating results, and financial condition.

A significant portion of our technology footprint, including the technology and infrastructure that supports our website and mobile applications, is hosted in third-party data center facilities that we do not own or control. Our systems and operations are vulnerable to damage or interruption from fire, flood, power loss, telecommunications failure, terrorist attacks, acts of war, electronic and physical break-ins, computer viruses, earthquakes, and similar events. The occurrence of any of these events could damage our systems and hardware or could cause them to fail which could result in interruptions in the delivery of our services or impair our operations, negatively impacting sales and operating results. Further, any problems faced by our web-hosting providers could adversely affect the experience of our customers, and if our web-hosting providers are unable to keep up with our growing capacity needs, our business could be harmed.

Failure to adequately protect our intellectual property, technology, and confidential information could reduce our competitiveness and harm our business and operating results.

Our business depends on our intellectual property, including proprietary algorithms, inventions, website content, mobile applications, trademarks, trade dress rights, registered domain names, AI technology, and other confidential information, the protection of which is crucial to the success of our business. We rely on a combination of patents, trademarks, trade secrets, copyrights, and contractual restrictions to protect our intellectual property, technology, and confidential information. We also require all of our new employees and most contractors to enter into intellectual property assignment agreements and certain third parties to enter into nondisclosure agreements. However, these agreements may not effectively prevent unauthorized use or disclosure of our confidential information, intellectual property, or technology, or grant all necessary rights to any inventions that may have been developed by the employees and consultants. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy aspects of our website or mobile application features, software, and functionality, or to obtain and use information that we consider proprietary. Changes in the law or adverse court rulings may also limit the scope of our rights and inhibit us from preventing others from using our technology. Finally, the introduction of AI tools, such as our chatbot, into our business has also increased the risk of inadvertent disclosure of proprietary information and trade secrets. Steps taken to mitigate this risk, including agreements with vendors and policies relating to the safe use of AI tools, may not effectively protect proprietary information and any incidents of inadvertent disclosure could undermine our intellectual property rights.

We may, and occasionally in the ordinary course of business do, receive communications alleging infringement or misappropriation of intellectual property or claims relating to licenses with respect thereto. Any claims that we assert against perceived infringers could also provoke these parties to assert counterclaims against us alleging that we infringe their intellectual property rights. At any given time, we may be involved as either a plaintiff or a defendant in a number of intellectual property actions, the outcomes of which may not be known for prolonged periods of time. As a result of such claims, we may have to pay monetary damages and lose valuable intellectual property rights or personnel. Further, even if we are successful in defending against such claims, litigation could result in substantial costs, harm our reputation, and be a distraction to management.

An inability to obtain adequate insurance on our inventory or auto liability insurance, or the affordability of such insurance, may materially adversely affect our financial condition and results of operations.

We rely on inventory insurance to protect against catastrophic losses of our inventory, and similarly rely on auto liability insurance to protect us against auto-related liability, in relation to, among other things, our transportation and logistics network. However, the coverage limits of these policies may not be adequate to cover all future claims. Further, there is no guarantee that we will continue to be able to obtain insurance at affordable rates, or at all, through outside insurers. If we are unable to purchase affordable insurance, we may have to self-insure, reducing our ability to make other investments in our business and exposing us to financial risk. In addition, our inability to insure our inventory through an outside insurer, or to adequately self-insure, may adversely impact our ability to finance our inventory purchases. Our inventory is also pledged as collateral in finance agreements, and a failure to maintain sufficient insurance to financially protect the collateral assets may be inconsistent with the requirements of such finance agreements.

We depend on key personnel to operate our business. If we are unable to retain, attract, and integrate qualified personnel, our ability to develop and successfully grow our business could be harmed.

We believe our success has depended, and continues to depend, on the efforts and talents of our executives and employees. Our future success depends on our ability to attract, develop, motivate, and retain highly qualified and skilled employees. Qualified individuals are in high demand, and we may incur significant costs to attract and retain them. In addition, the loss or inhibition of any of our key employees or senior executives could materially adversely affect our ability to execute our business plan and strategy, and we may not be able to find adequate replacements on a timely basis, or at all. Our executive officers and other employees are at-will employees, which means they may terminate their employment relationship with us at any time, and their knowledge of our business and industry would be extremely difficult to replace.

If we fail to maintain an effective system of internal control over financial reporting, we may be unable to accurately report our financial results.

Our success depends on our ability to effectively utilize our standardized management system, information systems, resources and internal controls. As we continue to expand, we will need to modify and improve our financial and managerial controls, reporting systems and procedures and other internal controls and compliance procedures to meet our evolving business needs. While we maintain internal control systems intended to support regulatory and legal compliance and accurate financial reporting, our internal controls may not be completely effective. They may not be sufficiently designed for the relevant risks, may not be properly executed by our employees, or may not be sufficient to detect or prevent all human errors or instances of non-compliance.

For example, prior to the Track Record Period, in 2022, one of our wholly-owned subsidiaries, Haoche Kuku Tianjin, was involved in an isolated incident in connection with which it was subject to an administrative penalty, comprising a warning and a fine of RMB40,000, for failure to submit valid documentation as required, or submission of documentation that was considered not authentic. The relevant administrative penalty has been settled in full and we are not aware of any ongoing administrative or regulatory action arising from that incident.

While we have since enhanced our internal control systems with a view to preventing similar incidents from occurring, we cannot assure you that our internal controls will be effective in all cases, as they may be deficient in design or execution. If we are unable to improve our internal controls, systems and procedures, they may become ineffective and adversely affect our ability to manage our business and cause errors or information lapses that affect our business. Our efforts in improving our internal control system may not result in eliminating all risks. If we are not successful in discovering and eliminating weaknesses in our internal controls, our ability to effectively manage our business may be affected.

We were subject to risks relating to certain historical cooperation arrangements that may be subject to penalties and fines under applicable PRC laws and regulations.

Under certain historical cooperation arrangements we had, we used to (i) assist vehicle purchasers in organizing and submitting financing application materials (excluding personal lending information), (ii) provide certain guarantees to third-party auto financing service providers in respect of loans they extended to individual vehicle purchasers, under which in the event that a borrower defaults on loan obligations, we are obligated to compensate the third-party auto financing service provider for the resulting credit loss; and (iii) recommend and introduce loan and/or insurance products to customers offline (the "**Historical Arrangements**"). As of the Latest Practicable Date, we have ceased these Historical Arrangements while existing guarantees will terminate upon the underlying loans becoming mature.

If the relevant PRC authorities were to determine that our assistance to vehicle purchases in organizing and submitting financing application materials (excluding personal lending information) constituted personal credit reporting business conducted without the requisite license, we may be required to wind down the relevant business, subject to confiscation of illegal gains, a fine of between RMB50,000 and RMB500,000, and other liability. If our provision of guarantees were determined to constitute financing guarantee business or disguised credit enhancement services conducted without the requisite license, we may be required to wind down the relevant business, and subject to confiscation of illegal gains, a fine between RMB500,000 to RMB1 million, and other liability. If our marketing activities of loan and/or insurance products were determined to constitute non-compliant financial/insurance marketing and promotional activities, we may be subject to regulatory interviews, risk alerts and orders to rectify within a prescribed period, or a suspension of relevant marketing and publicity activities where any violation remains uncorrected or causes harm to the lawful rights and interests of financial consumers.

While we had ceased these Historical Arrangements and not received any administrative penalties or fines during the Track Record Period and up to the Latest Practicable Date, we cannot ensure that no administrative penalties or fines will be imposed upon us in the future in respect of these arrangements, which could affect our business, financial condition and results of operations.

We are, and may in the future be, subject to legal proceedings, claims, and investigations, which could have a material adverse effect on our business, results of operations, and financial condition.

We are subject to various legal proceedings, claims, and investigations, from time to time, which could have a material adverse effect on our business, results of operations, and financial condition. Legal claims have been and could be asserted against us by individuals, either individually or through class actions, by governmental entities in civil or criminal investigations and proceedings, or by other entities. These claims have been and could be asserted under a variety of laws, including but not limited to consumer protection laws; intellectual property laws; laws governing motor vehicle dealers; laws, regulations, and systems and process requirements related to title and registration; state laws regulating the sale of motor vehicles and related products and services; privacy laws; labor and employment laws; securities laws; employee benefit laws; tax laws; contract laws; and tort laws. These actions have in the past and could in the future expose us to adverse publicity and to substantial monetary damages and legal defense costs, injunctive relief, and criminal and civil fines and penalties, including but not limited to suspension or revocation of licenses to conduct business.

We are currently involved in a trademark infringement and unfair competition proceeding brought by Alibaba Group Holding Limited, Alibaba (China) Co., Ltd. and Zhejiang Taobao Network Co., Ltd. (together, "**Alibaba**"), in relation to our historical use of signs containing "淘車" "taoche.com" and "TAOCHE" (the "**Accused Signs**"). For further details, see "Business – Legal Proceedings and Regulatory Compliance."

We may be subject to many customer claims and lawsuits with small individual amounts, which could collectively have a material adverse effect on our business and results of operations.

We sell used vehicles to a large number of retail customers. Despite our inspection and disclosure processes, customers may allege defects, misrepresentation, or non-conformity after purchase. While each claim is individually small, a high volume of such matters (including tribunal cases, mediation demands and regulatory complaints) may increase refund, repair or goodwill costs, as well as administrative and staffing burdens associated with case handling, document production and attendance at hearings. This may divert management attention, delay transactions, and raise our operating expenses, including potential external advisory and compliance costs. Persistent disputes can also harm our reputation by undermining customer confidence in our products and services, reducing trust in our brand and influence prospective buyers' purchasing decisions. Moreover, adverse outcomes in even a minority of cases could set expectations for other claimants, resulting in copy-cat filings and higher settlement benchmarks.

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

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

- lack of suitable acquisition candidates;

- intense competition with other auction groups or new industry consolidators for suitable acquisitions;
- difficulties in assimilating and integrating the operations, personnel, systems, data, technologies, products and services of the acquired business;
- inability of the acquired technologies, products or businesses to achieve expected levels of revenue, profitability, productivity or other benefits;
- difficulties in retaining, training, motivating and integrating key personnel;
- assumption of contractual obligations that contain terms that are not beneficial to us, require us to license or waive intellectual property rights or increase our risk for liability; and
- unexpected costs and unknown risks and liabilities associated with strategic investments or acquisitions.

We may not make any investments or acquisitions, or any future investments or acquisitions may not be successful, may not benefit our business strategy, may not generate sufficient revenues to offset the associated acquisition costs or may not otherwise result in the intended benefits. In addition, we cannot assure you that any future investment in or acquisition of new businesses or technology will lead to the successful development of new or enhanced service offerings and that any new or enhanced technology or services, if developed or offered, will achieve market acceptance or prove to be profitable.

We have limited business, disruption or litigation insurance coverage.

We maintain certain insurance policies to safeguard us against risks and unexpected events, including property insurance for inventory, public liability insurance for accidents in business operations which cause personal injury or property damage to a third party, employer liability insurance, product quality and safety insurance and genuine products guarantee insurance. We provide social security insurance including pension insurance, unemployment insurance, work related injury insurance, maternity insurance and medical insurance for our employees. We do not maintain business interruption insurance. We consider our insurance coverage to be sufficient for our business operations in China. However, we cannot assure you that our insurance coverage is sufficient to prevent us from any loss or that we will be able to successfully claim our losses under our current insurance policy on a timely basis, or at all. If we incur any loss that is not covered by our insurance policies, or the compensated amount is significantly less than our actual loss, our business, financial condition and results of operations could be materially and adversely affected.

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

The automotive service business in China is regulated by the PRC government. As the interpretation and implementation of relevant laws and regulations and the enforcement practices by relevant governmental authorities continue to evolve, if the relevant governmental authorities consider that we were operating without proper approvals, licenses or permits, or if the relevant governmental authorities promulgate new laws and regulations that require additional approvals or licenses or impose additional restrictions on the operation of any part of our business and we are not able to obtain such approvals, licenses or permits or adjust our business model in a timely manner or at all, they have the power, among other things, to levy fines, confiscate our income, and require us to discontinue our relevant business, thus affecting our business adversely.

In particular, as of the Latest Practicable Date, 12 of our sales centers had not obtained the requisite construction permits and 12 of our sales centers had not obtained the requisite completion acceptance filings under applicable PRC laws and regulations in respect of their renovation works. The maximum aggregate potential fines in respect of these non-compliances are estimated at approximately RMB124,000 and RMB6,000,000, respectively. Although we have not been subject to any such fines or penalties during the Track Record Period and up to the Latest Practicable Date, we cannot assure you that no such fines or penalties will be imposed on us in the future.

Certain of our sales centers have not completed the requisite fire safety acceptance filings and fire safety inspection permit as required under applicable PRC laws and regulations, which may subject us to potential administrative fines or penalties. While we have not received any such material fines or penalties during the Track Record Period and up to the Latest Practicable Date, we cannot ensure that no future fines or penalties will be imposed upon us for our failure to complete these approvals, filings and inspections. See "Business – Compliance – Fire Safety Filings."

RISKS RELATED TO THE JURISDICTIONS WHERE WE OPERATE

Changes in China's economic, political or social conditions or government policies could have an adverse effect on our business and operations.

Substantially all of our operations are located in China. Accordingly, our business prospects, financial condition and results of operations may be influenced to a significant degree by political, economic and social conditions in China generally and by continued economic growth in China as a whole. The PRC government regulates the PRC economy through allocating resources, regulating payments of foreign currency-denominated obligations, setting monetary policy, and providing preferential treatment to particular industries or companies. Any adverse changes in the economic conditions or government policies in the PRC could materially and adversely affect our industry and our business.

We may be subject to risks associated with international trade policies, geopolitics, trade protection and national security measures, including imposition of trade restrictions and sanctions, and our reputation, business, results of operations and financial condition could be adversely affected.

Our business, financial condition and results of operations may be influenced by the general political, economic and social conditions in the country where we operate. Governments worldwide have implemented, and may continue to introduce, among others, various policies and measures to encourage the economic growth and guide the allocation of resources. The used-vehicle industry in general is affected by macro-economic factors, including international, national, regional and local economic conditions, trade relationships, employment levels, consumer demand and discretionary spending. Any changes in these factors may have material and adverse effect on our business, financial condition and results of operations. Particularly, capital controls or tariffs, may affect the demand for our services, impact our competitive position, or prevent us from being able to conduct business in certain countries.

Our business operations may also be impacted by development in regulations governing cross-border investment policies. Changes in international investment policies could materially and adversely impact our business and operating results. In particular, in January 2025, a U.S. rule went into effect that prohibits or requires the submission of notifications in connection with U.S. outbound investment in Chinese-affiliated companies engaged in certain activities involving specified sensitive technologies sectors (AI, semiconductors and microelectronics, and quantum information technologies) and issued a broadly worded "America First Trade Policy" and an "America First Investment Policy" that seek to further restrict U.S. investments involving China (including possibly expanding technologies subject to the U.S. outbound investment regime and narrowing related exceptions (including those related to publicly traded securities)). In addition, effective on January 2, 2025, the final rule issued by the U.S. Department of the Treasury to implement the executive order of August 9, 2023 (the "Final Rule") imposes investment prohibition and notification requirements on U.S. Persons for a wide range of investments in entities associated with China (including Hong Kong and Macau) that are engaged in activities relating to three sectors: (i) semiconductors and microelectronics, (ii) quantum information technologies, and (iii) AI systems. While we do not believe we are actively impacted by the recent developments in these policies now, they may limit our ability to raise capital or contingent equity capital from U.S. [**REDACTED**] after this [**REDACTED**] given that relevant laws, regulations, and policies continue to evolve.

Failure to respond to changes in the regulatory environment in the region where we operate could have a material adverse effect on our business, results of operations and financial conditions.

Our business, financial condition and future prospects may be influenced by the regulatory environment in the country in which we operate. As the majority of our business, assets and operations are located in the PRC, we remain particularly exposed to the evolving regulatory landscape and macroeconomic conditions within the PRC. While the regulation of used-vehicle transaction platforms continues to evolve, if we fail to be sensitive to changes in regulatory environment, we may be fined or involved in lawsuits, which may in turn affect our business. As we are expanding our overseas market, the potential changes in the diverse regulatory environment of the local jurisdictions may cause trouble in operations. While we proactively implement strategic measures to manage these risks, there can be no assurance that such efforts will be successful in providing protection against potential adverse outcomes in all circumstances.

Our business generates and processes a large amount of data and we are required to comply with PRC and other applicable laws relating to privacy and cybersecurity. Any failure or perceived failure to comply with data protection and information security laws, or other concerns about our practices or policies with respect to the collection, use, storage, retention, transfer, disclosure, and other processing of data, could damage our reputation and deter current and potential customers from using our solutions.

Our business operations involve the collection, use, storage, retention, transfer, disclosure, and other processing of data. See "Business — Data Privacy and Security." Accordingly, our business operations are subject to various data privacy and security laws, such as PRC Data Security Law (《中華人民共和國數據安全法》), revised Cybersecurity Review Measures (《網絡安全審查辦法》), Administration Regulations on Cyber Data Security (《網絡數據安全管理條例》), Personal Information Protection Law (《中華人民共和國個人信息保護法》). See "Regulatory Overview — Regulations on Cybersecurity. We may become subject to additional regulatory requirements regarding data protection and data privacy, which may necessitate adjustments to our data framework and incur additional costs. Any failure or perceived failure to comply with data privacy and security laws, or other concerns about our practices or policies with respect to the collection, use, storage, retention, transfer, disclosure and other processing of data and cybersecurity, could subject us to potential liabilities, reputational damage, and loss of customer trust. In addition, our compliance costs and operational complexity may increase in line with our business expansion. Any failure to closely monitor the relevant regulatory evolvements could subject us to potential liabilities, further materially and adversely affecting our business, financial condition and results of operations.

Legal defects regarding some of our leased properties and failure to renew our current leases or locate desirable alternatives for our leased properties could affect our business.

As of the Latest Practicable Date, for certain sales centers operated by us, we have not been provided by the lessors with the applicable certificates, approvals or any other documentation proving their right to lease those properties to us or the actual use of such premises is not consistent with the designated use of premises as stated in the relevant ownership certificate. If our lessors are not the owners of the properties and they have not obtained consents from the owners or their lessors or permits from the relevant governmental authorities, our leases could be invalidated. If this occurs, we may have to renegotiate the leases with the owners or other parties who have the right to lease the properties, and the terms of the new leases may be less favorable to us. In addition, in the event that our use of properties is successfully challenged, we may be forced to relocate with limited notice. Moreover, we may become involved in disputes with the property owners or third parties that otherwise have rights to or interests in our leased properties. We can provide no assurance that we will be able to find suitable replacement sites on terms acceptable to us on a timely basis, or at all, or that we will not be subject to material liability resulting from third parties' challenges on our use of such properties.

As of the Latest Practicable Date, 10 of our leased property which we use as sales centers was located on collectively owned land or allocated land, while the lessor failed to provide documentary evidence of the internal decision-making procedures of the relevant collective economic organizations or authorization from relevant authorities. With respect to these properties, we may not be able to lease, occupy and use such leased properties if our lease of the relevant properties has not obtained the internal decision-making consent of the corresponding collective economic organization or authorization from relevant authorities.

Furthermore, the leasehold interests of our self-operated sales centers have not been registered with the relevant PRC governmental authorities as required by PRC law. Failure to complete the lease registration will not affect the legal effectiveness of the lease agreements according to PRC law, but the real estate administrative authorities may require the parties to the lease agreements to complete lease registration within a prescribed period of time, and failure to do so may subject the parties to fines from RMB1,000 to RMB10,000 for each of such lease agreements. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any actions, claims or investigations threatened against us or our lessors with respect to the defects in our leasehold interests which may have a material adverse impact on our business, financial condition and results of operation. However, if any of our leases is terminated as a result of challenges by third parties or governmental authorities for lack of title certificates or proof of authorization to lease, we do not expect to be subject to any fines or penalties, but we may be forced to relocate the affected offices or sales centers with limited notice and incur additional expenses relating to such relocation.

Additionally, we may not be able to successfully extend or renew such leases upon expiration, on commercially reasonable terms or at all, and may be forced to relocate the affected operations. We may not be able to locate desirable alternative sites for our facilities as our business continues to grow and failure in relocating our operations when required could adversely affect our business and operations.

You should assess the legal protections you are entitled to under the legal system in China.

The laws and regulations in China are subject to revisions or interpretations from time to time. New laws, regulations, guidelines and interpretations that are promulgated in the future may affect the rights and obligations of the parties involved. In addition, legal cases are not official legal sources in China, and prior court decisions may be cited for reference but may not have binding authority. Therefore, you should assess the legal protections you are entitled to under legal system in China.

We may be subject to the approval or other requirements of the CSRC or other PRC governmental authorities in connection with overseas offerings and future capital raising activities.

On February 17, 2023, the CSRC issued the Overseas Listing Trial Measures and five supporting guidelines, which had become effective on March 31, 2023 (the "Overseas Listing Regulations"). The Overseas Listing Regulations are applicable to overseas securities offerings and listings conducted by issuers who are (i) companies incorporated in the PRC and (ii) companies incorporated overseas with substantial operations in the PRC. The Overseas Listing Regulations lay out the arrangements for regulatory filings for both direct and indirect overseas offerings, and clarify the determination criteria for indirect overseas offerings in overseas markets. See "Regulatory Overview — Regulations Relating to M&A and Overseas Listing" for more details. The Overseas Listing Regulations, or any pertinent rules or regulations promulgated in the future, may subject us, or our future financing activities, to additional compliance requirements in the future. Any failure on our part to fully comply with the new regulatory requirements may significantly limit or completely hinder our future financing activities.

Fluctuations in exchange rates may result in foreign currency exchange losses and may have a material adverse effect on your [REDACTED] in our Shares.

A significant portion of our revenue and cash flow is denominated in Renminbi. Although Renminbi is freely convertible for current account purposes, conversion and remittance remain subject to PRC foreign exchange regulations. Capital account conversions — such as foreign currency loans or equity financings for our PRC subsidiaries — continue to require regulatory approval and may be subject to delay or denial. We must also obtain approvals to convert large amounts of foreign currency into RMB, which may not always be granted. Regulation on currency conversion could limit our ability to use RMB generated cash to fund offshore operations, service foreign currency obligations, or distribute dividends to shareholders.

In addition, the RMB exchange rate is subject to fluctuations driven by PRC government policies and domestic and global economic conditions. RMB appreciation would reduce the value of [**REDACTED**] we receive in Hong Kong dollars from the [**REDACTED**], while RMB depreciation could reduce the value of our Shares and dividends in foreign currency terms. Any of these factors could materially and adversely affect our business, financial condition, results of operations, and the value of our Shares.

The M&A Rules and certain other relevant regulations may make it more difficult for us to pursue growth through acquisitions, and development to or failure to comply with anti-monopoly and competition laws could adversely affect our business, financial condition, or operating results.

PRC regulations — primarily the M&A Rules, related security-review measures, and the Anti-monopoly Law — impose approval, filing, and national-security review requirements on foreign investors acquiring PRC domestic enterprises, especially where the transaction may result in foreign control, involve sensitive industries, or meet merger-control thresholds. These rules make foreign M&A transactions more complex and time-consuming, and prohibit structuring around review requirements. For further details, see "Regulatory Overview — Regulations Related to M&A Rules."

In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from MOFCOM or its local counterpart or anti-monopoly law enforcement agency may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

We may be classified as a "PRC resident enterprise" for PRC enterprise income tax purposes, which may result in unfavorable tax consequences to us and our Shareholders and have a material adverse effect on our results of operations and the value of your [REDACTED].

Under PRC tax rules, an offshore company may be deemed a PRC tax resident — and therefore taxed at 25% on its worldwide income — if its "de facto management body," meaning the place where key management, financial, personnel, and operational decisions are made, is located in China. See "Regulatory Overview — Regulation Related to Taxation" for more detailed description of the criteria. While the determining criteria apply only to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, they may reflect the tax authority's general position on how the "de facto management body" test should be applied in determining the tax resident status of offshore enterprises, regardless of whether they are controlled by PRC enterprises or PRC enterprise groups.

We believe our non-PRC entities are not PRC resident enterprises, but this determination is subject to the discretion of PRC tax authorities and their interpretation of "de facto management body" at the time. If we were deemed a PRC resident enterprise, we would be subject to 25% PRC enterprise income tax on our global income, which could materially reduce our profitability and cash flow. In addition, dividends we pay to non-PRC enterprise shareholders could be subject to a 10% withholding tax, and non-PRC individual shareholders could be subject to 20% tax on dividends and gains from our Shares if such income is treated as PRC-sourced. These rates may be reduced under applicable tax treaties, but it is uncertain whether non-PRC shareholders would be able to claim treaty benefits in such circumstances. Any such tax could reduce the returns on your [**REDACTED**].

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

An indirect transfer of PRC taxable assets, including equity interests in a PRC resident enterprise, may be subject to PRC enterprise income tax if the transfer by a non PRC resident enterprise lacks reasonable commercial purpose and is viewed as an arrangement to avoid PRC tax. Gains from transfers connected to a PRC establishment are taxed at 25%, while gains from transfers of PRC immovable property or equity not associated with a PRC establishment are generally taxed at 10%, subject to treaty relief, and the payment making party must withhold such tax. See "Regulatory Overview — Regulation Related to Taxation" for the detailed requirements.

We may therefore incur PRC tax, filing, or withholding obligations in connection with past or future transactions involving PRC taxable assets — such as offshore restructurings or transfers of shares in our offshore subsidiaries — if we fall within these rules. As transferor, we may be required to file and pay tax; as transferee, we may be required to withhold tax, and failure to comply may result in penalties. Our WFOE may also be required to assist with tax filings relating to transfers of our Shares by non-PRC resident [**REDACTED**]. Complying with these requirements, or demonstrating that they do not apply, may require significant resources and could adversely affect our business, results of operations, financial condition, and prospects.

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

We are an offshore holding company conducting our operations in China through our PRC subsidiaries. We may make loans to our PRC subsidiaries subject to the approval from governmental authorities and requirements on the available loan amount, or we may make additional capital contributions to our wholly foreign-owned subsidiaries in China.

Any loans to our wholly foreign-owned subsidiaries in China, which are treated as foreign-invested enterprises under PRC law, are subject to PRC regulations and foreign exchange loan registrations. According to the relevant PRC regulations on foreign-invested enterprises in China, capital contributions to our PRC subsidiaries are subject to the requirement of making necessary filings or reports in the Foreign Investment Comprehensive Management Information System, and registration with a local bank authorized by State Administration of Foreign Exchange (the "SAFE") and also registration with the local branch of State Administration for Market Regulation. In addition, any foreign loan procured by our PRC subsidiaries is required to be registered with SAFE or its local branches. Also, any medium- or long-term loan exceeding one year to be provided by us must be recorded and registered by the National Development and Reform Committee. The amount of foreign loans procured by our PRC subsidiaries are also subject to statutory limits, which is either in the difference between the registered capital and the total investment amount of such PRC subsidiaries or a multiple of their net assets. We may not be able to complete such recording, filing or registrations on a timely basis, if at all, with respect to future capital contributions or foreign loans by us directly to our PRC subsidiaries. If we fail to complete such recording, filing or registrations, our ability to use the [**REDACTED**] of the [**REDACTED**] and to capitalize our PRC operations may be negatively affected, which could adversely affect our liquidity and our ability to fund and expand our business.

PRC regulations may restrict our ability to distribute dividends from our PRC subsidiaries.

We are a holding company incorporated in the Cayman Islands. PRC regulations restrict the ability of our PRC subsidiaries to make dividends and other payments to us. Under PRC law, our PRC subsidiaries may only pay dividends out of their accumulated profits as determined in accordance with PRC accounting standards. In addition, each of our PRC subsidiaries is required to set aside at least 10% of its after-tax profits each year to fund a statutory reserve fund until the aggregate amount of such fund reaches 50% of its registered capital. Our PRC subsidiaries are not permitted to distribute any profits until any losses from prior fiscal years have been offset. Furthermore, any dividend payments must be approved by the shareholders of the relevant PRC subsidiary. These restrictions could materially and adversely affect our ability to fund our operations outside of China.

Failure to make adequate contributions to various employee benefit plans as required by PRC regulations may subject us to penalties.

Pursuant to PRC laws and regulations, we are required to participate in various employee benefit plans, including pension insurance, unemployment insurance, medical insurance, work-related injury insurance, maternity insurance, and the housing provident fund, and contribute to these plans and fund at the levels specified by the relevant local government authorities from time to time at locations where we operate our business. During the Track Record Period, we did not make full contributions to the social insurance plans and the housing provident fund as required under the relevant laws and regulations. During the Track Record Period and up to the Latest Practicable Date, no competent government authorities had imposed administrative actions, fines or penalties on us with respect to these incidents or required us to settle the outstanding amount of social insurance payments and housing provident funds. However, there can be no assurance that the competent government authorities will not require us to settle the outstanding amount within the specified time limit or impose late payment penalties on us, which may adversely affect our business, financial position and results of operations.

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

Our financing partners and payment companies are subject to anti-money laundering obligations under applicable anti-money laundering laws and regulations and are regulated in that respect by the People's Bank of China, or the PBOC. If any of our third-party service providers fail to comply with applicable anti-money laundering laws and regulations, our reputation could suffer and we could become subject to regulatory intervention, which could have a material adverse effect on our business, financial condition and results of operations. Any negative perception of the industry, such as that arises from any failure of other loan facilitation service providers, consumer finance marketplaces or e-commerce platform for buying and selling used cars to detect or prevent money laundering activities, even if factually incorrect or based on isolated incidents, could compromise our image or undermine the trust and credibility we have established.

Certain judgments obtained against us by our shareholders may be difficult to enforce.

We are an exempted company incorporated in the Cayman Islands, and substantially all of our current operations are conducted in China. Judgments rendered by Hong Kong courts may be recognized and enforced in the PRC if the requirements set forth by the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by Courts of Mainland and of the Hong Kong Special Administrative Region Pursuant to Consensual Jurisdiction (《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》) are met. Nonetheless, it may be difficult for you to effect service of process within Hong Kong upon us or these persons, or to bring an action in Hong Kong against us or against these individuals in the event that you believe that your rights have been infringed under the applicable securities laws or otherwise. In addition, it may be difficult for you to bring an original action against us or our PRC resident officers and directors in a PRC court based on the liability provisions of non-PRC securities laws. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands and of regions where we operate may render you difficult to enforce a judgment against our assets or the assets of our Directors and officers.

RISKS RELATED TO THE [REDACTED]

There has been no public market for our Shares prior to the [REDACTED], and you may not be able to resell our Shares at or above the [REDACTED] you pay, or at all.

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

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

The [**REDACTED**] of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong and elsewhere in the world. In particular, the performance and fluctuation of the market prices of other companies with business operations located mainly in China that have listed their securities in Hong Kong may affect the volatility in the [**REDACTED**] of and [**REDACTED**] for our Shares. A number of China-based companies have listed their securities, and some are in the process of preparing to list their securities in Hong Kong. Some of these companies have experienced significant volatility, including significant price declines after their initial public offerings. The trading performances of the securities of these companies at the time of or after their offerings may affect the overall investor sentiment towards China-based companies listed in Hong Kong and consequently may impact the [**REDACTED**] performance of our Shares. These broad market and industry factors may significantly affect the [**REDACTED**] and [**REDACTED**] of our Shares, regardless of our actual operating performance. In addition, short seller reports attacking us could also negatively impact the [**REDACTED**] of our Shares. Public companies that have substantially all of their operations in China have been the subject of short selling, and much of the scrutiny and negative publicity has centered on allegations in areas such as financial reporting, accounting and corporate governance. If we cannot respond timely to the allegations in the short seller reports, the [**REDACTED**] of our Shares will continue to fluctuate significantly after such attack. Further, regardless of whether such allegations are grounded, we could have to expend a significant amount of resources to investigate such allegations and/or defend ourselves.

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

The [**REDACTED**] for our Shares will be influenced by research or reports that industry or securities analysts publish about our business. If research analysts do not establish and maintain adequate research coverage or if one or more analysts who cover us downgrade our Shares or publish inaccurate or unfavorable research about our business, the [**REDACTED**] for our Shares would likely decline. If one or more of these analysts cease to cover us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which, in turn, could cause the [**REDACTED**] or [**REDACTED**] for our Shares to decline.

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

Future sales of a substantial number of our Shares, especially by our Directors, executive officers and substantial Shareholders, or the perception or anticipation of such sales, could negatively impact the [**REDACTED**] of our Shares in Hong Kong and our ability to raise equity capital in the future at a time and price that we deem appropriate. The Shares held by our existing Shareholders are subject to certain lock-up periods beginning on the date on which [**REDACTED**] in our Shares commences on the Stock Exchange. While we are currently not aware of any intention of such persons to dispose of significant amounts of their Shares after the expiry of the lock-up periods, we cannot assure you that they will not dispose of any Shares they may own now or in the future. Market sale of Shares by such Shareholders and the availability of these Shares for future sale may have negative impact on the [**REDACTED**] of our Shares.

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

The [**REDACTED**] of our Shares is higher than the net tangible assets book value per Share immediately prior to the [**REDACTED**]. Therefore, purchasers of our Shares in the [**REDACTED**] will experience an immediate dilution. If we issue additional Shares in the future, purchasers of our Shares in the [**REDACTED**] may experience further dilution in their shareholding percentage.

We cannot assure you that the Shares will remain [REDACTED] on the Stock Exchange.

There is no guarantee of the continued [**REDACTED**] of the Shares. Among other factors, our Company may not continue to satisfy the [**REDACTED**] requirements of the Stock Exchange. Holders of the Shares would not be able to [**REDACTED**] their Shares through [**REDACTED**] on the Stock Exchange if the Shares were no longer [**REDACTED**] on the Stock Exchange.

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

This document, particularly "Industry Overview," contains information and statistics relating to the used vehicle industry in China. Such information and statistics have been derived from various government publications, other third-party reports, either commissioned by us or publicly accessible, and other publicly available sources. We believe that the sources of the information are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. However, the information from official government sources has not been independently verified by us, the Sole Sponsor, 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. Collection methods of such information may be flawed or ineffective, or there may be discrepancies between published information and market practice, which may result in the statistics being inaccurate or not comparable to statistics produced for other economies. In addition, we cannot assure you that such information is stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In any event, you should consider carefully the importance placed on such information or statistics.

We cannot assure you that we will declare and distribute any amount of dividends in the future, and you may have to rely on price appreciation of our Shares for return on your [REDACTED].

We did not declare or distribute dividends to our Shareholders during the Track Record Period. We may pay cash dividends on our ordinary shares in the foreseeable future. There can be no assurance that we will declare and distribute any amount of dividends in the future. Therefore, you should not rely on an [**REDACTED**] in our Shares as a source for any future dividend income.

Our Board of Directors has complete discretion as to whether to distribute dividends, subject to certain restrictions under Cayman Islands law, namely that our Company may only pay dividends either out of profits or share premium account, and provided always that in no circumstances may a dividend be paid if this would result in our Company being unable to pay its debts as they fall due in the ordinary course of business. In addition, our ability to pay dividends or make other distributions to our Shareholders is subject to various factors, including our business and financial performance, capital and regulatory requirements and general business conditions. Moreover, our Shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our Board of Directors. Even if our Board of Directors decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on, among other things, our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions, if any, received by us from our subsidiary, our financial condition, contractual restrictions and other factors deemed relevant by our Board of Directors. Accordingly, the return on your [**REDACTED**] in our Shares will likely depend entirely upon any future price appreciation of our Shares. There is no guarantee that our Shares will appreciate in value or even maintain the price at which you [**REDACTED**] the Shares. You may not realize a return on your [**REDACTED**] in our Shares and you may even lose your entire [**REDACTED**] in our Shares.

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 and enforcing your Shareholder rights.

Our corporate affairs are governed by our Memorandum and Articles 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 Laws" for details. 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 our major Shareholders, which may provide different remedies to minority Shareholders when compared to the laws of the jurisdiction in which such shareholders are located.

Our Controlling Shareholders have significant influence over our Company and their interests may not be aligned with the interests of our other Shareholders.

Immediately upon the completion of the [**REDACTED**], without taking into account any Shares which may be issued pursuant to the exercise of the [**REDACTED**] and any Shares which may be allotted and issued pursuant to the exercise of Share Options, our Controlling Shareholders will collectively control approximately [**REDACTED**]% of the voting power at general meetings of our Company. Our

Controlling Shareholders will, through their voting power at the Shareholders' meetings and their delegates on the Board, have significant influence over our business and affairs, including decisions in respect of mergers or other business combinations, acquisition or disposition of assets, issuance of additional Shares or other equity securities, timing and amount of dividend payments, and our management. Our Controlling Shareholders may not act in the best interests of our minority Shareholders. In addition, without the consent of our Controlling Shareholders, we could be prevented from entering into transactions that could be beneficial to us. This concentration of ownership may also discourage, delay or prevent a change in control of our Company, which could deprive our Shareholders of an opportunity to receive a premium for the Shares as part of a sale of our Company and may significantly reduce the [**REDACTED**] of our Shares.

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

We strongly caution you not to rely on any information contained in press articles or other media regarding us and the [**REDACTED**]. Prior to the publication of this document, there has been press and media coverage regarding us and the [**REDACTED**]. Such press and media coverage may include references to certain information that does not appear in this document, including certain operating and financial information and projections, valuations and other information. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this document, we disclaim responsibility for it and you should not rely on such information.

Forward-looking statements contained in this document are subject to risks and uncertainties.

This document contains forward-looking statements with respect to our business strategies, operating efficiencies, competitive positions, and growth opportunities for existing operations, plans and objectives of management, certain [**REDACTED**] information and other matters.

The words "anticipate," "believe," "could," "potential," "continue," "expect," "intend," "may," "plan," "seek," "will," "would," "should" and the negative of these terms and other similar expressions identify a number of these forward-looking statements. These forward-looking statements, including, among others, those relating to our future business prospects, capital expenditure, cash flows, working capital, liquidity and capital resources, are necessary estimates reflecting the best judgment of our Directors and management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. As a consequence, these forward-looking statements should be considered in light of various important factors, including those set out in "Risk Factors." Accordingly, such statements are not a guarantee of future performance and 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.