Table of Contents

# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

## FORM 20-F

**(Mark One)**

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

**OR**

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the fiscal year ended December 31, 2024**

**OR**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**OR**

☐ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**Date of event requiring this shell company report _____**

**For the transition period from _____ to _____**

**Commission file number 001-38261**

# Kaixin Holdings

(Exact name of Registrant as specified in its charter)

**N/A**

(Translation of Registrant's name into English)

**Cayman Islands**

(Jurisdiction of incorporation or organization)

**Unit B2-303-137,198 Qidi Road**
**Beigan Community, Xiaoshan District**
**Hangzhou, Zhejiang Province**
**People's Republic of China**

(Address of principal executive offices)

**Yi Yang**
**Chief Financial Officer**
**Kaixin Holdings**
**9/F, Tower A, Dongjin International Center**
**Huagong Road,**
**Chaoyang District, Beijing 100015**
**People's Republic of China**
**Phone: +86 10 6720 4948**
**Email: lucy.yang@kaixin.com**

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Class A ordinary shares, par value US$0.045 per share | KXIN | Nasdaq Capital Market |

Securities registered or to be registered pursuant to Section 12(g) of the Act:

**None**

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

**None**

(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

As of December 31, 2024, there were 5,489,162 Class A ordinary shares issued and outstanding, par value of US$0.045 per share, and 1,100,000 Class B ordinary shares issued and outstanding, par value of US$0.045 per share.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes ☐ No ☒

Note – Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | |
|---|---|
| Large accelerated filer ☐ | Accelerated filer ☐ |
| Non-accelerated filer ☒ | Emerging growth company ☐ |

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act. ☐

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

| | | |
|---|---|---|
| U.S. GAAP ☒ | International Financial Reporting Standards as issued by the International Accounting Standards Board ☐ | Other ☐ |

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. ☐ Item 17 ☐ Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ☐ No ☐

## TABLE OF CONTENTS

# INTRODUCTION

## Conventions Used in this Annual Report

In this Annual Report, unless otherwise indicated or the context otherwise requires, references to:

- "Business Combination" are the transactions contemplated by the share exchange agreement dated as of November 2, 2018 by and among CM Seven Star Acquisition Corporation, KAG and Moatable, pursuant to which we acquired 100% of the equity interests of KAG from Moatable on April 30, 2019;
- "China" or the "PRC" are to the People's Republic of China and "mainland China" refers to the People's Republic of China, excluding Hong Kong, Macau and Taiwan;
- "Dealerships" are to our dealership businesses operated by special purpose holding companies in which we possess majority ownership and voting control;
- "Dealership Outlets" are to retail premises operated by our Dealerships;
- "Haitaoche" are to Haitaoche Limited;
- "Haitaoche Acquisition" are to the transaction closed on June 25, 2021 in which Kaixin issued to shareholders of Haitaoche an aggregate of 74,035,502 ordinary shares of Kaixin in exchange of 100% share capital of Haitaoche;
- "Hong Kong" or "HK" are to the Hong Kong Special Administrative Region of the PRC;
- "Jieying Legal Representative" are to the former legal representative of Anhui Xin Jieying Auto Retail Co., Ltd., Mr. Xiaolei Gu;
- "KAG" are to Kaixin Auto Group, our wholly-owned subsidiary acquired from Moatable;
- "Kaixin", "we", "us", "our company" or "our" are to Kaixin Holdings (formerly known as Kaixin Auto Holdings), our Cayman Islands holding company and its subsidiaries;
- "PRC subsidiaries" are to our subsidiaries incorporated in mainland China;
- "ordinary shares" are to our Class A and Class B ordinary shares, par value US$0.045 per share (as retroactively adjusted to reflect the 1-for-60 share consolidation effected on October 25, 2024);
- "Moatable" are to Moatable, Inc. (formerly known as Renren Inc.);
- "PRC subsidiaries" are to our subsidiaries incorporated in mainland China;
- "RMB" or "Renminbi" are to the legal currency of China;
- "Shanghai Auto" are to Shanghai Renren Automotive Technology Group Co., Ltd., our wholly-owned PRC subsidiary;
- "US$", "U.S. dollars", "$" or "dollars" are to the legal currency of the United States;
- "U.S. GAAP" are to accounting principles generally accepted in the United States; and

- "Variable interest entity", "VIE" or "VIEs" are to our historical variable interest entities, Shanghai Qianxiang Changda Internet Information Technologies Development Co., Ltd. ("Qianxiang Changda"), Anhui Xin Jieying Auto Retail Co., Ltd. ("Anhui Xin Jieying", former name as Zhejiang Jieying Auto Retail Co., Ltd. and Shanghai Jieying Auto Retail Co., Ltd.), Ningbo Jiusheng Automobile Sales and Services Co., Ltd. ("Ningbo Jiusheng"), and Qingdao Shengmeilianhe Import Automobile Sales Co., Ltd. ("Qingdao Shengmeilianhe"), which were no longer in a contractual arrangement with us since the completion of the disposal of Renren Finance Inc, on October 27, 2022 by KAG. VIEs were 100% owned by PRC citizens and a PRC entity owned by PRC citizens, and are consolidated into our consolidated financial statements for the period till the completion of the disposal of Renren Finance Inc, which was later named as Shanghai Wuxiajindongxue Technology Co., Ltd, in accordance with U.S. GAAP as if they were our wholly-owned subsidiaries.

Our reporting currency is the U.S. dollar. This Annual Report contains translations of Renminbi amounts into U.S. dollars at specific rates solely for the convenience of the reader. The conversion of Renminbi into U.S. dollars in this Annual Report is based on the rate certified for customs purposes by the Federal Reserve Bank of New York. Unless otherwise noted, all translations from Renminbi to U.S. dollars and from U.S. dollars to Renminbi in this Annual Report were made at a rate of RMB 7.2993 to US$1.00, the noon buying rate in effect as of December 31, 2024 set forth in the H.10 statistical release of the U.S. Federal Reserve Board. We make no representation that any Renminbi or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or Renminbi, as the case may be, at any particular rate, the rates stated below, or at all.

A share consolidation ("Share Consolidation") of our Class A ordinary shares and Class B ordinary shares became effective on October 25, 2024 (the "Effective Date"). Pursuant to the Share Consolidation, every sixty issued and unissued Class A ordinary shares and Class B ordinary shares of a par value of US$0.00075 each in the share capital of the Company was consolidated into one consolidated Class A ordinary share and Class B ordinary shares, of a par value of US$0.045. From a Cayman Islands legal perspective, the Share Consolidation does not have any retroactive effect on our Class A ordinary shares and Class B ordinary shares prior to the Effective Date. However, for accounting purposes only, references to our Class A ordinary shares and Class B ordinary shares in this description are stated as having been retroactively adjusted and restated to give effect to the Share Consolidation, as if the Share Consolidation had occurred by the relevant earlier date.

## FORWARD-LOOKING INFORMATION

**Special Note Regarding Forward-Looking Statements**

This Annual Report contains forward-looking statements that reflect our current expectations and views of future events. These forward looking statements are made under the "safe-harbor" provisions of the U.S. Private Securities Litigation Reform Act of 1995. Known and unknown risks, uncertainties and other factors, including those listed under "Item 3. Key Information — D. Risk Factors", may cause our actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements.

You can identify these forward-looking statements by words or phrases such as "may", "will", "expect", "anticipate", "aim", "estimate", "intend", "plan", "believe", "likely to", "potential", "continue" or other similar expressions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements include, but are not limited to, statements about:

- our goals and strategies;
- our future business development, financial conditions and results of operations;
- the expected growth of the PRC new and used car and related industries;
- our expectations regarding the demand for and market acceptance of our products and services;
- our expectations regarding our relationships with distributors, customers, suppliers, strategic partners and other stakeholders;
- competitions in our industry;
- relevant government policies and regulations relating to our industry; and
- assumptions underlying or related to any of the foregoing.

These forward-looking statements involve various risks and uncertainties. Although we believe that our expectations expressed in these forward-looking statements are reasonable, our expectations may later be found to be incorrect. Our actual results could be materially different from our expectations. Other sections of this Annual Report include additional factors that could adversely impact our business and financial performance. Moreover, we operate in an evolving environment. New risk factors and uncertainties emerge from time to time and it is not possible for our management to predict all risk factors and uncertainties, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. You should read thoroughly this Annual Report and the documents that we refer to with the understanding that our actual future results may be materially different from, or worse than, what we expect. We qualify all of our forward-looking statements by these cautionary statements.

This Annual Report contains certain data and information that we obtained from various government and private publications. Statistical data in these publications also include projections based on a number of assumptions. The PRC automobile industry may not grow at the rate projected by market data, or at all. Failure of this market to grow at the projected rate may have a material adverse effect on our business and the market price of our ordinary shares. Furthermore, if any one or more of the assumptions underlying the market data are later found to be incorrect, actual results may differ from the projections based on these assumptions. You should not place undue reliance on these forward-looking statements.

**PART I**

**ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS.**

Not applicable.

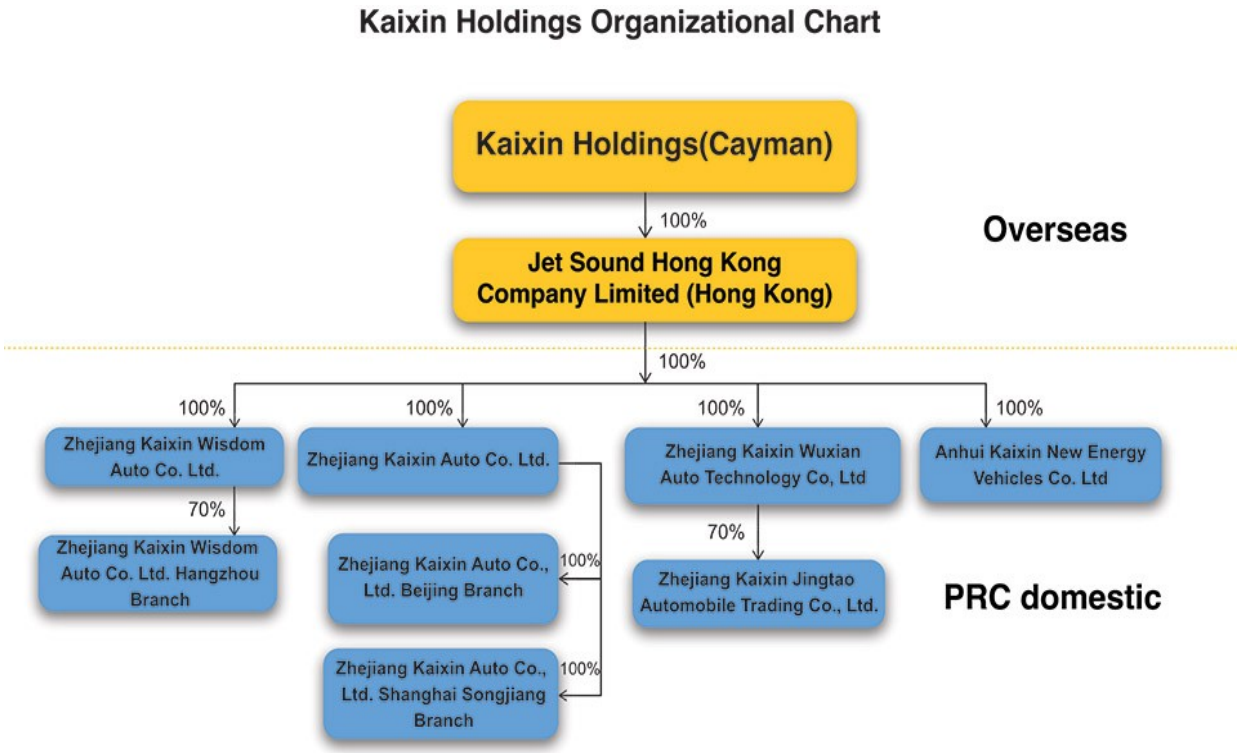
**ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE.**

Not applicable.

**ITEM 3. KEY INFORMATION.**

**Our Holding Company Structure**

Kaixin Holdings is not an operating company in China, but a Cayman Islands holding company. We conduct our operations in mainland China through our PRC subsidiaries. As used in this Annual Report, "we", "us", "our Company", "the Company" or "our" refers to Kaixin Holdings (formerly known as Kaixin Auto Holdings), a Cayman Islands company and its subsidiaries. Investors of our ordinary shares are not purchasing equity interest in our operating entities in China but instead are purchasing equity interest in a Cayman Islands holding company. The chart below sets forth our corporate structure and identifies our subsidiaries and their subsidiaries, as of the date of this Annual Report:



**Permissions Required from the PRC Authorities for Our Operations**

We face various legal and operational risks and uncertainties associated with being based in or having our operations primarily in mainland China and the complex and evolving PRC laws and regulations. For instance, we face risks associated with regulatory approvals on offerings conducted overseas by and foreign investment in China-based issuers, anti-monopoly regulatory actions, and oversight on cybersecurity and data privacy. These risks could result in a material adverse change in our operations and the value of our ordinary shares, significantly limit or completely hinder our ability to offer or continue to offer securities to investors, or cause the value of such securities to significantly decline. For a detailed description of risks related to doing business in China, see "Item 3. Key Information — D. Risk Factors — Risks Related to Doing Business in China."

The PRC government has significant authority in regulating our operations and may intervene or influence our operations at any time, which could result in a material adverse change in our operations and the value of our securities. The PRC government has recently indicated its intent to exert more oversight and control over offerings that are conducted overseas and foreign investment in China-based issuers. Such actions could significantly limit or completely hinder our ability to offer or continue to offer securities to investors and cause the value of such securities to significantly decline or be worthless. For example, anti-monopoly regulators in mainland China have promulgated new anti-monopoly and competition laws and regulations and strengthened the enforcement under these laws and regulations. There remain uncertainties as to how the laws, regulations and guidelines recently promulgated will be implemented and whether these laws, regulations and guidelines will have a material impact on our business, financial condition, results of operations and prospects. If any non-compliance is identified by relevant authorities, we may be subject to fines and other penalties. For more details, see "Item 3. Key Information — D. Risk Factors — Risks Related to Doing Business in China — The Chinese government may exert substantial influence over the manner in which we must conduct our business activities. We are required to file with the CSRC within 3 working days after the subsequent securities offering is completed and we might face warnings or fines if we fail to fulfill related filing procedure. We may become subject to more stringent requirements with respect to matters including cross-border investigation and enforcement of legal claims".

Currently, we are not required to file for a cybersecurity review by the CAC for our past issuance of securities to foreign investors and maintaining our listing status on the Nasdaq, since a company already listed in a foreign stock exchange before promulgation of the latest Cybersecurity Review Measures is not required to file for a cybersecurity review by the CAC to maintain its listing status on the foreign stock exchange on which its securities have been listed. In terms of CSRC filings, according to the Trial Measures, among other things, a domestic company in mainland China that seeks to offer and list securities on overseas markets (either in direct or indirect means) shall fulfill the filing procedures with the CSRC as per requirement of the Trial Measures. Even though we are not required to complete the filing procedures with the CSRC for our historical issuance of securities, we may be required by the Trial Measures to file with the CSRC in connection with future securities offerings and listings outside of mainland China, including follow-on offerings, issuance of convertible bonds, offshore relisting after going-private transactions, and other equivalent offering activities. There remain substantial uncertainties about the interpretation, application and implementation of the laws and regulations relating to the CSRC filing and CAC cybersecurity review. If we fail to obtain any requisite approvals with respect to future offerings of our equity securities to foreign investors, or if we inadvertently conclude that such approvals are required or not required, or if the applicable laws, regulations or interpretations thereof change and we become subject to the requirement of additional permissions or approvals in the future, our ability to execute our financing and equity offering plans may be significantly limited or completely hindered. We cannot assure you that we will be able to obtain such permissions or approvals in a timely manner, or at all, and such approvals may be rescinded even if obtained. Any such circumstance could impede our efforts to improve our liquidity or expand our business operation, and we cannot assure you that there will not be material negative impacts on our financial condition and result of operations, or a significant decline in the value of our ordinary shares. Furthermore, we cannot assure you that authorities of mainland China will not promulgate new laws to further regulate the listing of our ordinary shares, or impose new compliance obligations for us to maintain the listing of our ordinary shares. Certain of our actions in relation to our overseas listing may also constitute a violation of the PRC Securities Law or other relevant laws, and as a consequence, subject us to penalties, including without limitation fines, limitations on our ability of financing activities, or the suspension or termination of certain aspects of our business operations, which may in turn result in substantial difficulty for us to maintain our listing overseas. Any measures taken by the PRC authorities to regulate or exert more control over securities offerings conducted overseas and foreign investments in China-based issuers may limit or hinder our ability to offer or continue to offer securities to investors, and the price of our ordinary shares may decline significantly, leading to a material adverse effect on the value of investments in our ordinary shares by investors.

As of the date of this Annual Report, we and our PRC subsidiaries have received from relevant PRC authorities all requisite licenses, permissions, approvals or certificates needed for operations in China, and no permission or approval has been denied. As of the date of this Annual Report, our Company and the subsidiaries have not been involved in any investigations or review initiated by any PRC regulatory authority, not has any of them received any inquiry, notice or sanction for the business operation, accepting foreign investment or listing on the Nasdaq Stock Market. We are required to continue to comply with the provisions of the laws, regulations and policies of mainland China for the operations of our subsidiaries in mainland China and we remain subject to the supervision of the relevant regulatory authorities of mainland China. However, since these statements and regulatory actions are newly published, it is uncertain what future impact such modified or new laws and regulations will have on our daily business operations, the ability to accept foreign investments and our continued listing on the Nasdaq Stock Market. Given the uncertainties of interpretation and implementation of laws and regulations and the enforcement practice by government authorities, we may be required to obtain additional licenses, permits, filings or approvals for our business and operations in the future. We cannot assure you that we will be able to obtain, in a timely manner or at all, or maintain such licenses, permits or approvals, and we may also inadvertently conclude that such permissions or approvals are not required. Any lack of or failure to maintain requisite approvals, licenses or permits applicable to us or our PRC subsidiaries may have a material adverse impact on our business, results of operations, financial condition and prospects, significantly limit or completely hinder our ability to offer or continue to offer securities to investors, and cause the value of our securities to significantly decline or become worthless.

Risks and uncertainties arising from the legal system in China, including risks and uncertainties regarding the enforcement of laws and quickly evolving rules and regulations in China, could result in a material adverse change in our operations and the value of our ordinary shares. For more details, see “Item 3. Key Information - D. Risk Factors - Risks Related to Doing Business in China - Uncertainties with respect to the interpretation and enforcement of PRC laws, rules and regulations could adversely affect us”.

**Cash and Asset Flows through Our Organization**

Kaixin Holdings transfers cash to its wholly-owned Hong Kong subsidiaries, by making capital contributions or providing loans, and the Hong Kong subsidiaries transfer cash to the PRC subsidiaries by making capital contributions or providing loans to them.

In addition, the majority of our subsidiaries and their PRC subsidiaries receive income in RMB. Shortages in foreign currencies may restrict our ability to pay dividends or other payments, or otherwise satisfy our foreign currency denominated obligations, if any. In addition, under the PRC laws and regulations, our PRC subsidiaries and their subsidiaries are also subject to certain restrictions with respect to paying dividends or otherwise transferring any of their net assets to us. We have no operations outside of PRC, and cash generated from operations in the PRC may not be available for other use outside of the PRC due to interventions in or the imposition of restrictions and limitations on the ability of us, or our subsidiaries by the PRC government to transfer cash. In addition, remittance of dividends by a wholly foreign-owned enterprise out of China is also subject to examination by the banks designated by SAFE. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade-related transactions, can be made in foreign currencies without prior approval from SAFE as long as certain procedural requirements are met. Approval from appropriate government authorities is required if RMB is converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The Chinese government may also, at its discretion, impose restrictions on access to foreign currencies for current account transactions and if this occurs in the future, we may not be able to pay dividends in foreign currencies to our shareholders. See “Item 3. Key Information — D. Risk Factors — Risks Related to Doing Business in China — We may rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements that we may have, and any limitation on the ability of our PRC subsidiaries to make payments to us could have a material and adverse effect on our ability to conduct our business.” and “Item 3. Key Information — D. Risk Factors — Risks Related to Our Corporate Structure – Investing in our securities is highly speculative and involves a significant degree of risk as we are a holding company incorporated in the Cayman Islands. To the extent cash or assets in the business are in the mainland China/Hong Kong or a mainland China/Hong Kong entity, funds or assets may not be available to fund operations or for other use outside of the PRC/Hong Kong due to interventions in or the imposition of restrictions and limitations on the ability of the holding company or its subsidiaries by the PRC government to transfer cash or assets.”

For the years ended December 31, 2022, 2023 and 2024, no dividends or distributions were made to Kaixin by our subsidiaries. Under the PRC laws and regulations, our PRC subsidiaries and VIEs are subject to certain restrictions with respect to paying dividends or otherwise transferring any of their net assets to us. Remittance of dividends by a wholly foreign-owned enterprise out of China is also subject to examination by the banks designated by SAFE. Furthermore, cash transfers from our PRC subsidiaries to entities outside of China are subject to PRC government control of currency conversion. Shortages in the availability of foreign currency may temporarily delay the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations. For risks relating to the fund flows of our operations in China, see "Item 3. Key Information — D. Risk Factors — Risks Related to Doing Business in China — We may rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements that we may have, and any limitation on the ability of our PRC subsidiaries to make payments to us could have a material and adverse effect on our ability to conduct our business".

For the years ended December 31, 2022, 2023 and 2024, no assets other than cash were transferred through our organization. Although we does not have a formal cash management policy in place that dictates how funds shall be transferred between the Company, our subsidiaries or investors, cash transfers are made among the entities based on business needs in compliance of relevant PRC laws and regulations.

Kaixin has not declared or paid any cash dividends, nor does it have any present plan to pay any cash dividends on its ordinary shares in the foreseeable future. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business. See "Item 8. Financial Information — A. Consolidated Statements and Other Financial Information — Dividend Policy". For the Cayman Islands, PRC and U.S. federal income tax considerations applicable to an investment in our ordinary shares, see "Item 10. Additional Information — E. Taxation".

**The Holding Foreign Companies Accountable Act**

The Holding Foreign Companies Accountable Act (the "HFCAA") was enacted on December 18, 2020, as amended by the Consolidated Appropriations Act, 2023. The HFCAA states if the SEC determines that we have filed audit reports issued by a registered public accounting firm that has not been subject to inspection by the PCAOB for three consecutive years beginning in 2021, the SEC shall prohibit our shares from being traded on a national securities exchange or in the over- the-counter trading market in the U.S.

On December 16, 2021, the PCAOB issued a Determination Report which found that the PCAOB was unable to inspect or investigate completely registered public accounting firms headquartered in: (i) mainland China, and (ii) Hong Kong.

On August 26, 2022, the PCAOB signed a Statement of Protocol with the CSRC and Ministry of Finance, taking the first step toward opening access for the PCAOB to inspect and investigate registered public accounting firms headquartered in mainland China and Hong Kong completely, consistent with U.S. law.

On December 15, 2022, the PCAOB announced that it was able to conduct inspections and investigations completely of PCAOB-registered public accounting firms headquartered in mainland China and Hong Kong in 2022. The PCAOB vacated its previous determinations issued in December 2021 accordingly. As of the date of this annual report, the PCAOB has not issued any new determination that it is unable to inspect or investigate completely registered public accounting firms headquartered in any jurisdiction. As a result, we do not expect to be identified as a "Commission-Identified Issuer" under the HFCAA for the fiscal year ended December 31, 2024 after we file our annual report on Form 20-F for such fiscal year. On December 29, 2022, the Consolidated Appropriations Act, 2023, was signed into law, which amended the HFCAA (i) to reduce the number of consecutive non-inspection years required for triggering the prohibitions under the HFCAA from three years to two, and (ii) so that any foreign jurisdiction could be the reason why the PCAOB does not have complete access to inspect or investigate a company's auditors. As it was originally enacted, the HFCAA applied only if the PCAOB's inability to inspect or investigate because of a position taken by an authority in the foreign jurisdiction where the relevant public accounting firm is located. As a result of the Consolidated Appropriations Act, 2023, the HFCAA now also applies if the PCAOB's inability to inspect or investigate the relevant accounting firm is due to a position taken by an authority in any foreign jurisdiction. The denying jurisdiction does not need to be where the accounting firm is located. However, whether the PCAOB will be able to continue to conduct inspections and investigations completely to its satisfaction of PCAOB-registered public accounting firms headquartered in mainland China and Hong Kong is subject to uncertainty and depends on a number of factors out of our, and our auditor's, control, including positions taken by authorities of the PRC. Each year, the PCAOB will determine whether it can inspect and investigate completely audit firms in mainland China and Hong Kong, among other jurisdictions. If PCAOB determines in the future that it no longer has full access to inspect and investigate completely accounting firms in mainland China and Hong Kong and we continue to use an accounting firm headquartered in one of these jurisdictions to issue an audit report on our financial statements filed with the SEC, we would be identified as a Commission-Identified Issuer following the filing of the annual report on Form 20-F for the relevant fiscal year. There can be no assurance that we would not be identified as a Commission-Identified Issuer for any future fiscal year, and if we were so identified for two consecutive years, we would become subject to the prohibition on trading under the HFCAA.

Our current auditor, Onestop Assurance PAC ("Onestop"), the independent registered public accounting firm that issue the audit reports included elsewhere in this Annual Report, is registered with the PCAOB. The PCAOB conducts regular inspections to assess its compliance with the applicable professional standards. Onestop Assurance PAC is headquartered in Singapore and, as of the date of this Annual Report, is not included in the list of PCAOB Identified Firms in the PCAOB Determination Report issued in December 2021. See "Item 3. Key Information – D. Risk Factors – Risks Related to Doing Business in China - If the PCAOB is unable to inspect our auditors as required under the Holding Foreign Companies Accountable Act, the SEC will prohibit the trading of our shares. A trading prohibition for our shares, or the threat of a trading prohibition, may materially and adversely affect the value of your investment. Additionally, the inability of the PCAOB to conduct inspections of our auditors, if any, would deprive our investors of the benefits of such inspections."

**A. [Reserved]**

**B. Capitalization and Indebtedness.**

Not applicable.

**C. Reasons for the Offer and Use of Proceeds.**

Not applicable.

## D. Risk Factors.

**Summary of the Risk Factors**

*An investment in our capital stock involves a high degree of risk. You should carefully consider the risks described below, together with all of the other information included in this Annual Report, before making an investment decision. If any of the following risks actually occurs, our business, prospects, financial condition or results of operations could suffer. In that case, the trading price of our capital stock could decline, and you may lose all or part of your investment. Below please find a summary of the principal risks we face, organized under the relevant headings. The legal and operational risks associated with having operations in mainland China also apply to our presence in Hong Kong. As Hong Kong currently operates under a different set of laws from mainland China, the laws, regulations and the discretion of the governmental authorities in mainland China discussed in this annual report are expected to apply to our entities and businesses in mainland China, rather than entities or businesses in Hong Kong However, there can be no assurance as to whether the government of Hong Kong will enact laws and regulations similar to mainland China, or whether any laws or regulations of mainland China will become applicable to our operations in Hong Kong in the future. These risks are discussed more fully in "Item 3. Key Information—D. Risk Factors."*

***Risks Related to Our Business and Industry***

Risks and uncertainties related to our business and industry include, but are not limited to, the following:

- We have a history of losses and negative cash flows from operating activities, and we may not achieve or maintain profitability in the future.
- We have a limited operating history in the automobile sales business. Our historical financial and operating performance may not be indicative of, or comparable to, its future prospects and results of operations.
- Our subsidiaries and the Dealerships conduct various aspects of their business, and they face risks associated with the Dealerships, their employees and other personnel.
- Our subsidiaries and may not be able to successfully expand or maintain our network of Dealerships.
- Our Dealerships conduct various aspects of our business, and we face risks associated with our Dealerships, their employees and other personnel.
- Any difficulties in identifying, consummating and integrating acquisitions, investments or alliances may expose us to potential risks and have an adverse effect on our business, results of operations or financial condition.
- Our success depends upon the continued contributions of our sales representatives.
- We may need additional capital to pursue our business objectives and respond to business opportunities, challenges or unforeseen circumstances, and financing may not be available on terms acceptable to us, or at all.

***Risks Related to Our Corporate Structure***

Risks and uncertainties related to our corporate structure include, but are not limited to, the following:

- Investing in our securities is highly speculative and involves a significant degree of risk as we are a holding company incorporated in the Cayman Islands. To the extent cash or assets in the business are in the mainland China/Hong Kong or a mainland China/Hong Kong entity, funds or assets may not be available to fund operations or for other use outside of the mainland China/Hong Kong due to interventions in or the imposition of restrictions and limitations on the ability of the holding company or its subsidiaries by the PRC government to transfer cash or assets.
- Our adjustment of corporate structure and business operations and the termination of contractual arrangements with the VIEs may not be liability-free.

***Risks Related to Doing Business in China***

Risks and uncertainties related to conducting business in China include, but are not limited to, the following:

- The Chinese government may exert substantial influence over the manner in which we must conduct our business activities. We are required to file with the CSRC within 3 working days after the subsequent securities offering is completed and we might face warnings or fines if we fail to fulfill related filing procedure. We may become subject to more stringent requirements with respect to matters including cross-border investigation and enforcement of legal claims.

- Recent regulatory initiatives implemented by the PRC competent government authorities on cyberspace data security may have introduced uncertainty in our business operations and compliance status, which could result in materially adverse impact on our business, results of operations and our listing on Nasdaq.

- It may be difficult for overseas shareholders and/or regulators to conduct investigations or collect evidence within China.

- Changes in China's economic, political or social conditions or government policies could have a material adverse effect on our business and operations. The PRC government has significant authority in regulating our operations and may influence or intervene in our operations at any time. Actions by the PRC government to exert more control over offerings conducted overseas by, and foreign investment in, China-based issuers could result in a material change in our operations, and significantly limit or completely hinder our ability to continue to offer securities to investors and cause the value of such securities to significantly decline or be worthless. In such events, our securities could decline in value or become worthless.

- If the PCAOB is unable to inspect our auditors as required under the Holding Foreign Companies Accountable Act, the SEC will prohibit the trading of our shares. A trading prohibition for our shares, or the threat of a trading prohibition, may materially and adversely affect the value of your investment. Additionally, the inability of the PCAOB to conduct inspections of our auditors, if any, would deprive our investors of the benefits of such inspections.

- Uncertainties with respect to the interpretation and enforcement of PRC laws, rules and regulations and the fact that rules and regulations in mainland China can change quickly with little advance notice could adversely affect us. Such uncertainties could limit the legal protections available to you and us, hinder our ability and the ability of any holder of our securities to offer or continue to offer such securities, result in a material adverse change to our business operations, which would materially and adversely affect our financial condition and results of operations and cause our securities to significantly decline in value or become worthless;

***Risks Related to Our Ordinary Shares***

Risks and uncertainties related to our corporate structure include, but are not limited to, the following:

- The market price movement of our ordinary shares may be volatile.

- The sale or availability for sale of substantial amounts of our ordinary shares could adversely affect their market price.

- If securities or industry analysts do not publish research or reports about our business, or if they adversely change their recommendations regarding our ordinary shares, the market price for our ordinary shares and trading volume could decline.

- We may need additional capital, and the sale of additional ordinary shares or other equity securities could result in the additional dilution to our shareholders, while the incurrence of debt may impose restrictions on our operations.

- We are a foreign private issuer within the meaning of the rules under the Exchange Act, and as such we are exempt from certain provisions applicable to United States domestic public companies.

- If we cannot continue to satisfy the continued listing requirements and other rules of the Nasdaq Stock Market, our securities may be delisted, which could negatively impact the price of our securities and your ability to sell them.

The following are detailed descriptions of the risk factors.

**Risks Related to Our Business and Industry**

***We have a history of losses and negative cash flows from operating activities, and we may not achieve or maintain profitability in the future.***

We had not been profitable since 2019. We incurred net losses of US$84.6 million, US$53.6 million and US$41.0 million in 2022, 2023 and 2024, respectively. We also had cash outflows from operating activities of US$2.4 million, US$2.1 million and US$3.0 million in 2022, 2023 and 2024, respectively.

We have experienced recurring losses from operations. As of December 31, 2024, we had an accumulated deficit of US$377.5 million.

We expect that we will continue to incur losses at least in the near term as we invest in and strive to grow our business. We may also incur significant losses in the future for a number of reasons, including possible changes in general economic conditions and regulatory environment, slowing demand for used and new cars and related products and services, increasing competitions, weakness in the automotive retail industry generally, as well as other risks described in this Annual Report, and we may encounter unforeseen expenses, difficulties, complications and delays in generating revenues or profitability. In addition, if we reduce variable costs to respond to losses, this may limit our ability to acquire customers and grow our revenues. Accordingly, we may not achieve or maintain profitability and may continue to incur significant losses in the future.

***We have a limited operating history in the automobile sales business. Our historical financial and operating performance may not be indicative of, or comparable to, its future prospects and results of operations.***

Although Kaixin Auto Group was formed in 2011, it has changed its business model significantly since its initial launch. KAG began as primarily an internet-based financing business and, by that time it was acquired by us, had developed into a used car retailer with strong online and offline presence. In addition, in 2021 we started to implement our plan to expand into electronic vehicle and other business areas.

As a result, our business model has not been fully proven, and we have only a limited operating history with our new business model against which to evaluate our business and future prospects, which subjects us to a number of uncertainties. Accordingly, our historical financial results should not be considered indicative of our future performance and may be less comparable to financial results for future periods.

Additionally, we have encountered and will continue to encounter risks and difficulties frequently experienced by growing companies in rapidly changing industries, including achieving market acceptance of our brand, attracting and retaining customers, increasing competitions, and increasing expenses as we continue to grow our business. We cannot assure you that we will be successful in addressing these and other challenges that we may face in the future, and if we do not manage these risks successfully, our business may be adversely affected. In addition, we may not achieve sufficient revenues or maintain positive cash flows from operations or profitability in any given periods. If our assumptions regarding these risks and uncertainties which we use to plan our business are incorrect, or if we do not address these risks successfully, our operating and financial results could differ materially from our expectations, and our business could suffer.

As the market, the regulatory environment and other conditions evolve, our existing solutions and services may not continue to deliver the expected business results. As our business develops and responds to competitions, we may continue to introduce new services or make adjustments to our existing services, business model or operations in general. Any significant changes to our business model or failure to achieve the intended business results may have a material and adverse impact on our financial condition and results of operations. Therefore, it may be difficult to effectively assess our future prospects.

***Our subsidiaries and their subsidiaries' Dealerships conduct various aspects of their business, and they face risks associated with the Dealerships, their employees and other personnel.***

We rely on the Dealerships of our subsidiaries to conduct significant aspects of our business. As of December 31, 2024, we had three Dealerships. Our control over our Dealerships may not be as effective as if we fully owned these partners' businesses, which could potentially make it difficult for us to manage them.

The Dealerships and their employees directly interact with consumers and other dealerships, and their performance directly affects our reputation and brand image. If our service personnel or those of the Dealerships fail to satisfy the needs of the consumers, respond effectively to their complaints, or provide services to their satisfaction, our reputation and the customers' loyalty could be negatively affected. As a result, we may lose customers or experience a decline in business volume, which could have a material adverse effect on our business, financial condition and results of operations. We do not directly supervise the services provided by the Dealerships and their personnel and may not be able to successfully maintain and improve the quality of their services. Dealerships may also fail to implement sufficient control over their sales, maintenance and other personnel. As a result of the conduct of our business, we may suffer financial losses, incur liabilities and suffer reputational damages. In addition, while violation of laws and regulations by Dealerships has not led to any material claims against us in the past, there can be no assurance that such a claim will not arise in the future which may harm our brand or reputation or have other adverse impacts.

Further, suspension or termination of a Dealership's or a Dealership Outlet's services in a particular geographic area may cause interruption to or failure in our services in the corresponding geographic area. A Dealership operator may suspend or terminate his or her services or cooperation with us for various reasons, many of which are outside our control. For example, due to the intense competition in our industry, existing Dealerships may choose to discontinue their cooperation with us and work with our competitors instead. We may not be able to promptly replace the Dealerships or find alternative ways to serve their geographic areas in a timely, reliable and cost-effective manner, or at all. As a result of any service disruptions associated with Dealerships, our customers' satisfaction, brand, reputation, operations and financial performance may be materially and adversely affected.

***Our subsidiaries may not be able to successfully expand or maintain our network of Dealerships.***

As of December 31, 2024, we had a network of three Dealerships. We have not expanded our network since May 2018. The Dealership network is a foundation of our car sales operations, and we rely on the Dealerships in providing services to car buyers and financial institutions. As China is a large and diverse market, business practices and demands may vary significantly by regions and our experience in the markets in which we currently operate may not be applicable in other parts of China. As a result, we may not be able to leverage our experiences to expand the Dealership network into other parts of China.

Further, we may have difficulties in managing our relationships with the Dealership operators once they have earned the share payouts to which they are entitled. Pursuant to our equity purchase agreements with the Dealership operators, they are entitled to payment of consideration in our ordinary shares based on the Dealerships' performance over five 12-month performance benchmark periods. Following the completion of these performance benchmark periods, we may need to enter into new arrangements with the Dealership operators in order to strengthen our relationships with them and incentivize their performance or begin to directly operate our Dealerships, notwithstanding our ownership and operational control over the Dealerships. For additional information, please see "Item 4. Information on the Company — B. Business Overview — Certain Legal Arrangements — Legal Arrangements with Dealerships".

***Any difficulties in identifying, consummating and integrating acquisitions, investments or alliances may expose us to potential risks and have an adverse effect on our business, results of operations or financial condition.***

We have in the past made and may in the future seek to make acquisitions and investments and enter into strategic alliances to further expand our business. If presented with appropriate opportunities, we may acquire additional businesses, services, resources, or assets, including auto dealerships, that are accretive to our core business.

For example, on December 31, 2020 we entered into definitive agreement to effectuate the Haitaoche Acquisition and issued an aggregate of 74,035,502 ordinary shares on June 25, 2021 through private placement to several former shareholders of Haitaoche in exchange of 100% of the share capital of Haitaoche. On November 2, 2022, the Company signed a share purchase agreement with the shareholders of Morning Star Auto Inc. ("**Morning Star**") to acquire 100% equity of Morning Star by issuing 100 million ordinary shares of Kaixin. Morning Star owns 100% equity interest of Wuxi Morning Star Technology Co., Ltd. and 40% equity interest of Henan Yujie Times Automobile Co., Ltd. ("**Yujie**"). On August 22, 2023, the acquisition of Morning Star completed, after which Kaixin owns all assets and business operations related to the POCCO brand of electric vehicles (POCCO EV), which constitutes big progress toward Kaixin's successful transformation into a new energy vehicle manufacturing company. However, the integration of any acquired entities or assets into our operations could require significant attention from our management. The diversion of the attention of our management and any difficulties encountered in the integration process could have an adverse effect on our ability to manage our business.

Our possible future acquisitions of auto dealerships, other acquisitions, investments or strategic alliances may also expose us to other potential risks, including but not limited to:

- risks associated with unforeseen or hidden liabilities which we failed to identify in our pre-acquisition due diligence;
- the diversion of resources from our existing businesses and technologies;
- our inability to generate sufficient revenues to offset the costs, expenses of acquisitions;
- we may not be able to integrate newly-acquired businesses and operations in an efficient and cost-effective manner; and
- potential loss of, or harm to, relationships with Dealerships, employees, customers as a result of our integration of new businesses.

In addition, we may recognize impairment losses on goodwill arising from our acquisitions. The occurrence of any of these events could have a material and adverse effect on our ability to manage our business, financial condition and results of operations.

***We may need additional capital to pursue our business objectives and respond to business opportunities, challenges or unforeseen circumstances, and financing may not be available on terms acceptable to us, or at all.***

KAG historically relied on Moatable, our former controlling shareholder, to support its operations, the expansion of its Dealerships and the growth of its business. We have also relied on certain third party financing sources, including financial institutions. As we intend to continue to make investments to support the growth of our business, we may require additional capital to pursue our business objectives and respond to business opportunities, challenges or unforeseen circumstances, for instance, increasing the number of cars that we sell, developing new solutions and services, increasing our sales and marketing expenditures to improve brand awareness and engage car buyers through expanded online channels, enhancing our operating infrastructure and acquiring complementary businesses and technologies. However, additional funds may not be readily available on terms that are acceptable to us, or at all. Repayment of debt may divert a substantial portion of cash flow to repay principal and service interest on such debt, which would reduce the funds available for expenses, capital expenditures, acquisitions and other general corporate purposes; and we may suffer default and foreclosure on our assets if our operating cash flow is insufficient to service debt obligations, thus result in the acceleration of obligations to repay the indebtedness and limit our sources of financing.

Volatility in the credit markets may also have an adverse effect on our ability to obtain debt financing. If we raise additional funds through further issuances of equity or convertible debt securities, our existing shareholders could suffer significant dilution, and any new equity securities that we issue could have rights, preferences and privileges superior to those holders of our ordinary shares. 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, fund our Dealerships and respond to business opportunities, challenges or unforeseen circumstances could be significantly limited, and our business, financial condition, results of operations and prospects could be adversely affected.

***We operate in an evolving and fast-changing market.***

The PRC automotive retail market, including the consumer automotive finance market, is highly dynamic. While it has undergone significant growth in the past few years, there is no assurance that it can continue to grow rapidly. As part of our business, we offer retail auto sales of new and used vehicles

You should consider our business and prospects in light of the risks and challenges we encounter or may encounter given the rapidly-evolving market in which we operate and our limited operating history. These risks and challenges include our ability to, among other things:

- source, market and sell used and new automobiles in substantial volumes and on favorable terms;
- effectively manage and expand our network of Dealerships;
- facilitate automotive financing to a growing number of car buyers;
- maintain and enhance our relationships and business collaboration with dealers and financial institutions;
- improve our operational efficiency;
- attract, retain and motivate talented employees, particularly sales and marketing and technology personnel to support our business growth;
- adapt to technological changes, such as the development of autonomous vehicles, new products and services, new business models and new methods of travel;
- enhance our technology infrastructure to support the growth of our business and maintain the security of our system and the confidentiality of the information provided and collected across our system;
- navigate economic conditions and fluctuations in the pandemic environment;
- implement our business strategies, including the offering of new services; and
- defend ourselves against legal and regulatory actions, such as actions involving intellectual property or data privacy claims.

If we are unable to adapt to any of these factors in the rapidly-evolving market, our business, performance and results of operations could suffer.

***Our success depends on our ability to attract prospective car buyers.***

The growth of our business depends on our ability to attract prospective car buyers. We primarily purchase car models that we believe are reliable, reasonably priced and appealing to car buyers in lower-tier cities. We price cars based on insights derived from automotive transaction data associated with the facilitation of automotive financing solutions as well as data from other automotive transactions. Demand for the type of cars that we purchase can change significantly between the time the cars are purchased and the time of sale. In addition, the models offered by our Dealerships may not be popular among prospective car buyers, which could materially and adversely affect our business, results of operations and financial condition. Demand may be affected by new car launches, changes in the pricing of such cars, defects, changes in consumer preference and other factors. We may also need to adopt more aggressive pricing strategies for the cars we purchase than originally anticipated to stoke consumer demand. We face inventory risk in connection with the cars purchased, including the risk of inventory obsolescence, decline in value, and significant inventory write-downs or write-offs. If we were to adopt more aggressive pricing strategies, our profit margin may be negatively affected as well. We may also face increasing costs associated with the storage of inventory. Any of the above may materially and adversely affect our financial condition and results of operations.

In order to expand our base of car buyers, we must continue to invest significant resources in the development of new solutions and services and build our relationships with financial institutions and auto dealers. Our ability to successfully launch, operate and expand our solutions and services and to improve user experience to attract prospective car buyers depends on many factors, including our ability to anticipate and effectively respond to the changing interests and preferences of car buyers, anticipate and respond to changes in the competitive landscape, and develop and offer solutions and services that address the needs of car buyers. If our efforts in these regards are unsuccessful, our base of car buyers may not expand at the rate which we anticipated, and it may even shrink. As a result, our business, prospects, financial condition and results of operations may be materially and adversely affected.

In the meantime, we also seek to maintain our relationships with existing car buyers and cross-sell new solutions and services, such as insurance and wealth management products. However, there can be no assurance that we will be able to maintain or deepen such relationships.

***The growth of our business relies on our branding efforts and these efforts may not be successful.***

Our Kaixin Auto brand was newly launched in the first half of 2018 and we believe that an important component of our growth will be the growth of customer traffic to our Dealerships. Because Kaixin Auto is a consumer brand, brand visibility is critical for our engagement with potential customers. We currently advertise through a blend of brand and direct marketing channels with the goal of increasing the strength, recognition and trust in the Kaixin Auto brand. We recorded selling and marketing expenses of approximately US$2.1 million, US$3.3 million and US$1.0 million in 2022, 2023 and 2024, respectively.

Our business model relies on our ability to scale rapidly and to appropriately manage customer acquisition costs as we grow. If we are unable to establish a strong and trusted brand and recover our marketing costs through the increases in customer traffic and in the number of sales transactions, or if our broad marketing campaigns are not successful or are terminated, it could have a material adverse effect on our growth, results of operations and financial condition.

***The automotive retail industry in general and our business in particular are sensitive to economic conditions. These conditions could adversely affect our business, sales, results of operations and financial condition.***

We are subject to national and regional economic conditions. These conditions include, but are not limited to, recession, inflation, interest rates, unemployment levels, gasoline prices, consumer credit availability, consumer credit delinquency and loss rates, personal discretionary spending levels, and consumer sentiment about the economy in general. These conditions and the economy in general could be affected by significant national or international events such as acts of terrorism. When these economic conditions worsen or stagnate, it can have a material adverse effect on consumer demand for vehicles generally, on demand from particular consumer categories or demand for particular vehicle types. It can also negatively impact availability of credit to finance vehicle purchases for all or certain categories of consumers. This could result in lower sales, decreased margins on units sold, and decreased profits for our business. Worsening or stagnating economic conditions can also have a material adverse effect on the supply of premium used vehicles, as automotive manufacturers produce fewer new vehicles and consumers retain their current vehicles for longer periods of time. This could result in increased costs to acquire used vehicle inventory and decreased margins on units sold.

The global macroeconomic environment is facing numerous challenges. There are considerable uncertainties over the long-term effects of the expansionary monetary and fiscal policies adopted by the central banks and financial authorities of some of the world's leading economies, including the United States and China. Unrest, terrorist threats and the outbreak of wars in the Eastern Europe, Middle East and elsewhere may increase market volatility across the globe. There have also been concerns about the relationship between China and other countries, including the surrounding Asian countries, which may potentially have adverse economic effects. In particular, there is significant uncertainty about the future relationship between the United States and China with respect to trade policies, treaties, government regulations and tariffs. Economic conditions in China are sensitive to global economic conditions, as well as changes in domestic economic and political policies and the expected or perceived overall economic growth rate in China. Any severe or prolonged slowdown in the global or Chinese economy may materially and adversely affect our business, results of operations and financial condition.

***Our business generates and processes a significant amount of data, and improper handling of or unauthorized access to such data may adversely affect our business.***

We face risks regarding the compliance with the applicable laws, rules and regulations relating to the collection, usage, disclosure and security of personal information, as well as any requests from regulatory and government authorities relating to such data. For instance, our Dealerships utilize and generate substantial volumes of data on consumers and dealers, and we and our Dealerships rely on them for our operations and inventory management. These data include the information customers provide when purchasing a vehicle and applying for vehicle financing. In the event that we experienced a failure of our information systems, our operations and financial performance could be materially harmed, and if the information is accessed by third parties or publicized without authorization, our reputation or competitive position could suffer.

The PRC regulatory and enforcement regime with regard to data security and data protection has continued to evolve. There are uncertainties on how certain laws and regulations will be implemented in practice. PRC regulators have been increasingly focused on regulating data security and data protection. We expect that these areas will receive greater attention from regulators, as well as attract public scrutiny and attention going forward. This greater attention, scrutiny and enforcement, including more frequent inspections, could increase our compliance costs and subject us to heightened risks and challenges associated with data security and protection. If we are unable to manage these risks, our reputation and results of operations could be materially and adversely affected. For further details, please see “Item 4. Information on the Company — B. Business Overview — Regulation —Regulations Relating to Information Security”.

We also grant limited access to specified data in our information system to certain other parties, such as our Dealerships. Our Dealerships face the same challenges and risks inherent in handling and protecting large volumes of data. Any system failure or security breach or lapse on our part or on the part of any of such third parties that results in the leakage of user data, or failure to respond thereto, could harm our reputation and brand and, consequently, our business, in addition to exposing us to potential legal liabilities.

***We rely on information systems to run our business. The failure of these systems, any service disruptions or outages, or the inability to enhance our capabilities, could have a material adverse effect on our business, sales and results of operations.***

Our business and reputation are dependent upon the performance, reliability, availability, integrity and efficient operation of our information systems. In particular, we rely on our information systems to manage sales, inventory, customer information. There is no assurance that we will be able to protect our computer systems against, among others, damage or interruptions from natural disasters, power or telecommunications failures, air quality issues, environmental conditions, software errors, bugs or defects, configuration errors, computer viruses, denial-of-service attacks, security breaches, hacking attempts or criminal acts at all times. In the event of a service disruption or outage in our computer systems, our computer systems may not be able to store, retrieve, process and manage data. For example, we may experience temporary service disruptions or data losses during data migrations between old and new systems or system upgrades. We may not be able to recover all data and services in the event of a service disruption or outage. Additionally, our insurance policies may not adequately compensate us for any losses that we may incur during service disruptions or outages.

Any interruptions or delays in our services, whether as a result of third-party error or our own error, natural disasters or security breaches, whether accidental or willful, could harm our relationships with our customers and damage our reputation, thus subject us to liabilities and cause customers to abandon our Dealership network, any of which could adversely affect our business, financial condition and results of operations. A severe or prolonged downturn in the Chinese or global economy could materially and adversely affect our business and financial condition.

***Cyber-attacks, computer viruses, physical or electronic break-ins or other unauthorized access to our or our business partners' computer systems could result in the misuse of confidential information and misappropriation of funds of our customers, which subject us to liabilities, cause reputational harm and adversely impact our results of operations and financial condition.***

Our Dealerships collect, store and process certain personal information and other sensitive data from our customers. The massive data that we have processed and stored makes us and our server hosting service providers the targets of, and potentially vulnerable to, cyber-attacks, computer viruses, hackers, denial-of-service attacks, physical or electronic break-ins or other unauthorized access. While we have taken steps to protect such confidential information, our security measures may be breached. Because techniques used to sabotage or obtain unauthorized access into systems change frequently and generally are not recognized until they are launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. Any accidental or willful security breaches or other unauthorized access to our or our server hosting service providers' systems could cause confidential customers' information to be stolen and used for criminal purposes. As personally identifiable and other confidential information is subject to legislation and regulations in numerous domestic and international jurisdictions, the inability to protect confidential information of our customers could result in additional cost and liabilities for us, damage our reputation, and harm our business.

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

The Administrative Measures for the Security of the International Network of Computer Information Network, issued in December 1997 and amended in January 2011, requires us to report any data or security breaches to the local offices of the PRC Ministry of Public Security within 24 hours of any such breach. The Cyber Security Law of the PRC, issued in November 2016, requires us to take immediate remedial measures when we discover that our products or services are subject to risks, such as security defects or bugs. Such remedial measures include, informing our customers of the specific risks and reporting such risks to the relevant competent departments.

In June 2021, the SCNPC promulgated the PRC Data Security Law, which took effect in September 2021. The PRC Data Security Law, among other things, provides for security review procedure for data-related activities that may affect national security. In July 2021, the state council promulgated the Regulations on Protection of Critical Information Infrastructure, which became effective on September 1, 2021. Pursuant to this regulation, critical information infrastructure means key network facilities or information systems of critical industries or sectors, such as public communication and information service, energy, transportation, water conservation, finance, public services, e-government affairs and national defense science, the damage, malfunction or data leakage of which may endanger national security, people's livelihoods and the public interest. In December 2021, the CAC, together with other authorities, jointly promulgated the Cybersecurity Review Measures, which became effective on February 15, 2022 and replaces its predecessor regulation. Pursuant to the Cybersecurity Review Measures, critical information infrastructure operators that procure internet products and services and the network platform operators that conduct data processing activities must be subject to the cybersecurity review if their activities affect or may affect national security. The Cybersecurity Review Measures further stipulates that network platform operators that hold personal information of over one million users shall apply with the Cybersecurity Review Office for a cybersecurity review before any public listing in a foreign country. As of the date of this Annual Report, no detailed rules or implementation rules have been issued by any authority and we have not been informed that we are a critical information infrastructure operator by any government authorities. Furthermore, the exact scope of "critical information infrastructure operators" under the current regulatory regime remains unclear, and the PRC government authorities may have wide discretion in the interpretation and enforcement of the applicable laws. Therefore, it is uncertain whether we would be deemed to be a critical information infrastructure operator under PRC law. If we are deemed to be a critical information infrastructure operator under the PRC cybersecurity laws and regulations, we may be subject to obligations in addition to what we have fulfilled under the PRC cybersecurity laws and regulations.

In November 2021, the CAC released the Regulations of Internet Data Security Management (Draft for Comments), or the Draft Regulations. The Draft Regulations provide that data processors refer to individuals or organizations that, during their data processing activities such as data collection, storage, utilization, processing, transmission, provision, publication and deletion, have autonomy over the purpose and the manner of data processing. In accordance with the Draft Regulations, data processors shall apply for a cybersecurity review for certain activities, including, among other things, (i) the listing in a foreign country of data processors that process the personal information of more than one million users and (ii) any data processing activity that affects or may affect national security. However, there have been no clarifications from the relevant authorities as of the date of this Annual Report as to the standards for determining whether an activity is one that "affects or may affect national security." In addition, the Draft Regulations requires that data processors that process "important data" or are listed overseas must conduct an annual data security assessment by itself or commission a data security service provider to do so, and submit the assessment report of the preceding year to the municipal cybersecurity department by the end of January each year. As of the date of this Annual Report, the Draft Regulations was released for public comment only, and their respective provisions and anticipated adoption or effective date may be subject to change with substantial uncertainty.

In July 2022, the CAC promulgated the Measures for the Security Assessment of Outbound Data, which became effective on September 1, 2022. These measures outline the requirements and procedures for security assessments on export of important data or personal information collected or generated within the territory of mainland China. Furthermore, these measures provide that the security assessment shall combine pre-assessment and continuous supervision, and risk self-assessment and security assessment to prevent data export security risks. Specifically, security assessment is required before any cross-border data can be transferred out of mainland China if: (i) the data transferred out of mainland China is important data; (ii) the data processor is a critical information infrastructure operator or data processor that processes personal information of more than one million individuals; (iii) cross-border data transfer of personal information by a data processor who has made cross-border transfer of aggregately more than 100,000 individuals' personal information or more than 10,000 individuals' sensitive personal information since January 1st of the previous year; or (iv) otherwise required by the CAC.

In September 2022, the CAC promulgated the Decision to Amend the Cybersecurity Law of the People's Republic of China (Draft for Comments), which mainly involves amendments in the following aspects: (i) improving the legal liability system for violating the general provisions of network operation security, (ii) modifying the legal liability system for security protection of critical information infrastructure, (iii) adjusting the legal liability system for network information security, and (iv) revising the legal liability system for personal information protection. As of the date of this Annual Report, the aforementioned draft amendments have not been adopted and there still exists substantial uncertainties regarding to anticipated adoption or effective date at this stage.

In August 2021, the SCNPC promulgated the Personal Information Protection Law, which integrates the scattered rules with respect to personal information rights and privacy protection and took effect on November 1, 2021. We update our privacy policies from time to time to meet the latest regulatory requirements of PRC government authorities and adopt technical measures to protect data and ensure cybersecurity in a systematic way. Nonetheless, the Personal Information Protection Law elevates the protection requirements for personal information processing, and many specific requirements of this law remain to be clarified by the regulatory authorities, and courts in practice. We may be required to make further adjustments to our business practices to comply with the personal information protection laws and regulations.

In June 2022, the CAC issued the Provisions on the Administration of Internet Users' Account Information, which became effective on August 1, 2022 and stipulated that internet information service providers must, among other things, equip themselves with professional and technical capabilities appropriate to the scale of their services, and establish, improve and strictly implement systems for identity authentication, account verification, information safekeeping, ecological governance, emergency response, personal information protection, among others. The provisions also require that the internet information service providers should handle and protect internet users' account information in accordance with law, and take measures to prevent unauthorized access, as well as leakage, tampering, or loss of personal information. The internet information service providers must set up convenient portals for complaints and whistleblowing at an easily seen location, provide channels for complaints and whistleblowing, improve the acceptance, screening, disposal and feedback mechanisms, specify the handling process and feedback time limit and timely handle the complaints and whistleblowing of users and the public.

We also face indirect technology and cybersecurity risks relating to our business partners, including our third-party payment service providers who manage the transfer of customer funds. As a result of increasing consolidation and interdependence of computer systems, a technology failure, cyber-attack or other information or security breach that significantly compromises the systems of one entity could have a material impact on its business partners. Although our agreements with third-party payment service providers provide that each party is responsible for the cybersecurity of its own systems, any cyber-attacks, computer viruses, hackers, denial-of-service attacks, physical or electronic break-ins or similar disruptions of such third-party payment service providers could, among other things, adversely affect our ability to serve our customers, and could even result in the misappropriation of funds of our customers. If that were to occur, we and our third-party payment service providers could be held liable to customers who suffer losses from the misappropriation.

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

Any significant changes in retail prices for used and new vehicles could have a material adverse effect on our sales and results of operations, including our gross margin. For example, if retail prices for used vehicles rise relative to retail prices for new vehicles, it could make buying a new vehicle more attractive to our customers than buying a used vehicle, which could have a material adverse effect on our sales and results of operations and could result in a decrease in our gross margin. Manufacturer incentives could contribute to narrowing this price gap. Our new car sales would also be affected by changes in the price of new cars, both in terms of consumer sensitivity to prices as well as our margins on such sales.

***Our business is sensitive to conditions affecting automotive manufacturers, including manufacturer recalls.***

Adverse conditions affecting one or more automotive manufacturers could have a material adverse effect on our sales and results of operations and could impact the supply of vehicles, including the supply of new and used vehicles. In addition, manufacturer recalls are a common occurrence that have accelerated in frequency and scope in recent years. Because we do not have manufacturer authorization to complete recall-related repairs, some vehicles we sell may have unrepaired safety defects. Such recalls, and our lack of authorization to make recall-related repairs, could adversely affect the sales or valuations of used vehicles, hence could cause us to temporarily remove vehicles from inventory, could force us to incur increased costs and could expose us to litigations and adverse publicity related to the sale of recalled vehicles, which could have a material adverse effect on our business, sales and results of operations.

***Our new energy vehicles ("NEV") business may not achieve expected returns.***

We have set up the New Energy Vehicles Department in 2021 and produced a NEV prototype in mid 2022 and delivered it to customers at the end of 2022. In August, 2023, the Company closed the acquisition of Morning Star, which mainly produces miniature electric vehicles under the POCCO brand. Following the closing, Morning Star has become a wholly-owned subsidiary of Kaixin, which represents the Company's official entry into the field of new energy vehicle manufacturing. Our NEV business may not achieve expected results. For instance, our vehicles may not have the durability or longevity of other comparable vehicles in the market, and may not be as easy and convenient to repair. Any product defects or any other failure of our vehicles to perform as expected could harm our reputation and result in adverse publicity, revenue loss, delivery delays, product recalls, product liability claims, harm to our brand and reputation, and significant warranty and other expenses, and could have a material adverse impact on our business, financial condition, operating results and prospects.

In addition, our vehicles may contain defects in design and manufacture that may cause them not to perform as expected or that may require repair. Our vehicles use a substantial amount of software code to operate and software products are inherently complex and often contain defects and errors when first introduced. Albeit we will perform extensive internal testings on our vehicles' software and hardware systems, we have a limited frame of reference by which to evaluate the long-term performance of our systems and vehicles. There can be no assurance that we will be able to detect and fix any defects in the vehicles prior to their sale to consumers. If any of our vehicles fail to perform as expected, we may need to delay deliveries, initiate the NEV business product recalls and provide services or updates under warranty at our expenses, which could negatively impact our business, prospects and results of operations as a whole.

***Any delays in the manufacturing and launch of the commercial production of NEV in our pipeline could have a material adverse effect on our business operations.***

Automobile manufacturers often experience delays in the design, manufacturing and commercial release of new vehicle models. We plan to target a broader market with our future NEV, and to the extent we need to delay the launch of our vehicles, our growth prospects could be adversely affected as we may fail to grow our market share. Furthermore, we rely on third-party suppliers for the design of new vehicle models and the provision and development of various key components and materials used in manufacturing our vehicles. To the extent our suppliers experience any delays in developing new models or providing us with necessary components, we could experience delays in delivering on our timelines. Any delay in the manufacturing or launching of the future models could subject us to customer complaints and materially and adversely affect our reputation, demand for our NEV, results of operations and growth prospects.

***The unavailability, reduction or elimination of government and economic incentives or government policies which are favorable for NEV could have a material adverse effect on our business, financial condition, operating results and prospects.***

Our future sales growth of our NEV depends significantly on the availability and amounts of government subsidies, economic incentives and government policies that support the growth of NEV. Favorable government incentives and subsidies in China include one-time government subsidies, exemption from vehicle purchase tax, exemption from license plate restrictions in certain cities, preferential utility rates for charging facilities, and more. Changes in government subsidies, economic incentives and government policies to support new energy vehicles could adversely affect our results of operations.

Our future NEV sales may be impacted by government policies such as tariffs on imported cars. The tariff in China on imported passenger vehicles (other than those originating in the United States of America) was reduced to 15% starting from July 1, 2018. As a result, pricing advantage of domestically manufactured vehicles could be diminished. There used to be certain limit on foreign ownership of automakers in China, but for automakers of NEV, such limit was lifted in 2018. Further, pursuant to the currently effectively Special Administrative Measures for Market Access of Foreign Investment (2021 Version) (the "2021 Negative List"), which came into effect on January 1, 2022, the limit on foreign ownership of automakers has been lifted since 2022. As a result, foreign NEV competitors could build wholly-owned facilities in China without the need for a domestic joint venture partner. These changes could affect the competitive landscape of the NEV industry and reduce our pricing advantage.

Furthermore, China's central government provides certain local governments with funds and subsidies to support the roll-out of a charging infrastructure. These policies are subject to changes and beyond our control. We cannot assure you that any changes would be favorable to our business. Furthermore, any reduction, elimination, delayed payment or discriminatory application of government subsidies and economic incentives because of policy changes, the reduced need for such subsidies and incentives due to the perceived success of NEV, fiscal tightening or other factors may result in the diminished competitiveness of the alternative fuel vehicle industry generally or our NEV in particular. Any of the foregoing could materially and adversely affect our business, results of operations, financial condition and prospects.

***Changes in international trade policies and international barriers to trade may have an adverse effect on our business and expansion plans.***

Changes to trade policies, treaties and tariffs in the jurisdictions in which we operate, or the perception that these changes could occur, could adversely affect the financial and economic conditions in China, our financial condition and results of operations. For example, the current U.S. administration has advocated greater restrictions on trade generally and significant increases in tariffs on goods imported into the United States, particularly from China, and has recently taken other steps towards restricting trade in certain goods. The current U.S. administration has created uncertainties with respect to, among other things, existing and proposed trade agreements, free trade generally, and potential significant increases on tariffs on goods imported into the U.S., particularly from China.

In addition, China may alter its trade policies, including in response to any new trade policies, treaties and tariffs implemented by the United States or other jurisdictions, which could include restrictions on the import of used vehicles into China. Such policy retaliations could also ultimately result in further trade policy responses by the United States and other countries, and result in an escalation which leading to a trade war, hence would have an adverse effect on manufacturing levels, trade levels and industries, including automotive sales and other businesses and services that rely on trade, commerce and manufacturing. Any such escalation in trade tensions or a trade war could affect the cost of our inventory, the sales prices of used and new cars or our overall business performance and have a material and adverse effect on our business and results of operations. Chinese policies to relax certain import taxes, such as taxes on used and/or new cars may also impact our business. For instance, if import taxes and similar duties on new cars are reduced, demand for used cars could be harmed and the margins of our used car sales business could be negatively impacted, which could adversely affect our results of operations and financial condition. Increased restrictions on trade or certain other changes to trade policies could have an adverse effect on the PRC economy, the used automobile sales industry and our business and results of operations.

***We may from time to time be subject to claims, controversies, lawsuits and legal proceedings, which could have a material adverse effect on our financial condition, results of operations, cash flows and reputation.***

We may from time to time become subject to or involved in various claims, controversies, lawsuits, and legal proceedings. See "Item 8. Financial Information — A. Consolidated Statements and Other Financial Information — Legal Proceedings" for information about ongoing legal proceedings in which we are involved. Lawsuits and litigations may cause us to incur additional defense costs, utilize a significant portion of our resources and divert management's attention from its day-to-day operations, any of which could harm our business. Any settlements or judgments against us could have a material adverse impact on our financial condition, results of operations and cash flows. In addition, negative publicity regarding claims or judgments made against us, no matter with or without merits, may damage our reputation and may result in a material adverse impact on us.

***We may be unable to prevent others from the unauthorized use of our intellectual property, which could harm our business and competitive position.***

We regard our trademarks, patents, copyrights, domain names, know-how, proprietary technologies and similar intellectual property as critical to our success, and we rely on a combination of intellectual property laws and contractual arrangements, including confidentiality, invention assignment and non-compete agreements with our employees and others to protect our proprietary rights. See also "Item 4. Information on the Company — B. Business Overview — Research and Development". Despite these measures, any of our intellectual property rights could be challenged, invalidated, circumvented, preempted or misappropriated, or such intellectual property may not be sufficient to provide us with competitive advantages.

In March 2018, Moatable transferred to KAG the *kaixin.com* domain name, and in May 2018, an affiliate of Moatable granted KAG an exclusive license to use the "Kaixin" brand. Further, we have successfully registered our brand name "开心汽车" (which translates to "Kaixin Auto") in class 35 for services, including promotion for others, purchase for others, providing online markets for sellers and purchasers of goods and services, marketing, etc., which is crucial to our business. However, we have not obtained trademark registrations in other categories related but less crucial to our business, including automobile maintenance. Therefore, we may be unable to prevent any third parties from using the Kaixin brand for some businesses that are the same or similar to ours. As China has adopted a "first-to-file" trademark registration system, if trademarks similar to our brand have been registered in those categories that are related to our business, we may not be able to successfully register our brand or may even be exposed to risk of infringement with respect to third-party trademark rights. We believe that our brand is vital to our competitiveness and our ability to attract new customers. Any failure to protect these rights could adversely affect our business and financial condition.

We cannot assure you that the measures we have taken will be sufficient to prevent any misappropriation or infringement upon our intellectual properties. In addition, because of the rapid pace of technological changes in our industry, parts of our business rely on technologies developed or licensed by third parties, and we may not be able to obtain or continue to obtain licenses and technologies from these third parties on reasonable terms, or at all.

It is often difficult to maintain and enforce the intellectual property rights in China. Statutory laws and regulations are subject to judicial interpretation and enforcement and may not be applied consistently due to the lack of clear guidance on statutory interpretation. Confidentiality, invention assignment and non-compete agreements may be breached by counterparties, and there may not be adequate remedies available to us for any such breach. Accordingly, we may not be able to effectively protect our intellectual property rights or to enforce our contractual rights in China. Preventing any unauthorized use of our intellectual property is difficult and costly and the steps we take may be inadequate to prevent the misappropriation of our intellectual property. In the event that we resort to litigations to enforce our intellectual property rights, such litigation could result in substantial costs and a diversion of our managerial and financial resources. We can provide no assurance that we will prevail in any such litigation. In addition, our trade secrets may be leaked or otherwise become available to our competitors, or our competitors may independently discover them. To the extent that our employees or consultants use intellectual property owned by others in their work for us, disputes may arise as to the rights in the related know-how and inventions. Any failure in protecting or enforcing our intellectual property rights could have a material adverse effect on our business, financial condition and results of operations.

***We may be subject to intellectual property infringement claims, which may be expensive to defend and may disrupt our business and operations.***

We cannot be certain that our operations or any aspects of our business does not or will not infringe upon or otherwise violate trademarks, patents, copyrights, know-how or other intellectual property rights held by third parties. We may from time to time, in the future, become subject to legal proceedings and claims relating to the intellectual property rights of others. In addition, there may be third-party trademarks, patents, copyrights, know-how or other intellectual property rights that are infringed by our products, services or other aspects of our business without our awareness. Holders of such intellectual property rights may seek to enforce such intellectual property rights against us in China, the United States or other jurisdictions. If any third-party infringement claims are brought against us, we may be forced to divert management's time and other resources from our business and operations to defend against these claims, regardless of their merits.

Additionally, the application and interpretation of China's intellectual property rights laws and the procedures and standards for granting trademarks, patents, copyrights, know-how or other intellectual property rights in China are still evolving and full of uncertainties, and we cannot assure you that the PRC courts or regulatory authorities would agree with our analysis or that of our counsel. If we were found to have violated the intellectual property rights of others, we may be subject to liabilities for our infringement activities or may be prohibited from using such intellectual property, and we may incur licensing fees or be forced to develop alternatives of our own. As a result, our business and results of operations may be materially and adversely affected.

***If we fail to implement and maintain an effective system of internal controls over financial reporting, we may be unable to accurately report our results of operations, meet our reporting obligations or prevent fraud.***

In 2020, we identified material weaknesses in our internal control over financial reporting relating to (i) inadequate technical competency of financial staff in charge of significant and complex transactions to ensure that those transactions are properly accounted for in accordance with U.S. GAAP; (ii) lack of an effective and continuous risk assessment procedure to identify and assess the financial reporting risks; (iii) lack of evaluations to ascertain whether the components of internal control are present and functioning; and (iv) inadequate controls over prepayment for vehicle purchase at local dealerships. A "material weakness" is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. The material weakness identified relates to inadequate controls designed over the accounting of significant and complex transactions to ensure that those transactions are properly accounted for in accordance with U.S. GAAP. We have taken measures and plan to continue to take measures to remedy these deficiencies. However, the implementation of these measures may not fully address the material weakness and deficiencies in our internal control over financial reporting, and we cannot conclude that they have been fully remedied.

Since the completion of the Haitaoche Acquisition in June 2021, the management of the combined group has taken measures to enhance the financial expertise of accounting staff and strengthen internal control over financial reporting and business operations, including, among others: (i) hiring additional financial professionals and accounting consultants with relevant experiences, skills and knowledge in accounting and disclosure for complex transactions under the requirements of U.S. GAAP and SEC reporting requirements, including disclosure requirements for complex transactions under U.S. GAAP, to provide the necessary level of leadership to our finance and accounting function and increase the number of qualified financial reporting personnel; (ii) improving the capabilities of the existing financial reporting personnel through trainings and education on the accounting and reporting requirements under U.S. GAAP, SEC rules and regulations and the Sarbanes-Oxley Act; and (iii) designing and implementing robust financial reporting and management controls over future significant and complex transactions.

However, we believe material weaknesses persisted in (i) lack of sufficient resources with US GAAP and the SEC reporting experiences, which could adversely affect the Company's ability to provide accurate disclosures on a timely matter; (ii) the lack of an effective and continuous risk assessment procedure to identify and assess the financial reporting risks; and (iii) lack of evaluations to ascertain whether the components of internal control are present and functioning.

Our failure to address such other material weaknesses or control deficiencies could result in the inaccuracies of our financial statements and could also impair our ability to comply with the applicable financial reporting requirements and related regulatory filings on a timely basis. Moreover, ineffective internal control over financial reporting significantly hinders our ability to prevent fraud.

We are a public company subject to the Sarbanes-Oxley Act of 2002. Section 404 of the Sarbanes-Oxley Act of 2002 requires that we include a report of management on our internal control over financial reporting in our annual report on Form 20-F. In addition, we ceased to be an "emerging growth company" as such term is defined under the JOBS Act as of December 31, 2022. If our public float is over US$75 million, under which condition we will become an "accelerated filer," our independent registered public accounting firm must attest to and report on the effectiveness of our internal control over financial reporting. Our management may conclude that our internal control over financial reporting is not effective. Moreover, even if our management concludes that our internal control over financial reporting is effective, our independent registered public accounting firm, after conducting its own independent assessment, may issue a report that is qualified if it is not satisfied with our internal controls or the level at which our controls are documented, designed, operated or reviewed, or if it interprets the relevant requirements differently from us. In addition, as a public company, our reporting obligations may place a significant strain on our management, operational and financial resources and systems in the foreseeable future. We may be unable to timely complete our evaluation and any required remediations.

During the course of documenting and testing our internal control procedures, in order to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act of 2002, we may identify other weaknesses and deficiencies in our internal control over financial reporting. In addition, if we fail to maintain the adequacy of our internal control over financial reporting, as these standards are modified, supplemented or amended from time to time, we may not be able to conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002. Generally, if we fail to achieve and maintain an effective internal control environment, we could suffer material misstatements in our financial statements and fail to meet our reporting obligations, which would likely cause the investors to lose confidence in our reported financial information. This could in turn limit our access to capital markets, harm our results of operations, and lead to a decline in the trading price of our ordinary shares. Additionally, ineffective internal control over financial reporting could expose us to increased risk of fraud or misuse of corporate assets and subject us to potential delisting from the stock exchange on which we list, regulatory investigations and civil or criminal sanctions.

***Our business depends on the continued efforts of our senior management. If one or more of our key executives were unable or unwilling to continue in their present positions, our business may be severely disrupted.***

Our business operations depend on the continued services of our senior management, particularly the executive officers named in this Annual Report. While we have provided different incentives to our management, we cannot assure you that we can continue to retain their services. If one or more of our key executives were unable or unwilling to continue in their present positions, we may not be able to replace them readily or at all, our future growth may be constrained, our business may be severely disrupted and our financial condition and results of operations may be materially and adversely affected. We may incur additional expenses to recruit, train and retain qualified personnel. If any dispute arises between our current or former officers and us, we may have to incur substantial costs and expenses in order to enforce such agreements in China or we may be unable to enforce them at all.

***Increases in labor costs in the PRC may adversely affect our business and results of operations.***

The economy in China has experienced increases in inflation and labor costs in recent years. As a result, average wages in the PRC are expected to continue to increase. In addition, we are required by PRC laws and regulations to pay various statutory employee benefits, including pension, housing fund, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance to designated government agencies for the benefit of our employees. Unless we are able to control our labor costs or pass on these increased labor costs to our customers by increasing the fees of our services, our financial condition and results of operations may be adversely affected.

***We are subject to local conditions in the geographic areas in which we operate our business.***

Our performance is subject to local economic, competitive and other conditions prevailing in the geographic areas where we operate our business. Since a large portion of our sales are generated in second- and third-tier cities in China, our results of operations depend substantially on the general economic conditions and consumer spending habits in these markets. In the event that any of these geographic areas experience a downturn in economic conditions, it could have a material adverse effect on our business, sales and results of operations.

***Government policies on automobile purchases and ownership may materially affect our results of operations.***

Government policies on automobile purchases and ownership may have a material effect on our business due to their influences on consumer behaviors. With an effort to alleviate traffic congestion and improve air quality, some local governmental authorities issued regulations and relevant implementation rules in order to control urban traffic and the number of automobiles within particular urban areas. For example, local Beijing governmental authorities adopted regulations and relevant implementing rules in December 2010 to limit the total number of license plates issued to new automobile purchases in Beijing each year. Local Guangzhou governmental authorities also announced similar regulations, which came into effect in July 2013. There are similar policies that restrict the issuance of new automobile license plates in Shanghai, Tianjin, Hangzhou and Shenzhen. In September 2013, the State Council released a plan for the prevention and remediation of air pollution, which requires large cities, such as Beijing, Shanghai and Guangzhou, to further restrict the number of motor vehicles. On August 23, 2013, the Notice of The General Office of Beijing Municipal People's Government on Printing and Distributing the Key Task Breakdown of Beijing Clean Air Action Plan for 2013-2017 was published to limit the total number of vehicles in Beijing to no more than six million by the end of 2017. Such regulatory developments, as well as other uncertainties, may adversely affect the growth prospects of China's automotive industry, which in turn may have a material adverse impact on our business.

***We have limited insurance coverage which could expose us to significant costs and business disruption.***

The insurance industry in China is still evolving, and insurance companies in China currently offer limited business-related insurance products. We do not maintain business interruption insurance or general third-party liability insurance, nor do we maintain property insurance. We consider our insurance coverage to be reasonable in light of the nature of our business and the insurance products that are available in China and in line with the practices of other companies in the same industry of similar size in China, but we cannot assure you that our insurance coverage is sufficient to prevent any loss or that we will be able to successfully claim our losses under our current insurance policies on a timely basis, or at all. If we incur any losses 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.

**Risks Related to Our Corporate Structure**

***Investing in our securities is highly speculative and involves a significant degree of risk as we are a holding company incorporated in the Cayman Islands. To the extent cash or assets in the business are in the mainland China/Hong Kong or a mainland China/Hong Kong entity, funds or assets may not be available to fund operations or for other use outside of the mainland China/Hong Kong due to interventions in or the imposition of restrictions and limitations on the ability of the holding company or its subsidiaries by the PRC government to transfer cash or assets.***

We are a Cayman Islands holding company with no material operations of our own. We conduct our operations in China through our PRC subsidiaries. Any actions by the Chinese government to exert more oversight and control over securities that are listed overseas or foreign investment in China-based issuers could significantly limit or completely hinder our ability to continue to offer securities to investors and cause the value of our securities to significantly decline or be worthless.

Moreover, we have no operations outside PRC, and cash generated from operations in the PRC may not be available for other use outside of the PRC due to interventions in or the imposition of restrictions and limitations on the ability of us or our subsidiaries, by the PRC government to transfer cash. The transfer of funds and assets among Kaixin Holdings, its Hong Kong and PRC subsidiaries is subject to restrictions. The PRC government imposes controls on the conversion of the RMB into foreign currencies and the remittance of currencies out of the PRC. In addition, the PRC Enterprise Income Tax Law and its implementation rules provide that a withholding tax at a rate of 10% will be applicable to dividends payable by Chinese companies to non-PRC-resident enterprises, unless reduced under treaties or arrangements between the PRC central government and the governments of other countries or regions where the non-PRC resident enterprises are tax resident. As of the date of this Annual Report, there are no restrictions or limitations imposed by the Hong Kong government on the transfer of capital within, into and out of Hong Kong (including funds from Hong Kong to the mainland China), except for the transfer of funds involving money laundering and criminal activities. However, there is no guarantee that the Hong Kong government will not promulgate new laws or regulations that may impose such restrictions in the future. As a result of the above, to the extent cash or assets of our business is in the mainland China or Hong Kong, such funds or assets may not be available to fund operations or for other use outside of the PRC or Hong Kong, due to interventions in or the imposition of restrictions and limitations by the PRC government to the transfer of cash or assets.

***Our adjustment of corporate structure and business operations and the termination of contractual arrangement with the VIEs may not be liability-free.***

With the disposition of Renren Finance Inc, all VIEs were disposed as of October 27, 2022. We cannot assure you that the disposal of the affiliated entities and termination of contractual arrangement with the related VIE structures in the PRC will not give rise to dispute or liability, or that such disposal and discontinuation of operations will not adversely affect our overall results of operations and financial condition. We cannot guarantee that we will not continue to be subject to PRC regulatory inspection and/or review, especially when there remains significant uncertainty as to the scope and manner of the regulatory enforcement. If we become subject to regulatory inspection and/or review by the China Securities Regulatory Commission, or the CSRC, Cyberspace Administration of China, or the CAC or other PRC authorities, or are required by them to take any specific actions, it could cause suspension or termination of the future offering of our securities, disruptions to our operations, result in negative publicity regarding our company, and divert our managerial and financial resources.

***If the custodians or authorized users of our controlling non-tangible assets, including chops and seals, fail to fulfill their responsibilities, or misappropriate or misuse these assets, our business and operations may be materially and adversely affected.***

Under the existing PRC laws, legal documents for corporate transactions, including agreements and contracts that our business relies on, are executed using the chop or seal of the signing entity or with the signature of a legal representative whose designation is registered and filed with the relevant local branch of the State Administration for Industry and Commerce ("SAIC"). We generally execute legal documents by affixing chops or seals, rather than having the designated legal representatives sign the documents.

We have three major types of chops: corporate chops, contract chops and finance chops. We use corporate chops generally for documents to be submitted to government agencies, such as applications for changing business scope, directors or company name, and for legal letters. We use contract chops for executing leases and commercial contracts. We use finance chops generally for making and collecting payments, including issuing invoices. The use of corporate chops must be approved by both of our legal department and administrative department, the use of contract chops must be approved by our legal department, and the use of finance chops must be approved by our finance department. The chops of our subsidiaries are generally held by the relevant entities so that the documents can be executed locally.

In order to maintain the physical security of our chops, we generally have them stored in secured locations accessible only to the designated key employees of our legal, administrative or finance departments. Our designated legal representatives generally do not have access to the chops. Although we have approval procedures in place and monitor our key employees, including the designated legal representatives of our subsidiaries, the procedures may not be sufficient to prevent all instances of abuse or negligence. There is a risk that our key employees or designated legal representatives could abuse their authority, for example, by binding our subsidiaries with contracts against our interests, as we would be obligated to honor these contracts if the other contracting party acts in good faith in reliance on the apparent authority of our chops or signatures of our legal representatives. If any designated legal representative obtains control of a chop with an effort to obtain control over the relevant entity, we would need to have a shareholder or board resolution to designate a new legal representative and to take legal actions to seek the return of the chop, apply for a new chop with the relevant authorities, or otherwise seek legal remedies for the legal representative's misconduct. If any of the designated legal representatives obtains and misuses or misappropriates our chops and seals or other controlling intangible assets for whatever reason, we could experience disruption to our normal business operations. We may have to take corporate or legal actions, which could involve significant time and resources to resolve while distracting management from our operations, and our business prospects and results of operations may be materially and adversely affected.

**Risks Related to Doing Business in China**

***The Chinese government may exert substantial influence over the manner in which we must conduct our business activities. We are required to file with the CSRC within 3 working days after the subsequent securities offering is completed and we might face warnings or fines if we fail to fulfill related filing procedure. We may become subject to more stringent requirements with respect to matters including cross-border investigation and enforcement of legal claims.***

The Chinese government has significant authority to intervene or exert influence on the business operations conducted in mainland China, Hong Kong and Macau in various aspects at any time, which could result in a material adverse change in our operations and the value of our ordinary shares. There are uncertainties regarding the interpretation and application of PRC laws and regulations, including, but not limited to, the laws and regulations governing our business, or the enforcement and performance of our contractual arrangements with borrowers in the event of the imposition of statutory liens, death, bankruptcy or criminal proceedings. Our ability to operate in China may be harmed by changes in its laws and regulations, including those relating to taxation, environmental regulations, land use rights, property and other matters. The central or local governments of these jurisdictions may impose new, stricter regulations or interpretations of existing regulations that would require additional expenditures and efforts on our part to ensure our compliance with such regulations or interpretations. Accordingly, government actions in the future, including any decision not to continue to support recent economic reforms and to return to a more centrally planned economy or regional or local variations in the implementation of economic policies, could have a significant effect on economic conditions in China or particular regions thereof.

Given recent statements by the Chinese government indicating an intent to exert more oversight and control over offerings that are conducted overseas and/or foreign investment in China-based issuers, any such action could significantly limit or completely hinder our ability to offer or continue to offer securities to investors and cause the value of such securities to significantly decline or become worthless.

The General Office of the Central Committee of the Communist Party of China and the General Office of the State Council jointly issued the Opinions on Severely Cracking Down on Illegal Securities Activities on July 6, 2021. The Opinions emphasized the need to strengthen the administration over illegal securities activities, and the need to strengthen the supervision over overseas listings by Chinese companies. Effective measures, such as promoting the construction of relevant regulatory systems, will be taken to deal with the risks and incidents of China-concept overseas listed companies. As of the date of this Annual Report, we have not received any inquiry, notice, warning, or sanctions from PRC government authorities in connection with the Opinions.

On June 10, 2021, the Standing Committee of the National People's Congress of China (the "SCNPC"), promulgated the PRC Data Security Law, which took effect in September 2021. The PRC Data Security Law imposes data security and privacy obligations on entities and individuals carrying out data activities, and introduces a data classification and hierarchical protection system based on the importance of data in economic and social development, and the degree of harm it will cause to national security, public interests, or legitimate rights and interests of individuals or organizations when such data is tampered with, destroyed, leaked, illegally acquired or used. The PRC Data Security Law also provides for a national security review procedure for data activities that may affect national security and imposes export restrictions on certain data an information.

In early July 2021, regulatory authorities in China launched cybersecurity investigations with regard to several China-based companies that are listed in the United States. The Chinese cybersecurity regulator announced on July 2, 2021 that it had begun an investigation of Didi Global Inc. (NYSE: DIDI) and two days later ordered that the company's app be removed from smartphone app stores. On July 5, 2021, the Chinese cybersecurity regulator launched the same investigation on two other Internet platforms, China's Full Truck Alliance of Full Truck Alliance Co. Ltd. (NYSE: YMM) and Boss of KANZHUN LIMITED (Nasdaq: BZ). On July 24, 2021, the General Office of the Communist Party of China Central Committee and the General Office of the State Council jointly released the Guidelines for Further Easing the Burden of Excessive Homework and Off-campus Tutoring for Students at the Stage of Compulsory Education, pursuant to which foreign investment in such firms via mergers and acquisitions, franchise development, and variable interest entities are banned from this sector.

On August 17, 2021, the State Council promulgated the Regulations on the Protection of the Security of Critical Information Infrastructure (the "Regulations"), which took effect on September 1, 2021. The Regulations supplemented and specified the provisions on the security of critical information infrastructure as stated in the Cybersecurity Review Measures, which was issued on April 13, 2020 and was amended on December 28, 2021. The Regulations provide, among others, that protection department of certain industry or sector shall notify the operator of the critical information infrastructure in time after the identification of certain critical information infrastructure.

On August 20, 2021, the SCNPC promulgated the Personal Information Protection Law of the PRC (the "Personal Information Protection Law"), which took effect in November 2021. As the first systematic and comprehensive law specifically for the protection of personal information in the PRC, the Personal Information Protection Law provides, among others, that (i) an individual's consent shall be obtained to use sensitive personal information, such as biometric characteristics and individual location tracking; (ii) personal information operators using sensitive personal information shall notify individuals of the necessity of such use and impact on the individual's rights; and (iii) where personal information operators reject an individual's request to exercise his or her rights, the individual may file a lawsuit with a People's Court.

As such, the Company's business segments may be subject to various government and regulatory interference in the provinces in which they operate. The Company could be subject to regulations by various political and regulatory entities, including various local and municipal agencies and government sub-divisions. The Company may incur increased costs necessary to comply with the existing and newly adopted laws and regulations or penalties for any failure to comply. Additionally, the governmental and regulatory interference could significantly limit or completely hinder our ability to offer or continue to offer securities to investors and cause the value of such securities to significantly decline or be worthless.

Furthermore, we are required to file with the CSRC within 3 working days after the subsequent securities offering is completed and we might face warnings or fines if we fail to fulfill related filing procedure. Although there are still uncertainties regarding the interpretation and implementation of relevant regulatory guidance, our operations could be adversely affected, directly or indirectly, by existing or future laws and regulations relating to its business or industry.

On February 17, 2023, the China Securities Regulatory Commission, or the CSRC, promulgated Trial Administrative Measures of the Overseas Securities Offering and Listing by Domestic Companies (the "Overseas Listing Trial Measures") and five relevant guidelines which became effective on March 31, 2023. The Overseas Listing Trial Measures regulate both direct and indirect overseas offering and listing by PRC domestic companies by adopting a filing-based regulatory regime.

The Overseas Listing Trial Measures provide that if the issuer both meets the following criteria, the overseas securities offering and listing conducted by such issuer will be deemed as indirect overseas offering subject to the filing procedure set forth under the Overseas Listing Trial Measures: (i) 50% or more of the issuer's operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements for the most recent fiscal year is accounted for by the issuer's domestic companies; and (ii) the issuer's business activities are substantially conducted in mainland China, or its principal place of business are located in mainland China, or the senior managers in charge of its business operations and management are mostly Chinese citizens or domiciled in mainland China. The determination as to whether or not an overseas offering and listing by domestic companies is indirect, shall be made on a substance over form basis.

On the same day, the CSRC also held a press conference for the release of the Trial Measures and issued the Notice on Administration for the Filing of Overseas Offering and Listing by Domestic Companies, which, among others, clarifies that on or prior to the effective date of the Overseas Listing Trial Measures, domestic companies that have been completed their overseas offering and listing, which are called as "the stock enterprises (存量企业)". As a stock enterprise (存量企业), we shall file with the CSRC within 3 working days after the subsequent securities offering is completed. The CSRC shall order rectification, issue warnings and impose fines to the company fails to fulfill filing procedure as stipulated in Overseas Listing Trial Measures.

In addition, the CSRC published the Provisions on Strengthening Confidentiality and Archives Administration in Respect of Overseas Issuance and Listing of Securities by Domestic Enterprises on February 24, 2023, which became effective on March 31, 2023. The CSRC stipulates domestic enterprises, securities companies and securities service agencies which provide the corresponding services in the course of overseas issuance and listing of domestic enterprises, shall strengthen legal awareness of confidentiality of State secrets and archives administration, establish a sound system for confidentiality and archives work, adopt the requisite measures to perform the responsibilities of confidentiality and archives administration.

As there are still uncertainties regarding the interpretation and implementation of such regulatory guidance, we cannot assure you that we can obtain the specific regulatory approvals from, or complete the required filings with the CSRC, CAC or any other PRC government authorities for our future securities offering or for foreign investment in China-based issuers in a timely basis or at all. If we are unable to obtain such approvals or complete such filings, or such approvals or filings are rescinded even if obtained, our ability to offer or continue to offer securities to investors will be significantly limited or completely hindered and the value of such securities may be significantly declined or become worthless. In addition, implementation of industry-wide regulations directly targeting our operations could result in adverse effect on the value of our securities. Therefore, investors of our Company and our business face potential uncertainty from actions taken by the PRC government affecting our business and operations.

In addition, on December 28, 2021, the CAC, the National Development and Reform Commission ("NDRC"), and several other administrations jointly issued the revised Measures for Cybersecurity Review (the "Revised Review Measures"), which became effective and replaced the Measures for Cybersecurity Review on February 15, 2022. According to the Revised Review Measures, if an "online platform operator" that is in possession of personal data of more than one million users intends to list in a foreign country, it must apply for a cybersecurity review. Based on a set of Q&A published on the official website of the State Cipher Code Administration in connection with the issuance of the Revised Review Measures, an official of the said administration indicated that an online platform operator should apply for a cybersecurity review prior to the submission of its listing application with non-PRC securities regulators. Given the recency of the issuance of the Revised Review Measures, there is a general lack of guidance and substantial uncertainties exist with respect to their interpretation and implementation. For example, it is unclear whether the requirement of cybersecurity review applies to follow-on offerings by an "online platform operator" that is in possession of personal data of more than one million users where the offshore holding company of such operator that is already listed overseas. Furthermore, the CAC released the draft of the Regulations on Network Data Security Management (the "Draft Regulations") in November 2021 for public consultation, which among other things, stipulates that a data processor listed overseas must conduct an annual data security review by itself or by engaging a data security service provider and submit the annual data security review report for a given year to the municipal cybersecurity department before January 31 of the following year. On July 7, 2022, CAC promulgated Measures for the Security Assessment of Outbound Data Transfers, (the "Data Cross Border Measures"), which became effective on September 1, 2022 and provide that a data processor is required to apply for security assessment for cross-border data transfer in any of the following circumstances: (i) where a data processor provides critical data to offshore entities and individuals; (ii) where a CIIO or a data processor which processes personal information of more than one million individuals provides personal information to offshore entities and individuals; (iii) where a data processor has provided personal information in the aggregate of more than 100,000 individuals or sensitive personal information of more than 10,000 individuals in total to offshore entities and individuals since January 1 of the previous year; or (iv) other circumstances prescribed by the CAC for which declaration for security assessment for cross-board transfer of data is required. Furthermore, on August 31, 2022, the CAC promulgated the Guidelines for filing the Outbound Data Transfer Security Assessment (Version 1), which provides that acts of outbound data transfer include (i) overseas transmission and storage by data processors of data generated during mainland China domestic operations; (ii) the access to, use, download or export of the data collected and generated by data processors and stored in mainland China by overseas institutions, organizations or individuals; and (iii) other acts as specified by the CAC. The Revised Review Measures and the Draft Regulations remain unclear on whether the relevant requirements will be applicable to companies, which have been listed in the United States, such as us. They also remain uncertain whether the future regulatory changes would impose additional restrictions on companies like us. We cannot predict the impact of the Revised Review Measures and the Draft Regulations, if any, at this stage, and we will closely monitor and assess any development in the rule-making process.

We have been closely monitoring the development in the regulatory landscape in China, particularly regarding the requirement of approvals, including on a retrospective basis, from the CSRC, the CAC or other PRC authorities, as well as regarding any annual data security review or other procedures that may be imposed on us. If any approval, review or other procedure is in fact required, we are not able to guarantee that we will obtain such approval or complete such review or other procedure timely or at all. For any approval that we may be able to obtain, it could nevertheless be revoked and the terms of its issuance may impose restrictions on our operations and offerings relating to our securities.

***Recent regulatory initiatives implemented by the PRC competent government authorities on cyberspace data security may have introduced uncertainty in our business operations and compliance status, which could result in materially adverse impact on our business, results of operations and our listing on Nasdaq.***

We are subject to complex and evolving statutory and regulatory requirements relating to cybersecurity, information security, privacy and data protection. Regulatory authorities in mainland China have enhanced data protection and cybersecurity regulatory requirements. These laws continue to develop, and the PRC government may adopt other rules and restrictions in the future. Non-compliance could result in penalties or other significant legal liabilities.

The PRC Cybersecurity Law, which took effect in June 2017, created China's first national-level data protection framework for "network operators." It is relatively new and subject to interpretations by the regulator. It requires, among other things, that network operators take security measures to protect the network from unauthorized interference, damage and unauthorized access and prevent data from being divulged, stolen or tampered with. Network operators are also required to collect and use personal information in compliance with the principles of legitimacy, properness and necessity, and strictly within the scope of authorization by the subject of personal information unless otherwise prescribed by laws or regulations. Significant capital, managerial and human resources are required to comply with legal requirements, enhance information security and address any issues caused by security failures.

The Measures for Cybersecurity Review promulgated in April 2020 provides that critical information infrastructure operators must pass a cybersecurity review when purchasing network products and services which do or may affect national security. Pursuant to the Revised Cybersecurity Review Measures that took effect on February 15, 2022, operators of critical information infrastructure that intend to purchase network products and services that affect or may affect national security must apply for a cybersecurity review. However, as advised by our PRC counsel, as such new laws, regulations and rules were only recently promulgated, their interpretation and implementation shall be determined in accordance with the laws and regulations in force at the time. As of the date of this Annual Report, we have not been involved in any investigations or become subject to a cybersecurity review initiated by the CAC, and we have not received any inquiry, notice, warning, sanctions in such respect or any regulatory objections to our listing status from the CAC.

The Regulations on Security Protection of Critical Information Infrastructure that took effect on September 1, 2021 defines critical information infrastructure and its operators, who must adhere to specific security requirements. As this regulation is newly issued, the governmental authorities, including the administration departments for each critical industry and sector, may further formulate detailed rules or explanations with respect to the interpretation and implementation of this regulation.

The PRC Personal Information Protection Law, effective since November 2021, sets stringent rules for processing personal and sensitive information, which significantly affects our data handling practices. Some information we collect, such as location and mobile numbers, may be deemed to be sensitive personal information under the Personal Information Protection Law. As the interpretation and implementation of the Personal Information Protection Law shall be determined in accordance with the laws and regulations in force at the time, we cannot assure you that we will be able to comply with the Personal Information Protection Law in all respects, or that regulatory authorities will not order us to rectify or terminate our current practice of collecting and processing sensitive personal information. We may also become subject to fines and other penalties under the Personal Information Protection Law, which may have material adverse effect on our business, operations and financial condition.

On November 14, 2021, the CAC published a discussion draft of Regulations on the Administration of Cyber Data Security for public comments. These measures, if and when formalized, could impose additional cybersecurity review requirements for data processors, especially those involving national security concerns. Based on the facts that, (i) the Revised Cybersecurity Review Measures were newly adopted and the discussion draft of Regulations on the Administration of Cyber Data Security have not been formally adopted, and the implementation and interpretation of both are subject to uncertainties, and (ii) we have not been involved in any investigations on cyber security review made by the CAC on such basis, nor have we received any inquiries, notices, warnings, or sanctions from any competent PRC regulatory authorities related to cybersecurity, data security and personal data protection, we believe, as of the date of this annual report, we are in compliance with the existing PRC laws and regulations on cybersecurity, data security and personal data protection issued by the CAC.The PRC government authorities also further enhanced the supervision and regulation of cross-border data transmission. On July 7, 2022, the CAC promulgated the Measures for the Security Assessment of Cross-border Data Transfer, which took effect on September 1, 2022. In accordance with such measures, data processors will be subject to security assessment conducted by the CAC prior to any cross-border transfer of data if the transfer involves (i) important data; (ii) personal information transferred overseas by operators of critical information infrastructure or a data processor that has processed personal data of more than one million persons; (iii) personal information transferred overseas by a data processor which has already provided personal data of 100,000 persons or sensitive personal data of 10,000 persons overseas since January 1 of the preceding year; or (iv) other circumstances as required by the CAC. In addition, any cross-border data transfer activities conducted in violation of the Measures for the Security Assessment of Cross-border Data Transfer before the effectiveness of such measures are required to be rectified within six months of the effectiveness date thereof. Since these measures are relatively new, there are still substantial uncertainties with respect to the interpretation and implementation of these measures in practice and how they will affect our business operation.

In addition, internet information in mainland China is regulated from a national security standpoint. According to the PRC National Security Law, institutions and mechanisms for national security review and administration will be established to conduct national security review on key technologies and IT products and services that affect or may affect national security. The PRC Data Security Law took effect in September 2021 and provides for a security review procedure for the data activities that may affect national security. It also introduces a data classification and hierarchical protection system based on the importance of data in economic and social development, as well as the degree of harm it will cause to national security, public interests, or legitimate rights and interests of individuals or organizations when such data is tampered with, destroyed, leaked, or illegally acquired or used. The appropriate level of protection measures is required to be taken for each respective category of data.

While we take measures to comply with applicable data privacy and protection laws and regulations, we cannot guarantee the effectiveness of the measures undertaken and those implemented by us. In addition, we could be subject to new laws or regulations or the interpretation and application of existing consumer and data protection laws or regulations. These new laws, regulations and interpretations are often uncertain and in flux and may be inconsistent with our practices. We cannot guarantee that we will be able to maintain compliance at all times, especially in light of the fact that laws and regulations on cybersecurity and data protection are evolving. Complying with these new or additional laws, regulations and requirements could cause us to incur substantial costs or require us to change our business practices in a manner materially adverse to our business.

***It may be difficult for overseas shareholders and/or regulators to conduct investigations or collect evidence within China.***

Shareholder claims or regulatory investigation that are common in the United States generally are difficult to pursue as a matter of law or practicality in China. For example, in China, there are significant legal and other obstacles to providing information needed for regulatory investigations or litigation initiated outside China. Although the authorities in China may establish a regulatory cooperation mechanism with the securities regulatory authorities of another country or region to implement cross-border supervision and administration, such cooperation with the securities regulatory authorities in the Unities States may not be efficient in the absence of mutual and practical cooperation mechanism. Furthermore, according to Article 177 of the PRC Securities Law, or Article 177, which became effective in March 2020, no overseas securities regulator is allowed to directly conduct investigation or evidence collection activities within the territory of the PRC. Accordingly, without governmental approval in China, no entity or individual in China may provide documents and information relating to securities business activities to overseas regulators when it is under direct investigation or evidence discovery conducted by overseas regulators. While detailed interpretation of or implementation rules under Article 177 have yet to be promulgated, the inability for an overseas securities regulator to directly conduct investigation or evidence collection activities within China may further increase difficulties faced by you in protecting your interests.

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

Substantially all of our assets and operations are located in China. Accordingly, our business, financial condition, results of operations and prospects may be influenced to a significant degree by political, economic and social conditions in China generally.

While the Chinese economy has experienced significant growth over the past decades, growth has been uneven, both geographically and among various sectors of the economy. The Chinese government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may benefit the overall Chinese economy, but may have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations. In addition, the Chinese government has implemented certain measures in the past, including lifting the interest rate and to control the pace of economic growth. These measures may cause the decline of economic activities in China. Any prolonged slowdown in the Chinese economy may reduce the demand for our products and services, thus materially and adversely affect our business and results of operations.

***Uncertainties with respect to the interpretation and enforcement of PRC laws, rules and regulations could adversely affect us.***

We conduct our business primarily through our subsidiaries in China. Our operations in China are governed by the laws and regulations of China. Our subsidiaries are generally subject to laws and regulations applicable to foreign investments in China. As a civil law jurisdiction, the legal system of China is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value.

The laws and regulations of China have significantly enhanced the protections afforded to various forms of foreign investments in China for the past decades. However, because certain laws and regulations are relatively new, and because of the limited volume of published decisions and their nonbinding nature, the interpretation and enforcement of these laws and regulations involve uncertainties.

Furthermore, the legal system of China is based in part on government policies and China is geographically large and divided into various provinces and municipalities. As such, different regulations and policies may have different and varying applications and interpretations in different parts of China, and it is possible that we may not be aware in a timely manner that we have been identified to be in violation of these policies and rules until sometime after the occurrence of the violation. In addition, certain administrative and court proceedings in China may result in substantial costs and diversion of resources and management attention.

PRC government may regulate our operations at any time, or may exercise more oversight and control at any time over offerings conducted outside of China and foreign investment in China-based companies. For example, the Opinions on Severely Cracking Down on Illegal Securities Activities According to Law issued on July 6, 2021 emphasized the need to strengthen the management over illegal securities activities and the supervision on overseas listings by mainland China-based companies. These opinions propose to take effective measures, such as promoting the establishment of regulatory frameworks, to deal with the risks and incidents facing mainland China-based overseas-listed companies, and fulfill the demand for cybersecurity and data privacy protection. These opinions and any future related implementation rules may subject us to additional compliance requirement in the future. Official guidance and interpretation of these opinions are absent in several material respects at this time.

Rules and regulations in China are subject to changes by the relevant authorities. Sometimes such authorities will publish draft of the revisions to existing rules and regulations for public comments and consultation before enacting such revisions. But such consultations are done on case-by-case basis, and we otherwise lack public channels to learn the extents of the revisions beforehand, in which case we might have limited time to ensure timely compliance upon the enactment of such revisions. Such action could significantly limit or hinder our ability to offer or continue to offer securities to investors and cause the value of such securities to significantly decline.

Therefore, we cannot assure you that we will remain fully compliant with any new regulatory requirements or any future implementation rules on a timely basis, or at all. Any failure of us to fully comply with applicable laws and regulations may significantly limit or completely hinder our ability and the ability of any holder of our securities to offer or continue to offer such securities, cause significant disruption to our business operations, and severely damage our reputation, which would materially and adversely affect our financial condition and results of operations and cause our securities to significantly decline in value or become worthless.

***Additional disclosure requirements to be adopted by and regulatory scrutiny from the SEC in response to risks related to companies with substantial operations in China, which could increase our compliance costs, subject us to additional disclosure requirements, and/or suspend or terminate our future securities offerings, making capital-raising more difficult.***

On July 30, 2021, in response to the recent regulatory developments in China and actions adopted by the PRC government, the Chairman of the SEC issued a statement asking the SEC staff to seek additional disclosures from offshore issuers associated with China-based operating companies before their registration statements will be declared effective. As such, the offering of our securities may be subject to additional disclosure requirements and review that the SEC or other regulatory authorities in the United States may adopt for companies with China-based operations, which could increase our compliance costs, subject us to additional disclosure requirements, and/or suspend or terminate our future securities offerings, making capital-raising more difficult.

***You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing actions in China against us or our management named in this Annual Report based on foreign laws.***

We are a company incorporated under the laws of the Cayman Islands, we conduct all of our operations in China and all of our assets are located in China. In addition, all of our senior executive officers reside within China for a significant portion of the time and most of our directors and senior executive officers are PRC nationals. As a result, it may be difficult for you to effect service of process upon us or those persons inside the mainland China. In addition, China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the Cayman Islands and many other countries and regions. Therefore, recognition and enforcement in China regarding the judgments of a court in any of these non-PRC jurisdictions in relation to any matters not subject to a binding arbitration provision may be difficult or even impossible.

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

We are a Cayman Islands holding company, and we rely on dividends and other distributions on equity paid by our PRC subsidiaries for our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders and repay any debt that we may incur. The ability of our PRC subsidiaries to distribute dividends is based upon their distributable earnings. Current PRC regulations permit our PRC subsidiaries to pay dividends to their respective shareholders only out of their accumulated profits, if any, which is determined in accordance with the PRC accounting standards and regulations. In addition, according to the PRC Company Law, each of our PRC subsidiaries, as a wholly foreign-owned enterprise in China, is required to set aside at least 10% of its after-tax profits each year, if any, to fund a statutory reserve until the aggregate amount of such reserve reaches 50% of its registered capital. At its discretion, a wholly foreign-owned enterprise may allocate a portion of its after-tax profits based on PRC accounting standards to staff welfare and bonus funds. These reserve funds and staff welfare and bonus funds are not distributable as cash dividends. If our PRC subsidiaries incur debt on their own behalf in the future, the instruments governing the debt may also restrict their ability to pay dividends or make other payments to us. Any limitation on the ability of our PRC subsidiaries to distribute dividends or other payments to their respective shareholders could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends or otherwise fund and conduct our business.

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

We are an offshore holding company which primarily conducts our operations in China. Any funds that we transfer to our PRC subsidiaries, either as a shareholder loan or as an increase in registered capital, are subject to the registration or filing with relevant governmental authorities in China.

According to the relevant PRC regulations on FIEs, capital contributions to our PRC subsidiaries are subject to the requirement of making the investment information report to the competent departments for commerce through the enterprise registration system and the enterprise credit information publicity system. Any loans to our PRC subsidiaries, which are treated as FIEs under PRC law, are subject to PRC regulations and foreign exchange loan registrations. For example, any foreign loan procured by our PRC subsidiaries is required to be registered with the State Administration of Foreign Exchange ("SAFE"), or its local branches; and our PRC subsidiaries may not procure loans which exceed either the cross-border financing risk weighted balance calculated based on a special formula or the difference between their respective registered capital and their respective total investment amount as approved by, or filed with, the MOFCOM or its local branches. Any medium- or long-term loan to be provided by us to our PRC subsidiaries must be filed and registered with the National Development and Reform Committee ("NDRC"), and the SAFE or their local branches. See "Item 4. Information on the Company — B. Business Overview — Regulation — Regulations on Offshore Investment by PRC Residents". We may not obtain these government approvals or complete such filings or registrations on a timely basis, if at all, with respect to future capital contributions or foreign loans by us to its PRC subsidiaries. If we fail to receive such approvals or complete such registrations, our ability to use offshore funds 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.

On March 30, 2015, the SAFE promulgated the Circular on Reforming the Management Approach Regarding the Foreign Exchange Capital Settlement of Foreign-Invested Enterprises ("SAFE Circular 19") and was last amended on March 23, 2023 by Circular of the State Administration of Foreign Exchange on Repealing and Invalidating Fifteen Normative Documents Concerning Administration of Foreign Exchange and Some Articles of Fourteen Normative Documents Concerning Administration of Foreign Exchange. SAFE Circular 19 launched a nationwide reform of the administration of the settlement of the foreign exchange capitals of FIEs and allows FIEs to settle their foreign exchange capital at their discretion, but continues to prohibit FIEs from using the Renminbi fund converted from their foreign exchange capital for expenditure beyond their business scopes, providing entrusted loans or repaying loans between non-financial enterprises. On June 9, 2016, the SAFE promulgated the Circular on Reforming and Standardizing the Administrative Provisions on Capital Account Foreign Exchange ("SAFE Circular 16"). SAFE Circular 16 reiterates some of the rules set forth in SAFE Circular 19, but changes the prohibition against using Renminbi capital converted from foreign currency-denominated registered capital of an FIE to issue Renminbi entrusted loans to a prohibition against using such capital to issue loans to non-associated enterprises. Violations of these circulars could result in severe monetary or other penalties. SAFE Circular 19 and SAFE Circular 16 may significantly limit our ability to use Renminbi converted from offshore funds to fund the establishment of new entities in China by the VIEs, to invest in or acquire any other PRC companies through our PRC subsidiaries or to establish new consolidated variable interest entities in the PRC, which may adversely affect our business, financial condition and results of operations.

***We are required to obtain certain licenses and permits for our business operations, and we may not be able to obtain or maintain such licenses or permits.***

The PRC government regulates the internet and automotive industries extensively, including through licensing and permit requirements pertaining to companies in these industries. Relevant laws and regulations are relatively new and evolving, and their interpretations and enforcement involve significant uncertainties. As a result, under certain circumstances, it may be difficult to determine what actions or omissions may be deemed as violations of the applicable laws and regulations.

To enable our customers to receive vehicles purchased from our Dealerships and other in-network dealers, we rely initially on the use of our own capital during the waiting period between customers and our financing partners. As our financing partners generally approve and release funds within a period of up to a few weeks to a Dealership or in-network dealer, we first release the funds in advance to the relevant Dealership or in-network dealership so that it can in turn release vehicles to its customers earlier than would otherwise be the case. As the vehicle purchase loan relationship is ultimately between the relevant customers and our financing partners, we do not consider our service as constituting a financial service requiring us to obtain any approval or license. However, we cannot assure you that the relevant PRC government agencies would reach the same conclusion. As of the date of this Annual Report, we have not been subject to any fines or other penalties under any PRC laws or regulations related to the foregoing solutions we provide. However, given the evolving regulatory environment of the financial industry, we cannot assure you that we will not be required in the future by relevant governmental authorities to obtain approval or license to continue to provide such interim financing solutions used to speed up the vehicle purchasing procedure.

In addition, pursuant to the relevant laws and regulations, as our Dealerships are regarded as operators of new and used car sales business, these entities are required to complete filing with the MOFCOM at the provincial level. We may fail to complete such filings in certain locations since the relevant authorities in those areas do not accept such filing application in practice due to the lack of local implementation rules and policies in such respects. We plan to submit our filing application as soon as the relevant governmental authorities are ready to accept such application. However, we cannot assure you that we can successfully complete the filing in a timely manner, or at all. Failure to comply with the filing requirements may subject our business to restrictions. As a result, our business and results of operations may be materially and adversely affected.

Under the existing PRC laws and regulations, companies responsible for the construction projects are required to prepare environmental impact reports, environmental impact statements, or environmental impact registration forms based on the level of potential environmental impact of the projects. Environmental impact reports (required in the case of potentially serious environmental impact) and environmental impact statements (required in the case of potentially mild environmental impact) are subject to review and approval by the applicable governmental authorities and the failure to satisfy such requirements may result in the discontinuation of the construction projects, imposing fines of 1% to 5% of the total investment in the projects or an order of restoration. Environmental impact registration forms (required in the case of very little environmental impact) are required to be filed with the competent authority and failure to satisfy such requirement may result in the imposition of fines up to RMB50,000 (US$7,042). We do not regularly conduct construction projects in the ordinary course of our business. However, some of our projects, including the building and overall decoration of our after- sales service centers, could be deemed as construction projects where a timely filing or submission for approval is required and failure to do so may subject us to fines and other enforcement actions as mentioned above.

We have obtained all approvals and permits that are material for our operations through our PRC subsidiaries under the laws and regulations of mainland China, and we have not been subject to any material administrative penalties from the regulatory authorities of mainland China. We are required to continue to comply with the provisions of the laws, regulations and policies of mainland China for the operations of our subsidiaries in mainland China and we remain subject to the supervision of the relevant regulatory authorities of mainland China. Given the uncertainties of interpretation and implementation of laws and regulations and the enforcement practice by government authorities, we may be required to obtain additional licenses, permits, filings or approvals for our business and operations in the future. If we fail to complete, obtain or maintain any of the required licenses or approvals or make necessary filings, we may be subject to various penalties, such as confiscation of illegal gains, imposition of fines and discontinuation or restriction of our operations. Any such penalties may disrupt our business operations and adversely affect our business, financial condition and operations.

***Fluctuations in exchange rates could have a material and adverse effect on our results of operations and the value of our ordinary shares.***

The value of the Renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in political and economic conditions in China and by China's foreign exchange policies. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the Renminbi to the U.S. dollar, and the Renminbi appreciated more than 20% against the U.S. dollar over the following three years. Between July 2008 and June 2010, this appreciation halted and the exchange rate between the Renminbi and the U.S. dollar remained within a narrow band. Since June 2010, the Renminbi has fluctuated against the U.S. dollar, at times significantly and unpredictably. On November 30, 2015, the Executive Board of the International Monetary Fund completed the regular five-year review of the basket of currencies that make up the Special Drawing Right ("SDR"), and decided that with effect from October 1, 2016, the Renminbi is determined to be a freely usable currency and will be included in the SDR basket as a fifth currency, along with the U.S. dollar, the Euro, the Japanese yen and the British pound. In the fourth quarter of 2016, the Renminbi depreciated significantly in the backdrop of a surging U.S. dollar and persistent capital outflows of China. With the development of the foreign exchange market and progress towards interest rate liberalization and Renminbi internationalization, the PRC government may in the future announce further changes to the exchange rate system, and we cannot assure you that the Renminbi will not appreciate or depreciate significantly in value against the U.S. dollar in the future. It is difficult to predict how market forces, PRC or U.S. government policy may impact the exchange rate between the Renminbi and the U.S. dollar in the future.

Our revenues and costs are mostly denominated in Renminbi. Significant revaluation of the Renminbi may have a material and adverse effect on the value of our ordinary shares. For example, to the extent that we need to convert U.S. dollars into Renminbi for our operations, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the Renminbi amount we would receive from the conversion. Conversely, if we decide to convert our Renminbi into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or for other business purposes, appreciation of the U.S. dollar against the Renminbi would have a negative effect on the U.S. dollar amount available to us. In addition, appreciation or depreciation in the value of the Renminbi relative to U.S. dollars would affect our financial results reported in U.S. dollar terms regardless of any underlying change in its business or results of operations.

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

***Governmental control of currency conversion may limit our ability to utilize our revenues effectively and affect the value of our ordinary shares.***

The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. Historically we received all of our revenues in Renminbi. Under our current corporate structure, our Cayman Islands holding company primarily relies on the dividend payments from our PRC subsidiaries to fund any cash and financing requirements that we may have. Under the existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments, trade and service-related foreign exchange transactions, can be all made in foreign currencies without prior approval of the SAFE by complying with certain procedural requirements. Specifically, under the existing exchange restrictions, without prior approval of the SAFE, cash generated from the operations of our PRC subsidiaries in China may be used to pay dividends to us. However, approval from or registration with appropriate governmental authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. As a result, we need to obtain SAFE approval to use cash generated from the operations of our PRC subsidiaries to pay off their respective debt in a currency other than Renminbi owed to entities outside China, or to make other capital expenditure payments outside China in a currency other than Renminbi.

In light of the substantial capital outflows of China in 2016 due to the weakening Renminbi, the PRC government has imposed more restrictive foreign exchange policies and stepped up scrutiny of major outbound capital movement. More restrictions and substantial vetting process are put in place by the SAFE to regulate cross-border transactions falling under the capital account. The PRC government may at its discretion further restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our shareholders.

***Certain PRC regulations may make it more difficult for us to pursue growth through acquisitions.***

The Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors ("M&A Rules"), adopted by six PRC regulatory agencies in 2006 and amended in 2009, and some other regulations and rules concerning mergers and acquisitions established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex. Such regulations require, among other things, that the MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor acquires control of a PRC domestic enterprise, if (i) any important industry is concerned; (ii) such transaction involves factors that impact or may impact national economic security; or (iii) such transaction will lead to a change in the control of a domestic enterprise which holds a famous trademark or PRC time-honored brand. Moreover, the Anti-Monopoly Law that became effective in 2008 and amended in 2022 requires that transactions that are deemed concentrations and involve parties with specified turnover thresholds must be cleared by the MOFCOM before they can be completed. In addition, PRC national security review rules, consisting of the Provisions of MOFCOM on Implementation of Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, which became effective in September 2011, and the Notice of the General Office of the State Council on Establishment of Security Review System pertaining to Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, which became effective in March 2011, require acquisitions by foreign investors of PRC companies engaged in military-related or certain other industries that are crucial to national security be subject to security review before consummation of any such acquisition. In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of these regulations to complete such transactions could be time-consuming, and any required approval processes, including obtaining approvals or clearance from the MOFCOM, may delay or inhibit our ability to complete such transactions, which could affect its ability to expand its business or maintain its market share.

***Any failure by us to make full contributions to various employee benefit plans as required by PRC laws may expose us to potential penalties.***

Companies operating in China are required to participate in various government sponsored employee benefit plans, including certain social insurance schemes and housing funds, and contribute to the plans in amounts equal to certain percentages of salaries, including bonuses and allowances, of the employees up to a maximum amount specified by the local governments from time to time at locations where they operate businesses. The requirement of employee benefit plans has not been implemented consistently by the local governments in China given the different levels of economic development in different locations. We did not pay, or were not able to pay, certain past social security and housing fund contributions in strict compliance with the relevant PRC regulations for and on behalf of our employees due to differences in local regulations and inconsistent implementation or interpretation by local authorities in the PRC. For example, we engage third-party agents to make contributions for our employees in some cities and failure to make such contributions directly may expose us to penalties by the local authorities. We may also incur additional costs for any alternative arrangement if we were asked to terminate any existing arrangements with the third-party agents.

***PRC regulations relating to offshore investment activities by PRC residents may limit the ability of our PRC subsidiaries to increase their registered capital or distribute profits to us or otherwise expose us or our PRC resident beneficial owners to liability and penalties under PRC laws.***

In July 2014, the SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment Through Special Purpose Vehicles ("SAFE Circular 37"). SAFE Circular 37 requires PRC residents (including PRC individuals and PRC corporate entities) to register with the SAFE or its local branches in connection with their direct or indirect offshore investment activities. SAFE Circular 37 further requires amendment to the SAFE registrations in the event of any changes with respect to the basic information of the offshore special purpose vehicle, such as the change of a PRC individual shareholder, name and operation term, or any significant changes with respect to the offshore special purpose vehicle, such as the increase or decrease of capital contributions, share transfer or exchange, or mergers or divisions. SAFE Circular 37 is applicable to our shareholders who are PRC residents.

If our shareholders who are PRC residents fail to make the required registration or to update the previously filed registration, our PRC subsidiaries may be prohibited from distributing their profits or the proceeds from any capital reduction, share transfer or liquidation to us, and we may also be prohibited from making additional capital contributions into our PRC subsidiaries. On February 13, 2015, the SAFE promulgated a Notice on Further Simplifying and Improving Foreign Exchange Administration Policy on Direct Investment, or SAFE Notice 13, which became effective on June 1, 2015 and was last amended on December 30, 2019 by Circular of the State Administration of Foreign Exchange on Repealing and Invalidating Five Normative Documents Concerning Administration of Foreign Exchange and Some Articles of Seven Normative Documents Concerning Administration of Foreign Exchange. Under SAFE Notice 13, applications for foreign exchange registration of inbound foreign direct investments and outbound overseas direct investments, including those required under SAFE Circular 37, should be filed with qualified banks instead of the SAFE. The qualified banks will directly examine the applications and accept registrations under the supervision of the SAFE.

We have urged all of our shareholders who, to our knowledge, are subject to the SAFE regulations to register with the local SAFE branch. There can be no assurance, however, that all of these shareholders will continue to make required filings or updates on a timely manner, or at all. Furthermore, there can be no assurance that we are or will in the future continue to be informed of the identities of all the PRC residents holding direct or indirect interest in us. Any failure or inability by such shareholders to comply with the SAFE regulations may prevent us from making distributions or paying dividends or subject us to fines or legal sanctions. For example, there may be restrictions on our ability to engage in cross-border investment activities or the ability of our PRC subsidiaries to distribute dividends to, or obtain loans denominated in foreign curries from us. As a result, our business operations and our ability to make distributions to the shareholders could be materially and adversely affected.

Measures for the Administration of Overseas Investment was issued on September 6, 2014 and came into effect on October 6, 2014. In December 2017, the NDRC further promulgated the Administrative Measures of Overseas Investment of Enterprises, which became effective in March 2018. Pursuant to these regulations, any outbound investment of PRC enterprises in the area and industry that are not sensitive is required to be filed with the MOFCOM and the NDRC or their local branches.

Any failure or inability by enterprises to comply with SAFE and outbound investment related regulations may subject the responsible officers of such enterprises to fines or legal sanctions, and may result in an adverse impact on us, such as restrictions on the ability to contribute capital and receive dividends.

***Any failure to comply with the PRC regulations regarding the registration requirements for employee stock incentive plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.***

In February 2012, the SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly Listed Company. Pursuant to these rules, PRC citizens and non-PRC citizens who reside in China for a continuous period of not less than one year who participate in any stock incentive plan of an overseas publicly listed company, subject to a few exceptions, are required to register with the SAFE through a domestic qualified agent, which could be the PRC subsidiaries of such overseas-listed company, and complete certain other procedures. In addition, an overseas-entrusted institution must be retained to handle matters in connection with the exercise or sale of stock options and the purchase or sale of shares and interests. We and our directors, executive officers and other employees who are PRC citizens or who reside in the PRC for a continuous period of not less than one year and who have been granted options are subject to these regulations. Failure to complete the SAFE registrations may subject them to fines and legal sanctions, and may also limit our ability to contribute additional capital into our PRC subsidiaries and limit our PRC subsidiaries' ability to distribute dividends to us. We also face regulatory uncertainties that could restrict our ability to adopt additional incentive plans for our directors, executive officers and employees under the PRC laws. See "Item 4. Information on the Company — B. Business Overview — Regulation — Regulations on Employee Stock Options Plans".

In addition, the State Administration of Taxation ("SAT"), has issued certain circulars concerning employee share options and restricted shares. Under these circulars, our employees working in China who exercise share options or are granted restricted shares will be subject to PRC individual income tax. Our PRC subsidiaries have the obligations to file documents related to employee share options or restricted shares with relevant tax authorities and to withhold individual income taxes of those employees who exercise their share options. If our employees fail to pay or we fail to withhold their income taxes according to the relevant laws and regulations, we may face sanctions which imposed by the tax authorities or other PRC governmental authorities. See "Item 4. Information on the Company — B. Business Overview — Regulation — Regulations on Employee Stock Options Plans".

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

Under the Enterprise Income Tax Law and its implementation rules, enterprises that are registered in countries or regions outside the PRC but have their "de facto management bodies" located within China may be considered as PRC resident enterprises and are therefore subject to PRC enterprise income tax at the rate of 25% on their worldwide income. For detailed discussions of the applicable laws, regulations and implementation rules, see "Item 4. Information on the Company — B. Business Overview —Regulation — Regulations on Taxation — Enterprise Income Tax".

We believe that none of our entities outside China is a PRC resident enterprise for PRC tax purposes. See "Item 4. Information on the Company — B. Business Overview — Regulation — Regulations on Taxation — Enterprise Income Tax". However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities, and uncertainties remain with respect to the interpretation of the term "de facto management body". If the PRC tax authorities determine that we or any of our subsidiaries outside of China is a PRC resident enterprise for enterprise income tax purposes, then we or any such subsidiaries could be subject to PRC tax at a rate of 25% on worldwide income, which could materially reduce our net income. In addition, we would also be subject to PRC enterprise income tax reporting obligations. Furthermore, if the PRC tax authorities determine that we are a PRC resident enterprise for enterprise income tax purposes, gains realized on the sale or other disposition of our ordinary shares and dividends distributed to its non-PRC shareholders may be subject to PRC withholding tax, at a rate of 10% in the case of non-PRC enterprises or 20% in the case of non-PRC individuals (in each case, subject to the provisions of any applicable tax treaty), if such gains are deemed to be from PRC sources. Any such tax may reduce the value of our ordinary shares.

***We face uncertainty with respect to indirect transfers of equity interests in PRC resident enterprises by their non-PRC holding companies, and heightened scrutiny over acquisition transactions by the PRC tax authorities may have a negative impact on potential acquisitions that we may pursue in the future.***

The SAT has issued several rules and notices to tighten the scrutiny over acquisition transactions in recent years, including the Notice on Certain Corporate Income Tax Matters Related to Indirect Transfer of Properties by Non-PRC Resident Enterprises issued in February 2015 and amended in 2017 ("SAT Circular 7"), and the Announcement on Issues Relating to Withholding at Source of Income Tax of Non-resident Enterprises ("SAT Circular 37"). Pursuant to these rules and notices, except for a few circumstances falling into the scope of the safe harbor provided by SAT Circular 7, such as open market trading of stocks in public companies listed overseas, if a non-PRC resident enterprise indirectly transfers PRC taxable properties (that is, properties of an establishment or a place in the PRC, real estate properties in the PRC or equity investments in a PRC tax resident enterprise) by disposing of equity interests or other similar rights in an overseas holding company, without a reasonable commercial purpose and resulting in the avoidance of PRC enterprise income tax, such indirect transfer should be deemed as a direct transfer of PRC taxable properties and gains derived from such indirect transfer may be subject to the PRC withholding tax at a rate of up to 10%. SAT Circular 7 sets out several factors to be taken into consideration by tax authorities in determining whether an indirect transfer has a reasonable commercial purpose, such as whether the main value of equity interests in an overseas holding company is derived directly or indirectly from PRC taxable properties. An indirect transfer satisfying all the following criteria will be deemed to lack reasonable commercial purpose and be taxable under PRC laws without considering other factors set out by SAT Circular 7: (i) 75% or more of the equity value of the intermediary enterprise being transferred is derived directly or indirectly from the PRC taxable properties; (ii) at any time during the one-year period before the indirect transfer, 90% or more of the asset value of the intermediary enterprise (excluding cash) is comprised directly or indirectly of investments in the PRC, or 90% or more of its income is derived directly or indirectly from the PRC; (iii) the functions performed and risks assumed by the intermediary enterprise and any of its subsidiaries that directly or indirectly hold the PRC taxable properties are limited and are insufficient to prove their economic substance; and (iv) the foreign tax payable on the gains derived from the indirect transfer of the PRC taxable properties is lower than the potential PRC income tax on the direct transfer of such assets. Each of the foreign transferor and the transferee, and the PRC tax resident enterprise whose equity interests are being transferred may voluntarily report the transfer by submitting the documents required in SAT Circular 7.

Although SAT Circular 7 provides clarity in many important areas, such as reasonable commercial purpose, there are still uncertainties on the tax reporting and payment obligations with respect to future private equity financing transactions, share exchange or other transactions involving the transfer of shares in non-PRC resident companies. The PRC tax authorities have discretion under SAT Circular 7 to make adjustments to the taxable capital gains based on the difference between the fair value of the equity interests transferred and the cost of investments. We may pursue acquisitions in the future that may involve complex corporate structures. If we are considered a non-PRC resident enterprise under the PRC Enterprise Income Tax Law and if the PRC tax authorities make adjustments to the taxable income of these transactions under SAT Circular 7, our income tax expenses associated with such potential acquisitions will increase, which may adversely affect our financial condition and results of operations.

SAT Circular 37 took effect on February 3, 2015 and was last amended on June 15, 2018. SAT Circular 37 purports to clarify certain issues in the implementation of the above regime, by providing, among other things, the definition of equity transfer income and tax basis, the foreign exchange rate to be used in the calculation of withholding amount, and the date of occurrence of the withholding obligation.

We have conducted and may in the future conduct acquisitions or restructuring that may be subject to the aforesaid tax regulations. There can be no assurance that the PRC tax authorities will not, at their discretion, impose tax return filing obligations on us or our subsidiaries, require us or our subsidiaries to provide assistance to an investigation conducted by the PRC tax authorities with respect to these transactions or adjust any capital gains. Any PRC tax imposed on a transfer of our shares or equity interests in our PRC subsidiaries, or any adjustment of such gains, would cause us to incur additional costs and may have a negative impact on our results of operations.

***If the PCAOB is unable to inspect our auditors as required under the Holding Foreign Companies Accountable Act, the SEC will prohibit the trading of our shares. A trading prohibition for our shares, or the threat of a trading prohibition, may materially and adversely affect the value of your investment. Additionally, the inability of the PCAOB to conduct inspections of our auditors, if any, would deprive our investors of the benefits of such inspections.***

The Holding Foreign Companies Accountable Act (the "HFCAA") was enacted on December 18, 2020, as amended by the Consolidated Appropriations Act, 2023. The HFCAA states if the SEC determines that we have filed audit reports issued by a registered public accounting firm that has not been subject to inspection by the PCAOB for three consecutive years beginning in 2021, the SEC shall prohibit our shares from being traded on a national securities exchange or in the over-the-counter trading market in the U.S.

On December 16, 2021, the PCAOB issued a Determination Report which found that the PCAOB was unable to inspect or investigate completely registered public accounting firms headquartered in: (i) mainland China, and (ii) Hong Kong.

On August 26, 2022, the PCAOB signed a Statement of Protocol with the CSRC and Ministry of Finance, taking the first step toward opening access for the PCAOB to inspect and investigate registered public accounting firms headquartered in mainland China and Hong Kong completely, consistent with U.S. law.

On December 15, 2022, the PCAOB announced that it was able to conduct inspections and investigations completely of PCAOB-registered public accounting firms headquartered in mainland China and Hong Kong in 2022. The PCAOB vacated its previous determinations issued in December 2021 accordingly. As of the date of this annual report, the PCAOB has not issued any new determination that it is unable to inspect or investigate completely registered public accounting firms headquartered in any jurisdiction. As a result, we do not expect to be identified as a "Commission-Identified Issuer" under the HFCAA for the fiscal year ended December 31, 2024, after we file our annual report on Form 20-F for such fiscal year. On December 29, 2022, the Consolidated Appropriations Act, 2023, was signed into law, which amended the HFCAA (i) to reduce the number of consecutive non-inspection years required for triggering the prohibitions under the HFCAA from three years to two, and (ii) so that any foreign jurisdiction could be the reason why the PCAOB does not have complete access to inspect or investigate a company's auditors. As it was originally enacted, the HFCAA applied only if the PCAOB's inability to inspect or investigate because of a position taken by an authority in the foreign jurisdiction where the relevant public accounting firm is located. As a result of the Consolidated Appropriations Act, 2023, the HFCAA now also applies if the PCAOB's inability to inspect or investigate the relevant accounting firm is due to a position taken by an authority in any foreign jurisdiction. The denying jurisdiction does not need to be where the accounting firm is located. However, whether the PCAOB will be able to continue to conduct inspections and investigations completely to its satisfaction of PCAOB-registered public accounting firms headquartered in mainland China and Hong Kong are subject to uncertainty and depends on a number of factors out of our, and our auditor's, control, including positions taken by authorities of the PRC. Each year, the PCAOB will determine whether it can inspect and investigate completely audit firms in mainland China and Hong Kong, among other jurisdictions. If PCAOB determines in the future that it no longer has full access to inspect and investigate completely accounting firms in mainland China and Hong Kong and we continue to use an accounting firm headquartered in one of these jurisdictions to issue an audit report on our financial statements filed with the SEC, we would be identified as a Commission-Identified Issuer following the filing of the annual report on Form 20-F for the relevant fiscal year. There can be no assurance that we would not be identified as a Commission-Identified Issuer for any future fiscal year, and if we were so identified for two consecutive years, we would become subject to the prohibition on trading under the HFCAA.

Our current auditor, Onestop Assurance PAC ("Onestop"), the independent registered public accounting firm that issue the audit reports included elsewhere in this Annual Report, is registered with the PCAOB. The PCAOB conducts regular inspections to assess its compliance with the applicable professional standards. Onestop Assurance PAC is headquartered in Singapore and, as of the date of this Annual Report, is not included in the list of PCAOB Identified Firms in the PCAOB Determination Report issued in December 2021.Our ability to retain an auditor subject to the PCAOB inspection and investigation, including but not limited to inspection of the audit working papers related to us, may depend on the relevant positions of U.S. and Chinese regulators. Onestop audit working papers related to us are located in China. With respect to audits of companies with operations in China, such as our Company, there are uncertainties about the ability of the auditor to fully cooperate with a request by the PCAOB for audit working papers in China without the approval of Chinese authorities.

Whether the PCAOB will be able to conduct inspections of our auditor, including but not limited to inspection of the audit working papers related to us, in the future is subject to substantial uncertainty and depends on a number of factors out of our, and our auditor's, control. If our shares are prohibited from trading in the United States, there is no certainty that we will be able to list on a non-U.S. exchange or that a market for our shares will develop outside of the United States. Such a prohibition would substantially impair your ability to sell or purchase our shares when you wish to do so, and the risk and uncertainty associated with delisting would have a negative impact on the price of our shares. Also, such a prohibition would significantly affect our ability to raise capital on terms acceptable to us, or at all, which would have a material adverse impact on our business, financial condition, and prospects.

**Risks Related to Our Ordinary Shares**

***The market price movement of our ordinary shares may be volatile.***

The trading prices of our ordinary shares are likely to be volatile and could fluctuate widely due to factors beyond our control. This may happen because of the broad market and industry factors, such as the performance and fluctuation in the market prices or the underperformance or deteriorating financial results of other listed companies based in China. The securities of some of these companies have experienced significant volatility since their initial public offerings, including, in some cases, substantial price declines in the trading prices of their securities. The trading performances of other Chinese companies' securities after their offerings, including internet companies, online retail and mobile commerce platforms and consumer finance service providers, may affect the attitudes of investors towards Chinese companies listed in the United States, which consequently may impact the trading performance of our ordinary shares, regardless of our actual operating performance. In addition, any negative news or perceptions about inadequate corporate governance practices or fraudulent accounting, corporate structure or matters of other Chinese companies may also negatively affect the attitudes of investors towards Chinese companies as a whole, including us, regardless of whether we have conducted any inappropriate activities. Furthermore, securities markets may from time to time experience significant price and volume fluctuations that are not related to our operating performance, such as the large decline in share prices in the United States, China and other jurisdictions in late 2008, early 2009, the second half of 2011 and in 2015, which may have a material and adverse effect on the trading price of our ordinary shares.

In addition to the above factors, the price and trading volume of our ordinary shares may be highly volatile due to multiple factors, including the following:

- regulatory developments affecting us or our industry;
- announcements of studies and reports relating to the quality of our service offerings or those of our competitors;
- changes in the economic performance or market valuations of other automobile retailers;
- actual or anticipated fluctuations in our quarterly results of operations and changes or revisions of our expected results;
- changes in financial estimates by securities research analysts;
- conditions in the market for automobile retailers;
- announcements by us or our competitors of new product and service offerings, acquisitions, strategic relationships, joint ventures, capital raisings or capital commitments;
- announcements and implementation of business mergers and acquisitions, including the merger with Haitaoche Limited;
- additions to or departures of our senior management;
- fluctuations of exchange rates between the Renminbi and the U.S. dollar; and
- release or expiry of lock-up or other transfer restrictions on our outstanding shares, and sales or perceived potential sales of additional ordinary shares.

***The sale or availability for sale of substantial amounts of our ordinary shares could adversely affect their market price.***

Sales of substantial amounts of our ordinary shares in the public market, or the perception that these sales could occur, may adversely affect the market price of our ordinary shares. As of December 31, 2024, we had 6,589,162 ordinary shares outstanding, including 5,249,589 ordinary shares that are freely transferable without restriction or additional registration under the Securities Act. The remaining ordinary shares outstanding will be available for sale, subject to volumes and other restrictions as applicable under Rules 144 and 701 of the Securities Act. Certain holders of our ordinary shares may cause us to register under the Securities Act of the sale of their shares. Sales of these registered shares in the public market could adversely affect the market price of our ordinary shares.

***If securities or industry analysts do not publish research or reports about our business, or if they adversely change their recommendations regarding our ordinary shares, the market price for our ordinary shares and trading volume could decline.***

The trading market for our ordinary shares will depend in part on the research and reports that securities or industry analysts publish about us or our business. If research analysts do not establish and maintain adequate research coverage or if one or more of the analysts who covers us downgrades our ordinary shares or publishes inaccurate or unfavorable research about our business, the market price for our ordinary shares would likely decline. If analysts fail to publish reports on us regularly, we could lose visibility in the financial markets, which, in turn, could cause the market price or trading volume for our ordinary shares to decline.

***Because we do not expect to pay dividends in the foreseeable future, you must rely on price appreciation of our ordinary shares for return on your investment.***

We currently intend to retain most, if not all, of our available funds and any future earnings to fund the development and growth of our business. As a result, we do not expect to pay any cash dividends in the foreseeable future. Therefore, you should not rely on an investment in our ordinary shares as a source for any future dividend income.

Our board of directors (the "Board") has complete discretion as to whether to distribute dividends, subject to our memorandum and articles of association and certain restrictions under Cayman Islands law, namely that our company may only pay dividends out of profits or share premium account, and provided 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 shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our Board. Even if our Board 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 subsidiaries, our financial condition, contractual restrictions and other factors deemed relevant by our Board. Accordingly, the return on your investment in our ordinary shares will likely depend entirely upon any future price appreciation of our ordinary shares. There is no guarantee that our ordinary shares will appreciate in value or even maintain the price at which you purchased our ordinary shares. You may not realize a return on your investment in our ordinary shares and you may even lose your entire investment in our ordinary shares.

***We may need additional capital, and the sale of additional ordinary shares or other equity securities could result in the additional dilution to our shareholders, while the incurrence of debt may impose restrictions on our operations.***

We may require additional cash resources due to changing business conditions or other future developments, including any investments or acquisitions that we may decide to pursue. If these resources are insufficient to satisfy our cash requirements, we may seek to sell equity or debt securities or obtain a credit facility. The sale of equity securities would result in dilution to our shareholders. The incurrence of indebtedness would result in the increased debt service obligations and could require us to agree to operating and financing covenants that would restrict our operations. We cannot assure you that financing will be available in amounts or on terms acceptable to us, if at all.

***Our memorandum and articles of association contain anti-takeover provisions that could adversely affect the rights of holders of our ordinary shares.***

Our current memorandum and articles of association contain provisions to limit the ability of others to acquire control of our Company or cause us to engage in change-of-control transactions, including a provision that grants authority to our Board to establish and issue from time to time one or more series of preferred shares without action by our shareholders and to determine, with respect to any series of preferred shares, the terms and rights of that series, any or all which may be greater than the rights associated with our ordinary shares. These provisions could have the effect of depriving our shareholders of an opportunity to sell their shares at a premium over prevailing market prices by discouraging third parties from seeking to obtain control of our company in a tender offer or similar transaction. For example, our Board has the authority, without further action by our shareholders, to issue preferred shares in one or more series and to fix their designations, powers, preferences, privileges, and relative participating, optional or special rights and the qualifications, limitations or restrictions, including dividend rights, conversion rights, voting rights, terms of redemption and liquidation preferences, any or all of which may be greater than the rights associated with our ordinary shares. Preferred shares could be issued quickly with terms calculated to delay or prevent a change in control of our Company or make removal of management more difficult. If our Board decides to issue preferred shares, the price of our ordinary shares may fall and the voting and other rights of the holders of our ordinary shares may be materially and adversely affected.

***We are a foreign private issuer within the meaning of the rules under the Exchange Act, and as such we are exempt from certain provisions applicable to United States domestic public companies.***

Because we are a foreign private issuer under the Exchange Act, we are exempt from certain provisions of the securities rules and regulations in the United States that are applicable to U.S. domestic issuers, including:

- the rules under the Exchange Act requiring the filing of quarterly reports on Form 10-Q or current reports on Form 8-K with the SEC;
- the sections of the Exchange Act regulating the solicitation of proxies, consents, or authorizations in respect of a security registered under the Exchange Act;
- the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and liability for insiders who profit from trades made in a short period of time; and
- the selective disclosure rules by issuers of material non-public information under Regulation FD.

We are required to file an annual report on Form 20-F within four months of the end of each fiscal year. In addition, we intend to publish our results on a quarterly basis through press releases, distributed pursuant to the rules and regulations of the Nasdaq Stock Market. Press releases relating to financial results and material events will also be furnished to the SEC on Form 6-K. However, the information we are required to file with or furnish to the SEC will be less extensive and less timely compared to that required to be filed with the SEC by U.S. domestic issuers. As a result, you may not be afforded the same protections or information which would be made available to you were you investing in a U.S. domestic issuer.

***If we are a passive foreign investment company for U.S. federal income tax purposes for any taxable year, U.S. holders of our ordinary shares could be subject to adverse U.S. federal income tax consequences.***

A non-United States corporation will be a passive foreign investment company ("PFIC"), for U.S. federal income tax purposes for any taxable year if either: (i) at least 75% of its gross income for such year is passive income; or (ii) at least 50% of the value of its assets (based on an average of the quarterly values of the assets) during such year is attributable to assets that produce or are held for the production of passive income. A separate determination must be made after the close of each taxable year as to whether a non-United States corporation is a PFIC for that year. Although the law in this regard is unclear, we intend to treat our VIE (and its subsidiaries) as being owned by us for U.S. federal income tax purposes, not only because we exercise effective control over the operations of such entities but also because we are entitled to substantially all of their economic benefits, and, as a result, we consolidate their results of operations in our consolidated financial statements. Assuming that we are the owner of our VIE (and its subsidiaries) for U.S. federal income tax purposes, and based upon our current and expected income and assets, including goodwill and other unbooked intangibles, and the market value of our ordinary shares, we do not believe that we were a PFIC for U.S. federal income tax purposes for the taxable year ended December 31, 2024 and we do not expect to be a PFIC for the current taxable year or in the foreseeable future.

While we do not expect to become a PFIC, because the value of our assets for purposes of the asset test may be determined by reference to the market price of our ordinary shares, fluctuations in the market price of our ordinary shares may cause us to become a PFIC for the current or subsequent taxable years. Further, if it were determined that we do not own the stock of our VIE for U.S. federal income tax purposes, our risk of being a PFIC may substantially increase. Because PFIC status is a factual determination made annually after the close of each taxable year, there can be no assurance that we will not be a PFIC for the current taxable year or any future taxable year.

If we are a PFIC for any taxable year during which a U.S. Holder (as defined in "Item 10. Additional Information — E. Taxation — United States Federal Income Tax Considerations") holds our ordinary shares, certain adverse U.S. federal income tax consequences could apply to such U.S. Holder. See "Item 10. Additional Information — E. Taxation — United States Federal Income Tax Considerations — Passive Foreign Investment Company Considerations".

***Our dual-class voting structure will limit your ability to influence corporate matters and could discourage others from pursuing any change of control transactions that holders of our Class A ordinary shares may view as beneficial.***

Our company is controlled through a dual class voting structure. Our ordinary shares are divided into Class A ordinary shares and Class B ordinary shares. Holders of Class A ordinary shares are entitled to one vote per share in respect of matters requiring the votes of shareholders, while holders of Class B ordinary shares are entitled to two hundred and fifty votes per share, subject to certain exceptions. Each Class B ordinary share is convertible into one Class A ordinary share at any time by the holder thereof, while Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances. Upon any direct or indirect transfer of Class B ordinary shares or associated voting power by a holder thereof to any person or entity which is not an affiliate of such holder, such Class B ordinary shares will be automatically and immediately converted into the equal number of Class A ordinary shares. Due to the disparate voting powers associated with our two classes of ordinary shares, as of December 31, 2024, Mr. Mingjun Lin, our chief executive officer, beneficially owned 53.9% of the aggregate voting power of our company, and Ms. Yi Yang, our chief financial officer, beneficially owned 44.1% of the aggregate voting power of our company. See "Item 6.E. Directors, Senior Management and Employees—Share Ownership." As a result, Mr. Mingjun Lin and Ms. Yi Yang have considerable influence over matters such as approving material mergers, acquisitions or other business combination transactions. This concentrated control will limit your ability to influence corporate matters and could also discourage others from pursuing any potential merger, takeover or other change of control transactions, which could have the effect of depriving the holders of our Class A ordinary shares of the opportunity to sell their shares at a premium over the prevailing market price.

***Since shareholder rights under Cayman Islands law differ from those under U.S. law, you may have difficulty protecting your shareholder rights.***

We are an exempted company limited by shares incorporated under the laws of the Cayman Islands. Our corporate affairs are governed by our Memorandum and Articles of Association, the Companies Act (As Revised) of the Cayman Islands and the common law of the Cayman Islands. The rights of shareholders to take action against our directors, actions by our minority shareholders and the fiduciary 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 precedents in the Cayman Islands as well as from the common law of England, the decisions of whose courts are of persuasive authority, but are not binding, on a court in the Cayman Islands. The rights of our shareholders and the fiduciary responsibilities of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedents in some jurisdictions in the United States. In particular, the Cayman Islands has a less developed body of securities laws than the United States. Some U.S. states, such as Delaware, have more fully developed and judicially interpreted bodies of corporate law than the Cayman Islands. In addition, Cayman Islands companies may not have standing to initiate a shareholder derivative action in a federal court of the United States.

Shareholders of Cayman Islands exempted companies like us have no general rights under Cayman Islands law to inspect corporate records, other than the Memorandum and Articles of Association, any special resolutions passed by such companies, and the registers of mortgages and charges of such companies, or to obtain copies of lists of shareholders of these companies. Our directors have discretion under our current Memorandum and Articles of Association to determine whether or not, and under what conditions, our corporate records may be inspected by our shareholders, but are not obliged to make them available to our shareholders. This may make it more difficult for you to obtain the information needed to establish any facts necessary for a shareholder motion or to solicit proxies from other shareholders in connection with a proxy contest.

Certain corporate governance practices in the Cayman Islands, which is our home country, differ significantly from requirements for companies incorporated in other jurisdictions such as the United States. Nasdaq Stock Market rules permit a foreign private issuer like us to follow the corporate governance practices of its home country. We have elected to following our home country practice in lieu of certain corporate government requirements of the Nasdaq Stock Market. See “Item 16G. Corporate Governance”. As a result, our shareholders may be afforded less protections than they otherwise would under rules and regulations applicable to the U.S. domestic issuers.

As a result of all of the above, public shareholders may have more difficulties in protecting their interests in the face of actions taken by our management, our Board members or our controlling shareholders than they would as public shareholders of a company incorporated in the United States.

***We incurred increased costs as a result of being a public company.***

After the completion of the Business Combination, we have been a stand-alone public company and expect to incur significant legal, accounting and other expenses that we did not incur as a subsidiary of another public company, including additional costs associated with our public company reporting obligations. The Sarbanes-Oxley Act of 2002, as well as rules subsequently implemented by the SEC and the Nasdaq Stock Market, impose various requirements on the corporate governance practices of public companies.

We expect these rules and regulations to increase our legal and financial compliance costs and to make some corporate activities more time-consuming and costly. Since we are no longer an “emerging growth company” as of the date of this Annual Report, we expect to incur significant expenses and devote substantial management efforts towards ensuring the compliance with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 and the other rules and regulations of the SEC. For example, operating as a public company makes it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. In addition, we will incur additional costs associated with our public company reporting requirements. We are currently evaluating and monitoring developments with respect to these rules and regulations, and we cannot predict or estimate with any degree of certainty the amount of additional costs we may incur or the timing of such costs.

***If we cannot continue to satisfy the continued listing requirements and other rules of the Nasdaq Stock Market, our securities may be delisted, which could negatively impact the price of our securities and your ability to sell them.***

Our ordinary shares are listed on the Nasdaq Capital Market. In order to maintain our listing on the Nasdaq Stock Market, we are required to comply with certain of the Nasdaq continued listing requirement, including those regarding minimum stockholders' equity, minimum share price, minimum market value of publicly held shares, and various additional requirements. We may not be able to continue to satisfy these requirements and applicable rules. If we are unable to satisfy the Nasdaq Stock Market criteria for maintaining our listing, our Class A ordinary shares will be delisted from the Nasdaq Capital Market at some later date, we may then apply to have our Class A ordinary shares quoted on the Bulletin Board or in the "pink sheets" maintained by the National Quotation Bureau, Inc. The Bulletin Board and the "pink sheets" are generally considered to be less efficient markets than the Nasdaq Capital Market. In addition, if our Class A ordinary shares are not so listed or are delisted at some later date, our Class A ordinary shares may be subject to the "penny stock" regulations. These rules impose additional sales practice requirements on broker-dealers who sell low-priced securities to persons other than established customers and institutional accredited investors and require the delivery of a disclosure schedule explaining the nature and risks of the penny stock market. As a result, the ability or willingness of broker-dealers to sell or make a market in our Class A ordinary shares might decline. If our Class A ordinary shares are not so listed or are delisted from the Nasdaq Capital Market at some later date or become subject to the penny stock regulations, it is likely that the price of our Class A ordinary shares would decline and that our shareholders would find it difficult to sell their Class A ordinary shares.

On February 1, 2024, we received a notice from Nasdaq indicating that we failed to comply with the minimum closing bid price requirement set forth in 5550(a)(2) of the Nasdaq Listing Rules as the closing bid price per share had been below US$1.00 for a period of 30 consecutive business days (the "Bid Price Rule"). The Nasdaq notification letter does not result in the immediate delisting of our securities. Pursuant to Rule 5810(c)(3)(A) of the Nasdaq Listing Rules, we had a compliance period of 180 calendar days, or until March 27, 2023 to regain compliance with Nasdaq's minimum bid price requirement. Nasdaq granted us an additional period of 180 calendar days, or until January 27, 2025, to regain compliance with the minimum bid price requirement for continued listing. To regain compliance, the closing bid price per share must meet or exceed US$1.00 per share for a minimum of 10 consecutive business days on or prior to January 27, 2025.

On August 19, 2024, we received a delisting determination notice from Nasdaq notifying us that we failed to comply with the minimum closing bid price requirement set forth in 5810(c)(3)(A)(iii) of the Nasdaq Listing Rules as the closing bid price per share had been below US$0.10 for a period of 10 consecutive trading days, and Nasdaq had determined to begin the process to delist our shares from the Nasdaq Capital Market (the "Delisting Determination"). On August 21, 2024, we submitted a request for a hearing to appeal the Delisting Determination to a Hearings Panel of the Nasdaq (the "Panel"), which was scheduled on October 3, 2024. The hearing request had stayed the suspension of our ordinary shares and the filing of the Form 25-NSE pending the Panel's decision. In order to regain compliance with Nasdaq's low priced stock requirement, we effected a reverse stock split (the "Reverse Split") of our authorized, issued and outstanding ordinary shares, par value $0.00075 each, at a ratio of 1-for-60 so that every sixty Class A ordinary shares authorized and issued were to be combined into one consolidated Class A ordinary share, par value $0.045 each. The Reverse Split took effect and began trading on the Nasdaq Capital Market on a split-adjusted basis when the market opened on October 25, 2024.

Upon successful completion of the Reverse Split, we received a notification letter from Nasdaq on September 12, 2024, advising our Company that we regained compliance with the Bid Price Rule requirement. The letter also informed us that pursuant to Listing Rule 5815(d)(4)(B), the Company will be subject to a Mandatory Panel Monitor for a period of one year from the date of the letter. If, within that one-year monitoring period, the Nasdaq staff (the "Staff") finds the Company again out of compliance with the requirement that was the subject of the exception, notwithstanding Rule 5810(c)(2), the Company will not be permitted to provide the Staff with a plan of compliance with respect to that deficiency and the Staff will not be permitted to grant additional time for the Company to regain compliance with respect to that deficiency, nor will the Company be afforded an applicable cure or compliance period pursuant to Rule 5810(c)(3). Instead, the Nasdaq will issue a delist determination letter and the Company will have an opportunity to request a new hearing with the initial Panel or a newly convened hearings panel if the initial Panel is unavailable. The Company will have the opportunity to respond/present to the hearings panel as provided by Listing Rule 5815(d)(4)(C).

## ITEM 4. INFORMATION ON THE COMPANY.

### A. History and Development of the Company

**History of CM Seven Star**

Our company, formerly known as CM Seven Star Acquisition Corporation ("CM Seven Star"), was incorporated in the Cayman Islands as an exempted company on November 28, 2016. We were originally a blank check company formed for the purpose of entering into merger, share exchange, asset acquisition, stock purchase, recapitalization, reorganization or other similar business combination, with one or more target businesses.

On October 30, 2017, we consummated an initial public offering, and a total of US$206.4 million of the net proceeds from the sales described above were placed in a trust account established for the benefit of our public shareholders.

On April 30, 2019, we consummated the Business Combination as contemplated by the share exchange agreement (the "Share Exchange Agreement") dated as of November 2, 2018 by and among CM Seven Star, KAG and Moatable, pursuant to which we acquired 100% of the equity interests of KAG from Moatable. In connection with the Business Combination, KAG had transferred the equity interest and assets of its Ji'nan Dealership to Moatable in December 2018.

Upon the closing of the Business Combination, we acquired 100% of the issued and outstanding securities of KAG, in exchange for approximately 28.3 million ordinary shares of our company. Out of the 28.3 million shares, there were 3.3 million ordinary shares ("indemnity shares") held in escrow as potential indemnity for claims that may be asserted under the Share Exchange Agreement. An additional 4.7 million ordinary shares of our Company were reserved for issuance under an equity incentive plan in exchange for outstanding options in KAG, which were cancelled at the closing of the Business Combination. Additionally, 19.5 million earnout shares were to be issued and held in escrow. Moatable may be entitled to receive earnout shares under certain prequalification conditions. Immediately after the Business Combination, Moatable owned approximately 56% of our issued and outstanding ordinary shares without taking into account the indemnity shares and the earnout shares in escrow account as discussed above. In November 2020, the Board of the Company resolved to waive the satisfaction of prequalification conditions for the earnout shares discussed above and release and transfer the 19.5 million earnout shares to Moatable. Moatable received a total of 22.8 million shares including the 3.3 million indemnity shares and the 19.5 million earnout shares in November 2021.

**History of KAG Before the Business Combination**

Before the completion of Business Combination, KAG had been a wholly-owned subsidiary of Moatable. KAG's business was historically operated by Moatable through certain subsidiaries and variable interest entities, including KAG itself.

KAG was formed in March 2011 as Renren-Jingwei Inc., an exempted company under the laws of the Cayman Islands. KAG initially focused on providing consumer financing solutions through Renren Fenqi, an installment payment business. In 2015, KAG underwent a strategic realignment and launched Renren Licai, a peer-to-peer financing platform. Following the acquisition of a government license for leasing and factoring, KAG began to offer floor financing to auto dealerships. In connection with the growth of this business, KAG was rebranded in the first quarter of 2016 as Renren Financial Holdings.

In 2017, Moatable's finance business, as well as certain shell companies were transferred to KAG, and certain reorganization steps were undertaken. The main components of the reorganization include:

- *Establishment of Anhui Xin Jieying (renamed from Shanghai Jieying).* In February 2017, Anhui Xin Jieying was established in the PRC by Mr. Thomas Jintao Ren. In April 2017, Mr. Ren transferred 1% of the equity interests he held in Anhui Xin Jieying to Ms. Rui Yi. Both Mr. Ren and Ms. Yi were nominee shareholders designated by Moatable. Shortly after that, Anhui Xin Jieying and its nominee shareholders entered into a series of contractual arrangements with a subsidiary of KAG, Beijing Jiexun Shiji Technology Development Co., Ltd., or Beijing Jiexun, which enabled Beijing Jiexun to be the primary beneficiary of Anhui Xin Jieying.

- *Transfer of Equity Interests of Renren Finance and its subsidiary.* In April 2017, the equity interests of Renren Finance, Inc., a subsidiary of Moatable, were transferred to KAG for nil consideration. Renren Finance Inc. and its subsidiary were mainly engaged in the provision of internet-based financing to used car dealerships.

- *Transfer of Equity Interests and Reorganization of Qianxiang Changda.* In May 2017, Qianxiang Changda, which was formerly a subsidiary of a consolidated variable interest entity of Moatable, was transferred to Mr. James Jian Liu and Ms. Jing Yang for a consideration of RMB50 million, which was equal to the paid-in-capital of Qianxiang Changda. Mr. Liu and Ms. Yang were nominee shareholders designated by KAG. In June 2017, Qianxiang Changda and its nominee shareholders entered into a series of contractual arrangements with Beijing Jiexun, which enabled Beijing Jiexun to be primary beneficiary of Qianxiang Changda. In 2016 and 2017, Qianxiang Changda terminated and/or transferred to Moatable certain parts of its financing services business, including wealth management services, credit financing to college students and apartment rental financing. After the reorganization of KAG in 2017, Qianxiang Changda was only engaged in the provision of financing to used car dealerships.

- *Establishment of Shanghai Auto and Amendments to the Contractual Arrangements with Qianxiang Changda and Anhui Xin Jieying.* In August 2017, Shanghai Auto was established in the PRC by KAG. At the same time, Anhui Xin Jieying and Qianxiang Changda terminated their contractual agreements with Beijing Jiexun and entered into the similar contractual agreements with Shanghai Auto.

In the first quarter of 2017, KAG was renamed as Renren Auto Group, and launched its first Dealership later that year. In the first quarter of 2018, KAG was further renamed as Kaixin Auto Group.

**History and Development after the Business Combination**

Immediately prior to the completion of the Business Combination, our Company was renamed as Kaixin Auto Holdings ("KAH").

On June 28, 2019, we determined that we qualify as a "foreign private issuer" as defined under Rule 3b-4 of the Exchange Act, and started reporting under the Exchange Act as a foreign private issuer.

**Haitaoche Acquisition**

On November 3, 2020, we entered into a binding term sheet with Haitaoche pursuant to which Haitaoche will merge with a newly formed wholly-owned subsidiary of ours, with Haitaoche continuing as the surviving entity and a wholly-owned subsidiary of ours. On December 31, 2020, a definitive share purchase agreement was entered into between Kaixin and Haitaoche in connection with the Haitaoche Acquisition pursuant to which Kaixin agrees to issue to shareholders of Haitaoche an aggregate of 74,035,502 ordinary shares of Kaixin in exchange of 100% share capital of Haitaoche. The closing of the Haitaoche Acquisition was subject to a number of closing conditions, including the relevant approval by NSDAQ Stock Market pursuant to Rule 5110(a) of the Nasdaq Stock Market. We received such approval on April 15, 2021. On June 25, 2021, our Company issued an aggregate of 74,035,502 ordinary shares through private placement to several former shareholders of Haitaoche in exchange of 100% of the share capital of Haitaoche, pursuant to the share purchase agreement which was entered into on January 4, 2021. Following the issuance, Haitaoche shareholders and former Kaixin shareholders own 51.61% and 48.39%, respectively, of the post-closing outstanding KAH ordinary shares (on a fully diluted basis). Following the consummation of Haitaoche Acquisition, Haitaoche became a wholly-owned subsidiary of the Company. The management of Haitaoche became the management of the combined entity, resulting in the reverse acquisition of KAH whereby Haitaoche is deemed to be the acquirer for accounting purposes. In June 2022, certain former Haitaoche shareholders signed an act-in-concert agreement that remained in effect until the end of 2022. They agreed to act in concert in key issues related to the operations and corporate governance of Kaixin.

Following the completion of the reverse acquisition, KAH is the consolidated parent of Haitaoche and the resulting company operates under the KAH corporate name. Haitaoche's historical financial statements became the historical financial statements of the Company. The acquired assets and liabilities of KAH are included in the Company's consolidated balance sheet as of June 25, 2021 and the results of its operations and cash flows are included in the Company's consolidated statement of operations and comprehensive income (loss) and cash flows for periods beginning after June 25, 2021.

Haitaoche is a holding company incorporated under the laws of the Cayman Islands on January 13, 2015. Haitaoche conducts operations through its variable interest entities in the People's Republic of China. The Company is mainly engaged in sales of imported automobiles in PRC.

**Disposal of Renren Finance, Inc**

The company had a large number of inactive shell companies and VIE structures, which were the result of its historical legacy and no longer relevant for its car sale businesses. Those inactive entities and the VIEs simply caused extra maintenance costs, regulatory risk, and disclosure burdens. To streamline its corporate structure, mitigate the uncertainties, and exert full control on our operating entities, the management explored the options to dispose of Renren Finance, Inc. along with its subsidiaries and VIEs and the VIEs' subsidiaries (collectively referred to as the "Disposal Group"). The Disposal Group had a negative book of around US$3 million at that time. On August 5, 2022, KAG, our wholly-owned subsidiary, and Stanley Star entered into a shares transfer agreement (the "August 2022 Agreement"). The August 2022 Agreement stipulates that KAG agrees to sell all the shares it held in Renren Finance, Inc along with its subsidiaries and VIEs and the VIEs' subsidiaries at a consideration of US$1, to Stanley Star, an independent third party company incorporated in BVI that was interested in exploring the opportunities in the non-performing assets on the books of the Disposal Group. In addition, the August 2022 Agreement stipulates that on the date of the closing if the net liability of the Disposal Group is more than RMB20 million, the Company agrees to make compensation to Stanley Star accordingly. The sale of the Disposal Group and the ownership transfer were completed on October 27, 2022 (the "Disposal Completion Date"), on which date the net book value of the Disposal Group was net liabilities was approximately $24.6 million. Accordingly, on December 28, 2022, KAG and Stanley Star entered into a supplement agreement pursuant to which the Company agrees to compensate Stanley Star pursuant to the August 2022 Agreement. On March 24, 2023, KAG and Stanley Star entered into an amendment to the supplement agreement, the Company entered into a securities purchase agreement with Stanley Star, pursuant to which, the Company subsequently issued to Stanley Star an aggregate of 50,000 Series F Convertible Preferred Shares, each of which is convertible into 1,000 ordinary share of the Company in connection with the disposal. In November 2023, the Company issued 7,000,000 ordinary shares to Stanley Star for settlement of partial conversion of the Series F Convertible Shares.

With the disposition of the Disposal Group, all VIEs were disposed as of October 27, 2022. As a result, there is no VIE entity in the corporate structure of the Company and as of the date of this Annual Report, we conduct our operations exclusively through our wholly-owned subsidiaries.

**Disposal of Kaixin Auto Group**

On February 22, 2024, we entered into a securities purchase agreement with Shangyue Limited (the "February 2024 Agreement"). The February 2024 Agreement stipulates that we agreed to sell the entire shares we held in Kaixin Auto Group with it subsidiaries in exchange for 7,000 Series G Convertible Preferred Shares, to Shangyue Limited, a company incorporated in BVI. Additionally, the February 2024 Agreement stipulated that on the date of the closing if the net assets of KAG are negative, the Company agreed to make compensation to Shangyue accordingly. On May 20, 2024, anticipating the closing of the disposal transaction and given the negative net assets of KAG at $13.6 million, the Company and Shangyue Limited entered into an amended and restated securities purchase agreement, pursuant to which, the Company subsequently issued to Shangyue Limited an aggregate of 12,800 Series G convertible preferred shares of a par value of US$0.00075 each to Shangyue Limited in consideration of the disposal consideration and the adjustment on the removal of the terms on redemption at the option of the Company. The sale of the KAG and the ownership transfer were completed on June 3, 2024.

Our principal executive office is located at Unit B2 - 303 - 137, 198 Qidi Road, Beigan Community, Xiaoshan District, Hangzhou, Zhejiang Province, People's Republic of China. Our registered office is situated at the office of Harneys Fiduciary (Cayman) Limited, 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1 - 1002, Cayman Islands. Our agent for service of process in the United States is Cogency Global Inc., located at 122 East 42nd Street, 18th Floor, New York, NY 10168.

## B. Business Overview

The Company is primarily engaged in the sales of domestic and imported automobiles in the PRC. We are committed to providing superior car purchase and ownership experiences to our customers. Our passion and professionalism build trust and long-term customer loyalty.

We are a leading premium auto dealership group in China. As of December 31, 2024, we had three Dealerships covering three cities in China. On average, our Dealership operators have over ten years of experience in the car sales industry. We provide car buyers in China with access to a wide selection of used vehicles across our network of Dealerships, with a focus on premium brands, such as Audi, BMW, Mercedes-Benz, Land Rover, Bentley, Rolls-Royce, and Porsche.

China is the world's largest automotive market both in demand and supply in 2024. On June 25, 2021, we closed the Haitaoche Acquisition. Haitaoche is a China-based merchant for domestic and imported automobiles. The manufacture and distribution of automobiles are undergoing significant changes in China, which are expected to create new opportunities and business models. Haitaoche strives to become a leading automobile retail platform in China. In addition to maintaining its domestic and imported new car sales business, it plans to expand into electronic vehicles and other business areas. Haitaoche aims to enter into strategic cooperation agreements with multiple electronic vehicle manufacturers in China and serve a wider group of distributors and consumers.

We sourced, marketed, and sold approximately 879, 525, and nil vehicles to customers across China in 2022, 2023, and 2024, respectively.

We are actively looking for opportunities to expand into the business area of electronic vehicles. We set up the New Energy Vehicles Department in 2021 and delivered the new NEV prototype to our customers at the end of 2022. We released our new energy vehicle strategic plan on December 1, 2021, and we target to quickly expand our new energy vehicle team and start developing commercial new energy vehicles for intra-city and inter-city logistics applications in the initial stage.

**Value Propositions to Car Buyers**

We provide integrated online and offline sales channels to car buyers, aiming to create a superior and convenient vehicle purchase experience. We provide high-quality photos of the vehicles we sell from multiple angles, allowing consumers to browse our inventory online and attract them to physically visit our Dealership Outlets. Our offline presence with professional sales staff and a comprehensive showroom experience provides convenience to the buyers, who typically want to view the car in person, understand its history, take it for a test drive and establish trust before making a purchase.

Our nationwide inventory, which undergoes our inspection process and reconditioning process for quality assurance, is optimized based on market insights into popular models and pricing trends through our technology systems. Our customer support specialists are available to answer customers' questions that arise throughout the process. At every transaction milestone, we strive to provide the level of customer service that makes purchasing a car an enjoyable and memorable experience.

**Our Businesses**

Kaixin have pioneered an innovative business model, under which it had obtained control of Dealerships across China, providing them with an integrated technology system, centralized operational control and management, a unified brand and capital support. Kaixin primarily generate revenues from sales of new and used cars. Of the Dealerships' total revenues in 2022, 2023 and 2024, revenues from auto sales accounted for 100%, 100% and 0% respectively. Following the consummation of the Haitaoche Acquisition in June 2021, our car sales business gradually resumed operations in the majority of the Dealership locations, which complement the new car sales in the Haitaoche business unit. During 2022, the Company terminated cooperation with several dealerships that underperformed against our expectations and downsized our dealerships network to three dealerships.

**Our Dealership Network**

As of December 31, 2024, we had three Dealerships. Our network of Dealerships is focused primarily on tier 2 and below cities, where we believe the mix of cost structure, consumers' demand and opportunity for growth is most favorable.

***Dealership Evaluation and Selection Process***

In expanding our network of Dealerships, we carefully consider potential markets and conduct a systematic evaluation of each potential new site, using a scoring system that we have developed internally. In our scoring system, we consider a number of factors in the area served, including:

- location, nature and quality;
- population density;
- age distribution and average disposable income of consumers;

- spending patterns, dining habits and frequency of consumers;
- locations of other car dealerships;
- estimated customer traffic;
- structure of the dealership, including availability of showroom and parking space; and
- rental costs, lease economics and estimated return on investments.

***Management of Dealerships***

We have adopted an operating model for our auto sales business, which we believe aligns the economic interests of our Dealerships with our overall business. We provide capital, a unified brand, technology system and operational coordination to our Dealerships, in which we retain majority control. Under this model, all of the cash flows, operational activities and financial and accounting recordkeeping across our Dealerships are centrally managed. We believe that our dealership model promotes customer loyalty and provides significant operational advantages, by introducing standard practices, such as operational rules, legal documentation and processes. It also creates a common culture to promote bonding and buy-in among our direct employees, dealers and other workers.

Our internal team for Dealership management is responsible for development and expansion of our Dealership network. One of their responsibilities is to monitor the compliance with the operational obligations for the management of our Dealerships. In the event that the operating obligations as agreed in the equity purchase agreement are not fulfilled, we are entitled to recourse against the seller of the Dealership or terminate the equity purchase agreement. We also have the option to terminate the equity purchase agreement in certain circumstances, including but not limited to, the death or incapacity of the seller, issues of integrity or criminal conviction of the seller, material default by the seller, or our failure to complete an initial public offering within three years following signing of the relevant equity purchase agreement due to third-party reasons or force majeure. A seller may suspend or terminate Dealership services voluntarily or involuntarily due to various reasons, including our failure to complete an initial public offering within three years following entry into the relevant equity purchase agreement for reasons other than third-party reasons or force majeure. In connection with the Business Combination, we entered into amendment agreements with Dealership operators in January 2019 pursuant to which it was confirmed that the Business Combination qualifies as an initial public offering, that shares payable to the Dealership operators as consideration shall be adjusted to reflect the earnout and indemnification arrangements in the Business Combination, and that Moatable will be responsible for settling contingent obligations to Dealership operators.

Our relationships with our Dealerships are described in further details below under "—Certain Legal Arrangements — Legal Arrangements with Dealerships".

**Entry into the NEV Market**

By integrating the operations and resources of Haitaoche with the used car dealership business, we are currently engaged in the sales of both new and used, domestic and imported automobiles and will be actively looking for opportunities to expand into the business area of electronic vehicles. We released our new energy vehicle strategic plan on December 1, 2021, and we target to quickly expand our new energy vehicle team and start with developing commercial new energy vehicles for intra-city and inter-city logistics applications in the initial stage. Reference is made to the Form 6-K which the Company filed with SEC on August 26, 2021, the Company has reached a binding term sheet to acquire 100% equity interest of Yujie through new share issuance. Yujie is a Chinese electronic vehicles ("**EV**") manufacturer specialized in small size multi-function EVs. On September 26, 2022, the Company signed a binding acquisition term sheet with Wuxi Morning Star Technology Co., Ltd. ("Wuxi Morning Star"), who manufactures and operates the POCCO EVs. According to the term sheet, the Company intends to acquire 100% equity interest of Wuxi Morning Star through new share issuance and makes it a wholly owned subsidiary (the "Wuxi Morning Star Acquisition"). As consideration for the Wuxi Morning Star Acquisition, the Company agreed to issue ordinary shares of Kaixin to the shareholders of Wuxi Morning Star Morning Star with market value of 100 million as determined by the average of the closing prices of last five trading days before the entering date of Share Purchase Agreement. On November 2, 2022, the Company signed a share purchase agreement with the shareholders of Morning Star Auto Inc. ("Morning Star"), to acquire 100% equity interest of Morning Star by issuing 100 million ordinary shares of Kaixin. Morning Star owns 100% equity interest of Wuxi Morning Star and 40% equity interest of Yujie. On August 22, 2023, the acquisition of Morning Star completed, after which Kaixin owns all assets and business operations related to POCCO EVs, which constitutes big progress toward Kaixin's successful transformation into a new energy vehicle manufacturing company.

**Legal Agreements with Dealerships**

We have entered into a series of legal arrangements with our Dealerships and other related parties since 2021, which are generally designed for the compliance with PRC laws and regulations and for value-added tax optimization purposes. Revenue for 2022 and 2023 was primarily generated from transactions under these agreements and we expect future revenue from automobile sales to be primarily generated from transactions under these ancillary agreements.

The following is a summary of the typical key terms of the agreements which we entered into in connection with our auto sales operations since 2021. We may depart from these terms from time to time based on local conditions, counterparty's demands, tax or regulatory considerations or other reasons.

- *Used Vehicle Purchase Agreement*. Pursuant to the agreement among the owner of a used car as seller, the Jieying Legal Representative as purchaser, and a Dealership employee, as registered owner:
    - The Jieying Legal Representative is to purchase the used car and register it in the name of a designated employee of the relevant Dealership.
    - Anhui Xin Jieying provides technology consulting services and operational management system services to the Jieying Legal Representative, who in turn pays service fees to Anhui Xin Jieying.
- *Used Car Agency Services Agreement*. Pursuant to the agreement between the Jieying Legal Representative and the relevant Dealership:
    - The Dealership entrusts Jieying Legal Representative to purchase, sell, manage, repair and show used cars on its behalf.
    - The Jieying Legal Representative is to complete the transfer procedures for the purchase and sale of automobiles.
- Vehicle *Consignment Agreement*. Pursuant to the agreement between the Jieying Legal Representative, as principal, and a Dealership employee, as agent:
    - The Jieying Legal Representative authorizes the Dealership employee to purchase a vehicle on his or her behalf.

- The Jieying Legal Representative authorizes the Dealership employee to register such Dealership employee as the named transferee of the vehicle and the owner of the vehicle, while the Jieying Legal Representative retains legal ownership of the vehicle.

- When the vehicle is sold by the Jieying Legal Representative, the Dealership employee is responsible to handle third-party transfer procedures in a timely manner.

- *Loan and Service Agreement*. Pursuant to the agreement between the Jieying Legal Representative, as borrower, and Anhui Xin Jieying, as lender:

  - Anhui Xin Jieying provides loans to the Jieying Legal Representative for purchasing used cars.

  - Proceeds from the used cars sold by the Jieying Legal Representative on behalf of Anhui Xin Jieying are used in their entirety to repay the loan. Proceeds in excess of the principal are designated as a service fee paid to Anhui Xin Jieying from the Jieying Legal Representative.

- *Used Vehicle* Sales *Agreement*. Pursuant to the agreement among the Jieying Legal Representative, as seller, a customer, as purchaser, a designated Dealership employee, as the registration transferor, and the Dealership, as service provider:

  - When the Jieying Legal Representative sells a used car to the customer, the automobile registration is transferred from the Dealership employee to the customer. The sale proceeds are transferred to the account designated by the management of Anhui Xin Jieying.

  - Anhui Xin Jieying provides technology consulting services and operational management system services to the Jieying Legal Representative, who in turn pays service fees to Anhui Xin Jieying, which are deducted from the proceeds of the car sales.

To illustrate, when we source an automobile pursuant to a Used Vehicle Purchase Agreement, the seller is entitled to payment for the car, and the legal title is transferred to the Jieying Legal Representative, with the registration in the name of a Dealership employee. The Jieying Legal Representative is authorized to enter into this purchase agreement pursuant to the Used Car Agency Services Agreement, and the Dealership employee similarly is authorized to enter into the agreement pursuant to the Vehicle Consignment Agreement. Funds are paid by Anhui Xin Jieying through the Dealership to the seller of the car.

When a used car is sold, the Jieying Legal Representative transfers the legal ownership to the purchaser, while the Dealership employee completes the registration transfer from his or her name to the name of the purchaser. The proceeds are remitted to Anhui Xin Jieying.

Based on the agreements, neither the Jieying Legal Representative nor the Dealership employee bears any risk of loss or has any future economic benefits. Neither party ever places their own funds at risk and any potential losses resulting from the purchase and sale of the car are borne by Anhui Xin Jieying. Similarly, neither of these individuals is able to benefit from the expected increase in the price of the car resulting from completion of sale to a third-party customer; all of the future economic benefit is remitted directly to Anhui Xin Jieying. Additionally, Anhui Xin Jieying effectively controls the entire process starting from the purchase of the car, including from whom to purchase a car, the purchase price, and ultimately the sale of the car to a third party. In addition, Anhui Xin Jieying has the sole discretion as to which Jieying Legal Representative will enter into the Loan and Service Agreement with Anhui Xin Jieying and to which Dealership employee that it will assign to complete the registration of the car. Furthermore, it is within Anhui Xin Jieying's sole power to redirect the Loan and Service Agreement, title and registration of the car.

*Settlement arrangement with noncontrolling shareholders of dealerships over disputes*

Starting from 2019, due to disagreements with certain noncontrolling shareholders on operational matters, some noncontrolling shareholders detained the Company's inventories in certain dealerships. Due to the uncertainty in realizing inventory held by these dealerships and prepayments made to these dealerships for future car purchases, Kaixin wrote down a significant amount of inventory and prepayments in 2019. The Company has had ongoing negotiations with these noncontrolling shareholders and the Company has reached settlement agreements with some of these noncontrolling shareholders in the second half of 2021.

The following is a summary of the key terms of the settlement agreements which we entered into with certain noncontrolling shareholders. We may depart from these terms from time to time based on local conditions, counterparty's demands, or other reasons.

*Amendments to Used Car Agency Services Agreement*. Pursuant to the agreement among Anhui Xin Jieying, the relevant Dealership and the noncontrolling shareholders of such Dealership:

- The noncontrolling shareholders agree to repay a settlement amount in the form of inventory and/or repayment of prepayment to Anhui Xin Jieying based on a set schedule.

*Amendments to Equity Purchase Agreement*. Pursuant to the agreement among Anhui Xin Jieying and the noncontrolling shareholders of relevant Dealership:

- Anhui Xin Jieying commits to furnish the noncontrolling shareholders a certain number of the Company's ordinary shares following a schedule tied to the noncontrolling shareholders' performance of settlement payment duties as specified in the Amendments to Used Car Agency Services Agreement.

- The number of the Company's ordinary shares include shares in the First Payment and Subsequent Payments as specified in the Equity Purchase Agreement, plus certain extra bonus shares.

- *Financial Leasing Settlement Agreement*. Pursuant to the agreement among Shanghai Renren Financial Leasing Co, Ltd. and the noncontrolling shareholders of relevant Dealership:

- The noncontrolling shareholders agree to repay Shanghai Renren Financial Leasing Co, Ltd. the outstanding balance of financial leasing payables following a schedule tie to the controlling shareholders' receipts of settlement shares as specified in the *Amendments to Equity Purchase Agreement*.

**Sales and Marketing**

***Automobile Sales***

We believe that our customer base is similar to the overall market for premium automobiles. To date, the growth of our automobile sales business has primarily been through customer referrals. We also believe that our strong customer focus ensures customer loyalty which will drive both repeat purchases and referrals. Our sales are primarily made in-store, but we have invested heavily in online sales channels, including through the Kaixin app and web interfaces. We believe that this is a key advantage over our competitors, whether traditional dealers, who do not have a strong online presence, or online-only competitors, who lack the offline infrastructure and in-store experiences that we are able to provide.

***Marketing and Brand Promotion***

We believe that brand recognition is important to our ability to attract users. We co-brand our Dealerships, many of which have an established local brand, to associate their existing brands with the Kaixin brand. "Kaixin" means "happiness" in Chinese and has had strong impact and positive responses in other applications. By empowering our Dealerships with this highly recognizable brand name, we aim to help them gain further credibility and trustworthiness.

To date, user recognition of our Kaixin brand has primarily grown organically and by referrals, and we have built our brand with modest marketing and brand promotion expenditures. To encourage such organic growth, we focus on continuously improving the quality of our services, as we believe that satisfied customers and their friends are more likely to recommend our services to others. In addition, we work with Dealerships on marketing initiatives to further leverage our brand value. Our Dealerships also engage in certain other promotional activities, including placement of local radio ads.

We anticipate that our future sales and marketing expenses will consist primarily of performance-based advertising, with the focus of driving traffic that will translate into customer purchases. We expect that these advertisements will generally fall into three areas: vertical automotive media, selected online channels and selected offline channels. In addition to paid channels, we intend to attract new customers through enhancing our media and public relations efforts, including organic marketing to enhance its reputation. Although we may have to expand our promotions from time to time, especially when we launch new services or products, we expect that our marketing expenses for these promotions will be relatively small when compared to those of our principal competitors.

***Customer Services***

Each of our Dealerships has a team of customer support specialists who provide assistance to the customers. Our specialists are available to assist customers with questions that arise throughout the car purchase process. These specialists are available via online chat or telephone and help our customers to navigate the website, answer specific questions and assist in loan applications. We take a consultative approach with customers, offering live support and acting as a trusted partner to guide them through each phase of the purchase lifecycle. We are committed to providing customers with a high-quality transaction experience. The effectiveness of our Kaixin model is reflected in our strong customer referrals. We focus on developing our customer support specialists and providing them with the information and resources that they need to offer exceptional customer services.

**Competition**

The PRC automobile marketplace is highly fragmented. We primarily compete on the basis of our deep understanding of consumers' needs and offering of numerous product choices from our substantial inventory.

**Research and Development**

Our intellectual property includes trademarks and trademark applications related to our brands and services, copyrights in software, trade secrets, patent applications and other intellectual property rights and licenses. We seek to protect our intellectual property assets and brand through a combination of monitoring and enforcement of trademark, patent, copyright and trade secret protection laws in the PRC and other jurisdictions, as well as through confidentiality agreements and procedures.

In March 2018, Moatable transferred to us the kaixin.com domain name and, in May 2018, an affiliate of Moatable granted us an exclusive license to use its "Kaixin" brand. Further, we have successfully registered our brand name "开心汽车" which translates to "Kaixin Auto" in class 35 for services including promotion for others, purchase for others, providing online markets for sellers and purchasers of goods and services, marketing, etc., which is crucial to our business. However, trademark registrations in other categories related but less crucial to our business, including automobile maintenance, have not been obtained by us or an affiliate of Moatable. Therefore, for such business, we are unable to prevent any third party from using the Kaixin brand for business that is the same or similar to ours. As China has adopted a "first-to-file" trademark registration system and there are trademarks similar to our brand which have been registered in those categories that are related to our business, we may not be able to successfully register our brand and may be exposed to risk of infringement with respect to third party trademark rights. For further details, see "Item 3. Key Information — D. Risk Factors — Risks Related to Our Business and Industry — We may be unable to prevent others from unauthorized use of its intellectual property, which could harm its business and competitive position."

**Seasonality**

Our automobile sales business is affected by seasonality in automobile sales, which tends to affect dealers' needs for financing for new inventory. Automobile sales tend to be lower in the first quarter of each year than in the other three quarters due to the effect of the Chinese New Year holiday. As our auto sales business is still growing rapidly, seasonality may be less evident than it otherwise would be, and as the business continues to evolve, the nature of seasonality may change.

**Regulation**

This section summarizes the current major PRC laws and regulations which are relevant to our business and operations.

***Regulations on Used Automobile Trading***

On August 29, 2005, SAT, SAIC, the Ministry of Commerce and the Ministry of Public Security jointly promulgated the Measures for the Administration of the Trading of Used Automobiles, or the Used Automobile Trading Measures, which became effective on October 1, 2005 and further revised on September 14, 2017. Pursuant to the Used Automobile Trading Measures, only an enterprise legal person duly registered with the SAIC or its local branches may engage in used automobile trading, as an operator of used automobiles markets, as a retailer, or as a brokerage entity.

Under the Used Automobile Trading Measures, a seller of used automobiles must verify certain background information regarding the automobiles for sale, including verification of the identity certificate and driver's license of the previous owner, the number plate of the automobile, the motor vehicle registration certificate, proof that the automobile has passed the security technical examination, automobile insurance, and payment certificates of relevant taxes and fees. Used automobile retailers shall also provide quality guarantees as well as after-sales services, information about which shall be clearly indicated at its business location. Furthermore, under certain circumstances, used automobiles are prohibited from being resold, including instances where an automobile has been discarded as unusable, been required to be discarded, or been obtained by illegal means, such as theft, robbery or fraud.

On March 24, 2006, the Ministry of Commerce promulgated the Specifications for Used Automobile Trade, which provided detailed requirements as to the responsibilities of used automobiles trading entity regarding the trading of used automobiles, including confirming the identity of the seller and the legitimacy of the used automobiles, signing contract for used automobile trading, establishing transaction archives and keeping records for at least three years.

On June 8, 2016, the General Offices of 11 Departments including the Ministry of Commerce promulgated the Circular on Facilitating the Trading of Used Vehicles and Accelerating the Activation of Used Vehicles Market for the purpose of effectively implementing the relevant work listed in the Several Opinions of the State Council on Facilitating the Trading of Used Vehicles which promulgated on March 14, 2016 by the State Council.

On July 5, 2022, seventeen authorities including the Ministry of Commerce promulgated the Circular on Several Measures for Invigorating Automobile Circulation and Expanding Automobile Consumption. It was stated that from January 1, 2023, if a natural person sells three or more used cars that have been held for less than one year in a calendar year, auto sales companies, used car trading markets, auction companies, etc. shall not issue the uniform invoice for sales of used cars for him/her or handle the transaction registration formalities, and the relevant authorities will handle the matter according to the regulations.

***Regulations on Automobile Sales***

On April 5, 2017, the Ministry of Commerce promulgated the Measures on the Administrations of Sales of Automobile, or the Measures on Sales of Automobile, which came into effect on July 1, 2017 and the original Implementation Measures for the Administration of Sales of Branded Automobile (the "Branded Automobile Sales Measures") was abolished at the same time. According to the Measures on Sales of Automobile, the supplier and distributors of automobiles within the territory of the PRC shall build up an integrated system for automobile sales and after-sales services, guarantee supply of the related auto accessory, provide timely and effective after-sales services, and strictly follow the regulations concerning, among others, 3R (i.e. "replace, repair and refund") and recall of household automobiles to guarantee consumers' legitimate rights and interests. A dealer who sells an automobile without authorization from a supplier or an automobile which is not authorized to be sold by an automobile manufacturer outside the country shall provide a reminder and explanation to the consumer in writing and inform the consumer of the relevant responsibilities in writing. When the dealer sells the car to the consumer, it shall verify the valid identity of the registered consumers, sign the sales contract, and issue the sales invoice.

***Regulations on Parallel-import Automobile Sales***

On February 22, 2016, the Ministry of Commerce, the MIIT, Ministry of Environmental Protection, Ministry of Transport, General Administration of Customs, General Administration of Quality Supervision and Inspection and Quarantine and Certification and Accreditation Administration of the People's Republic of China jointly issued Several Opinions on Promotion of Pilot Program of Parallel-import Automobile ("the Parallel-import Automobile Opinions"). According to the Parallel-import Automobile Opinions, the pilot enterprises of Parallel-import Automobile can import automobile and establish a distribution network without authorization from a supplier, and can apply for an automatic import license for automobile product according to its actual business operation requirements. Pilot enterprises shall be subject to the relevant regulations on the administration of automatic import license, submit the license for verification and complete the customs formalities at the import entrance.

On April 27, 2017, Shanghai Municipal Commission of Commerce and China (Shanghai) Pilot Free Trade Zone Administration jointly issued Notice on Adjustment on the Pilot Enterprises of Parallel-import Automobile in China (Shanghai) Pilot Free Trade Zone, which requires that the pilot enterprises registered in China (Shanghai) Pilot Free Trade Zone obtain an automatic import license to sell imported automobile without authorization from the automobile producer, and meet the following requirements to operate parallel-import Automobile business: (1) it has been operating sales of imported automobile for at least one year and its sales business has reached a certain scale; (2) the pilot enterprise or any of its wholly owned enterprises/controlling enterprises with automobile sales certificate is registered in China (Shanghai) Pilot Free Trade Zone; (3) it has branches and facilities for maintenance, service and supply of auto parts that match its business scale. Any pilot enterprise failed to meet this requirement shall depend on a third party to provide such services to participate in the pilot program; (4) it has good reputation and has well-established purchasing channels of oversea automobile and experiences in automobile sales industry; and (5) the enterprises that have participated in the pilot program and had parallel-import records on Shanghai port shall be prioritized.

On January 30, 2018, the Ministry of Commerce, the MIIT, the Ministry of Public Security, the Ministry of Environmental Protection, the Ministry of Transport, the General Administration of Customs, the General Administration of Quality Supervision and Inspection and Quarantine, and the Certification and Accreditation Administration of the People's Republic of China jointly issued a Reply on Issues for Conducting Pilot Programs for the Parallel-import of Automobiles in Inner Mongolia and the Other Areas ("the Parallel-import Automobile Reply"), approving automobile parallel import pilot programs in the Manchuria Port of Inner Mongolia, Zhangjiagang Free Trade Zone in Jiangsu Province, Zhengzhou Railway Port in Henan Province, Yueyang Lingji Port in Hunan Province, Qinzhou Free Trade Zone in Guangxi Zhuang Autonomous Region, Haikou Port in Hainan Province, Railway Port in Chongqing, and Qingdao Qianwan Free Trade Zone.

On February 13, 2018, the General Administration of Customs issued a Notice on Further Completing the Pilot Programs for the Parallel-import of Automobiles, which requires that pilot enterprises shall submit (1) a certificate on conducting parallel-import automobile business; (2) a parallel-import automobile warehousing agreement executed between the pilot enterprise and a warehousing enterprise; and (3) other related documents as required to the Customs Administration before engaging in the automobile parallel-import business. Such filing forms must be filed at the time the parallel-import automobiles enter the border, and such forms shall be marked "parallel-import automobiles".

On August 19, 2019, the Ministry of Commerce, the MIIT, the Ministry of Public Security, the Ministry of Ecology and Environment, the Ministry of Transport, the General Administration of Customs and the State Administration for Market Regulation jointly issued the Opinions of Seven Authorities Including the Ministry of Commerce on Further Boosting the Development of the Parallel Import of Automobiles: (1) allowing the exploration of ways to set up the standard compliance rectification venues for the parallel import of automobiles; (2) further improving the trade facilitation level of the parallel import of automobiles; (3) strengthening the quality control of automobiles under parallel import; (4) standardizing the registration management of automobiles under parallel import; (5) promoting the normalization and institutionalization of the parallel import of automobiles; (6) strengthening the supervision and management of pilot enterprises; and (7) strengthening the practical organizational implementation.

***Regulations on the Car Rental Industry***

On April 2, 2011, the Ministry of Transport, or MOT, promulgated the Circular on Promoting the Healthy Development of the Car Rental Industry (the "MOT Circular"), which sets forth guidelines for the car rental industry, including, among others, encouraging large car rental enterprises to establish a national or regional car rental network.

According to the MOT Circular, local government authorities are required by the MOT to: (i) promulgate local rules and regulations to improve and develop the regulatory environment of the car rental industry; (ii) promptly bring forth local development plans for the car rental industry; (iii) encourage large and reputable car rental companies with sound management to set up branches and establish national or regional networks, and provide simplified branch office registration process and better service for companies with a fleet of more than 1,000 cars; (iv) enhance the administration and management of the car rental industry, including requirements to obtain and carry a valid permit or license for each rental car, and prohibitions of car rental companies from engaging in road passenger transportation services without having the requisite business license for these services; (v) encourage car rental companies to develop various types of services through advanced technologies; (vi) create a favorable development environment for car rental companies; and (vii) enhance the administration of the car rental industry.

***Anti-money Laundering Regulations***

The PRC Anti-money Laundering Law, which became effective in January 2007 and was revised in 2024, sets forth the principal anti-money laundering requirements applicable to financial institutions as well as non-financial institutions with anti-money laundering obligations, including the adoption of precautionary and supervisory measures, establishment of various systems for client identification, retention of clients' identification information and transactions records, and reports on large transactions and suspicious transactions. According to the PRC Anti-money Laundering Law, financial institutions subject to the PRC Anti-money Laundering Law include banks, credit unions, trust investment companies, stock brokerage companies, futures brokerage companies, insurance companies and other financial institutions as listed and published by the State Council, while the list of the non-financial institutions with anti-money laundering obligations will be published by the State Council. The PBOC and other governmental authorities issued a series of administrative rules and regulations to specify the anti-money laundering obligations of financial institutions and certain non-financial institutions, such as payment institutions.

The General Office of the State Council promulgated the Opinions on Improving Anti-Money Laundering, Anti-Terrorism Financing and Anti-Tax Evasion Regulatory Systems and Mechanisms on August 29, 2017. According to the Opinions, the establishment of anti-money laundering financial regulatory systems for particular non-financial institutions is required to meet the international anti-money laundering standards that certain industries prone to high risks of money laundering, such as real estate agents, precious metal and jewelry sales, corporate services and other specific non-financial industries shall be strictly regulated.

***Regulations on Illegal Fund-Raising***

Raising funds by entities or individuals from the general public must be conducted in strict compliance with the applicable PRC laws and regulations to avoid administrative and criminal liabilities. The Measures for the Banning of Illegal Financial Institutions and Illegal Financial Business Operations promulgated by the State Council in July 1998 and revised in January 2011 (abolished on May 1, 2021), and the Notice on Relevant Issues Concerning the Penalty on Illegal Fund-Raising issued by the General Office of the State Council in July 2007, explicitly prohibit illegal public fund-raising. According to the Regulation on the Prevention and Disposition of Illegal Fund-raising Practices issued on January 26, 2021 and became effective on May 1,2021, illegal fund-raising shall mean the pooling of funds from unspecified objects by promise to repay principal and interest or provide other investment returns without the permit of the financial administrative department under the State Council in accordance with law or in violation of financial regulations of the State. The State prohibits illegal fund-raising practices in any form. To prevent and disposal of illegal fund-raising practices, it is imperative to follow the principles of putting prevention first, cracking down on small ones at an early stage, tackling problems in a comprehensive manner and proper disposal.

To further clarify the criminal charges and punishments relating to illegal public fund-raising, the Supreme People's Court promulgated the Judicial Interpretations to Issues Concerning Applications of Laws for Trial of Criminal Cases on Illegal Fund-Raising, or the Illegal Fund-Raising Judicial Interpretations, which was issued on December 13, 2010,amended on February 23, 2022, and came into force on March 1, 2022. The Illegal Fund-Raising Judicial Interpretations provide that a public fund-raising will constitute a criminal offense related to "illegally soliciting deposits from the public" under the PRC Criminal Law, if it meets all the following four criteria: (i) accepting funds without the legal permit of relevant authorities or accepting funds by way of lawful business operation; (ii) carrying out public promotional activities via such channels as the Internet, media, promotional fairs, leaflets and mobile phone messages; (iii) promising to repay the principal with interest accrued thereon or pay returns in such forms as cash, in-kind and equity within a given time limit; and (iv) taking in funds from the general public, i.e. unspecified objects of the society. Whoever illegally accepts or accepts in a disguised manner deposits from the general public that falls under any of the following circumstances will be investigated for criminal liability in accordance with the law: (i) illegally accepting or accepting in a disguised manner deposits from the general public in an amount of more than CNY1 million; (ii) illegally accepting or accepting in a disguised manner deposits from more than 150 persons of the general public; and (iii) depositing from the general public illegally or in a disguised manner, which leads to direct economic loss of more than CNY500,000 to the depositors. Whoever accepts illegally or in a disguised manner deposits from the general public in an amount of more than CNY500,000 or causes direct economic losses of more than CNY250,000 to the depositors and falls under any of the following circumstances concurrently will be investigated for criminal liability in accordance with the law: (i) where it/he has been criminally prosecuted due to illegal fundraising practices; (ii) where it/he has been subject to any administrative penalty due to any illegal fundraising practice within two years; and (iii) where there is adverse social influence or other serious consequences. Any entity committing the crime of illegally accepting deposits from the general public or committing a fundraising fraud will be fined and the person directly in charge of the entity and other persons directly liable will be convicted and punished under the criteria for conviction and sentencing of corresponding natural persons prescribed herein. In accordance with the Opinions of the Supreme People's Court, the Supreme People's Procurator and the Ministry of Public Security on Several Issues concerning the Application of Law in the Illegal Fund-Raising Criminal Cases promulgated on March 25, 2014, the administrative proceeding for determining the nature of illegal fund-raising activities is not a prerequisite procedure for the initiation of criminal proceeding concerning the crime of illegal fund-raising, and the administrative departments' failure in determining the nature of illegal fund-raising activities does not affect the investigation, prosecution and trial of cases concerning the crime of illegal fundraising.

***Regulations on Foreign Investment***

Investment activities in the PRC by foreign investors are principally governed by the Guidance Catalog of Industries for Foreign Investment promulgated and as amended from time to time by the MOFCOM and the NDRC (the "Catalog"). In June 2017, the MOFCOM and the NDRC promulgated the Catalog ("2017 Revision"), which became effective in July 2017. Industries listed in the Catalog are divided into two parts: encouraged category, and the special management measures for the entry of foreign investment, which is further divided into the restricted category and prohibited category. The negative list of the 2017 Revision was replaced by the Special Administrative Measures for Access to Foreign Investment (the "Negative List"), which was issued in June 2018 and was subsequently revised in 2019,2020 2021 and 2024,and became effective in August 2024. Industries not listed in the Catalog are generally deemed to be in a fourth "permitted" category and are generally open to foreign investment unless specifically restricted by other PRC regulations. The Negative List, in a unified manner, lists the restrictive measures for the entry of foreign investment. Furthermore, foreign investors are not allowed to invest in companies and industries under the prohibited category. For the industries not listed on the Negative List, the restrictive measures for the entry of foreign investment shall not apply in principle, and the establishment of wholly foreign-owned enterprises in such industries is generally allowed.

In March 2019, the Foreign Investment Law was enacted by the NPC, which became effective in January 1, 2020. The Foreign Investment Law replaced the Law on Sino-Foreign Equity Joint Ventures, the Law on Sino-Foreign Contractual Joint Ventures and the Law on Foreign-Capital Enterprises to become the legal foundation for foreign investment in the PRC. The Foreign Investment Law embodies an expected PRC regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments.

Unlike its first draft which was published in 2015, the Foreign Investment Law does not specifically expand the definition of "foreign investment" to include entities established through a VIE structure but contains a catch-all provision under the definition of "foreign investment" which includes investments made by foreign investors through means stipulated in laws or administrative regulations or other methods prescribed by the State Council.

Moreover, the Measures for Reporting of Information on Foreign Investment promulgated by the MOFCOM in December 2019 established a foreign investment information reporting system. Foreign investors or foreign-funded enterprises shall submit the investment information to competent governmental departments for commerce through the enterprise registration system and the enterprise credit information publicity system. The contents and scope of foreign investment information to be reported shall be determined under the principle of necessity. Where foreign-investors or foreign-invested enterprises are found to be non-compliant with these information reporting obligations, competent department for commerce shall order corrections within a specified period; if such corrections are not made in time, a penalty of not less than RMB100,000 and not more than RMB500,000 shall be imposed. Aside from the reporting system for foreign investment information, the Foreign Investment Law also establishes a security examination mechanism for foreign investment to conduct security review of foreign investment that affects or may affect national security. The decision made upon the security examination in accordance with the law shall be final.

***Regulations on Mobile Internet Applications***

On June 28, 2016, the Cyberspace Administration of China promulgated the Administrative Provisions on Mobile Internet Applications Information Services (the "Mobile Application Administrative Provisions"), which took effect on August 1, 2016. These provisions were revised in June 2022 and officially came into effect in August 2022. According to the Mobile Application Administrative Provisions, "mobile internet application" refers to application software that runs on mobile smart devices providing information services after being pre-installed, downloaded or embedded through other means. "Mobile internet application provider" refers to the owners or operators of mobile internet applications. Internet application stores refer to platforms which provide services related to online browsing, searching and downloading of application software and releasing of development tools and products through the internet. On December 16, 2016, the MIIT promulgated the Interim Administrative Provisions on the Pre-installation and Distribution of the Mobile Smart Terminal Application Software, which took effect on July 1, 2017. These provisions require, among others, that internet information service providers must ensure that a mobile application, as well as its ancillary resource files, configuration files and user data can be uninstalled by a user easily, unless the mobile application is a basic function software, which refers to a software that supports the normal functioning of the hardware and operating system of a mobile smart device. In addition, mobile smart terminal application software involving charges should strictly comply with the relevant regulations such as explicitly marking the price, charge standard and charge method. The content expressed should be true, accurate, eye-catching and normative, and users should be charged only after their confirmation.

Pursuant to the Mobile Application Administrative Provisions, an internet application program provider must verify a user's mobile phone number and other identity information under the principle of mandatory real name registration at the back-office end and voluntary real name display at the front-office end. An internet application provider must not enable functions that can collect a user's geographical location information, access the user's contact list, activate the camera or recorder of the user's mobile smart device or other functions irrelevant to its services, nor is it allowed to conduct bundle installations of irrelevant application programs, unless it has clearly indicated to the user and obtained the user's consent on such functions and application programs. In respect of an online App store service provider, the Mobile Application Administrative Provisions require that, among others, must file a record with the Cyberspace Administration located at the province, autonomous region or municipality concerned within 30 days of the online business operation. It must also examine the authenticity, security and legality of internet application providers on its platform, establish a system to monitor application providers' credit and file a record of such information with the relevant governmental authorities. If an application provider violates the regulations, the internet application store service provider must take measures to stop the violations, including warning, suspension of release, withdrawal of the application from the platform, keeping a record and reporting the incident to the relevant governmental authorities.

***Regulations on Information Security***

The Ministry of Public Security promulgated the Administrative Measures on Security Protection for International Connections to Computer Information Networks in 1997 and further revised in 2011 by State Council that prohibit the use of the internet in ways which, among other things, result in a leakage of state secrets or the distribution of socially destabilizing content. Socially destabilizing content includes any content that incites defiance or violations of the PRC laws or regulations or subversion of the PRC government or its political system, spreads socially disruptive rumors or involves cult activities, superstition, obscenities, pornography, gambling or violence. In addition, the National Administration for the Protection of State Secrets has issued The Confidentiality Administrative Provisions of the International Networking of Computer Information Systems, which put forward the principle of "whoever places materials on the Internet takes the responsibility". Any information to be provided to, or published on, an internationally networked Web sites must be subjected to a secrecy maintenance examination and approval.

In 2005, the Ministry of Public Security promulgated Provisions on Technological Measures for Internet Security Protection, which require all ICP operators to keep records of certain information about their users (including user registration information, log-in and log-out time, IP address) for at least 60 days and submit the above information as required by laws and regulations. If an ICP operator violates these measures, the PRC government may revoke its ICP license and shut down its websites.

In November 2016, the Standing Committee of the National People's Congress issued the Cyber Security Law, which came into effect on June 1, 2017. This is the first Chinese law that focuses exclusively on cyber security. The Cyber Security Law provides that network operators must set up internal security management systems that meet the requirements of a classified protection system for cybersecurity, includes the appointing of dedicated cybersecurity personnel, implementing technical measures to prevent computer viruses, network attacks and intrusions, adopting technical measures to monitor and record network operation status and cybersecurity incidents, and implementing data security measures such as data classification, backup and encryption. The Cyber Security Law also imposes a relatively vague but broad obligation to provide technical support and assistance to the public and state security authorities in connection with criminal investigations or for reasons of national security. The Cyber Security Law also requires network operators that provide network access or domain name registration services, landline or mobile phone network access, or that provide users with information publication or instant messaging services, to require users to provide a real identity when they sign up. The Cyber Security Law sets high requirements for the operational security of facilities deemed to be part of the PRC's "critical information infrastructure". These requirements include data localization, i.e., storing personal information and important business data in China, and national security review requirements for any network products or services that may have an impact on national security. Among other factors, "critical information infrastructure" is defined as critical information infrastructure that will, in the event of destruction, loss of function or data leak, result in serious damage to national security, the national economy and people's livelihood, or the public interest. Specific reference is made to key sectors such as public communication and information services, energy, transportation, water-resources, finance, public service and e-government. In July 2021, State Council issued Security Protection Regulations for Critical Information Infrastructure, which provides that the State gives priority to the protection of critical information infrastructure, takes measures to monitor, defends against and deal with cyber security risks and threats from both within and outside the territory of the PRC, protects critical information infrastructure from attacks, intrusions, interference and damage, and punishes illegal and criminal activities endangering the security of critical information infrastructure in accordance with the law.

***Regulations on Internet Privacy***

In recent years, the PRC governmental authorities have enacted legislations on internet use to protect personal information from any unauthorized disclosure. The PRC law does not prohibit ICP operators from collecting and analyzing personal information of their users. However, the Administrative Measures on Internet Information Services prohibit an ICP operator from insulting or slandering a third party or infringing the lawful rights and interests of a third party. In December 2011, the MIIT promulgated the Several Provisions on Regulating the Market Order of Internet Information Services, which became effective in March 2012. Without the consent of users, internet information service providers shall not collect the information that is related to the users that can be used independently or jointly with other information to identify the users (hereinafter referred to as the "personal information of users"), nor shall provide personal information of users to others, unless otherwise provided by laws and administrative regulations. Where internet information service providers collect the personal information of users upon the consent of users, they shall explicitly inform the users of the methods, contents and purposes of collection and processing of the personal information of users and shall not collect the information other than those necessary for the provision of services or use the personal information of users for purposes other than the provision of services.

Pursuant to the Decision on Strengthening Network Information Protection promulgated by the Standing Committee of the National People's Congress in 2012, Network service providers that collect or use citizens' personal electronic information in the their business activities shall follow the principles of lawfulness, properness and necessity, explicitly disclose the purpose, methods and scopes of collection and use of the information, obtain the consent of the one whose information is collected, and shall not collect or use information in a manner that violates the provisions of laws and regulations, or the agreement of both parties. Network service providers and other enterprises and public institutions shall adopt technical and other necessary measures to ensure information security and prevent the disclosure, damage or loss of any personal electronic information collected during their business activities. When information is or may be disclosed, damaged or lost, remedial measures shall be immediately adopted. To further implement this decision and the relevant rules, MIIT issued the Regulation of Protection of Telecommunication and Internet User Information in 2013.

In November 2016, the Standing Committee of the National People's Congress issued the Cyber Security Law, which came into effect on June 1, 2017. The Cyber Security Law imposes certain data protection obligations on network operators, including that network operators may not disclose, tamper with, or damage users' personal information that they have collected, and that they are obligated to delete unlawfully collected information and to amend incorrect information. Moreover, internet operators may not provide users' personal information to others without consent. Exempted from these rules is information irreversibly processed to preclude identification of specific individuals. Also, the Cyber Security Law imposes breach notification requirements that will apply to breaches involving personal information.

On April 10, 2019, the Cyber Security and Protection Bureau of the Ministry of Public Security, the Beijing Internet Industry Association and the Third Research Institute of the Ministry of Public Security jointly issued the Internet Personal Information Security Protection Guide (the "Guide"). The Guide is applicable to enterprises that provide services through the internet, as well as organizations or individuals who use a private or non-networked environment to control and process personal information. This indicates that in addition to the traditional internet companies, companies or individuals in other fields, as long as they involve the control and processing of personal information, are all within the scope of the Guide. The Guide imposes higher requirements on the collection of personal information by personal information holders. For example, the Guide states that personal information that is not related to the services provided by personal information holders should not be collected, and personal information should not be forced to be collected by bundling products or various business functions of the service.

In November 2019, the Secretary Bureau of the Cyberspace Administration of China, the General Office of the MIIT, the General Office of the Ministry of Public Security and the General Office of the State Administration for Market Regulation issued the Notice on the Measures for the Determination of the Collection and Use of Personal Information by Apps in Violation of Laws and Regulations (the "Notice"), which came into effect on November 28, 2019. According to the Notice, if the personal information solicited by an app for a new service function is beyond the scope of a user's original consent, it is a violation of law for the app to refuse to provide the original service function if the user disagrees with the new scope, unless the new service function is a replacement of the original service function.

In August 2021, the Standing Committee of the National People's Congress issued the Personal Information Protection Law of the PRC, which provide that personal information processors shall be responsible for their processing of personal information and take necessary measures to ensure the security of the personal information processed. Personal information processor in the Personal Information Protection Law of the PRC refers to any organization or individual that independently determines the purpose and method of the processing in the processing of personal information.

***Regulations on Advertisements***

Advertisers, advertising operators and advertising distributors are required by PRC advertising laws and regulations to ensure that the contents of the advertisements which they prepare or distribute are true and in full compliance with the applicable laws and regulations. In addition, where a special government review is required for certain categories of advertisements before publishing, the advertisers, advertising operators and advertising distributors are obligated to confirm that such review has been performed and the relevant approval has been obtained. Violation of these regulations may result in penalties, including fines, confiscation of advertising income, orders to cease dissemination of the advertisements and orders to publish an advertisement correcting the misleading information. In the case of serious violations, the State Administration for Industry and Commerce or its local branches may force the violator to terminate its advertising operation or even revoke its business license. Furthermore, advertisers, advertising operators or advertising distributors may be subject to civil liabilities if they infringe on the legal rights and interests of the third parties.

In October 1994, the Standing Committee of the National People's Congress issued the PRC Advertising Law (the "Advertising Law"), which was amended in April 2015,October 2018 and April 2021 and came into effect on April 29, 2021. The Advertising Law applies to all the advertising activities conducted via the internet. The Advertising Law requires that users must be able to close online pop-up ads with one click. Moreover, internet service providers are obligated to cease publishing any advertisements that they know or should know are illegal. Violation of these regulations may result in penalties, including fines, confiscation of the advertising incomes, termination of advertising operations and even suspension of the provider's business license.

In July 2016, the SAIC issued the Interim Measures for the Administration of Internet Advertising, which became effective on September 1, 2016. In March 2023, these measures were revised and officially came into effect in May 2023. These interim measures clarify that "internet advertisements" means commercial advertisements that promote commodities or services directly or indirectly via internet media such as websites, webpages and internet applications in the form of texts, pictures, audio, video or other forms. These interim measures also create a number of new requirements for internet advertisers. For example, these interim measures state that paid search advertisements should be clearly distinguished from ordinary search results. In addition, in consistency with the Advertising Law, these interim measures require that advertisements published on internet pages in the form of pop-ups or other similar forms shall be clearly marked with a "close" button to ensure "one click to close". The measures also prohibit unfair competition in internet advertisement publishing, including: (1) providing or using any programs or hardware to intercept or filter any legally operated advertisements of other persons; (2) using network pathways, network equipment or applications to disrupt the normal data transmission of advertisements, alter or block legally operated advertisements of other persons or load advertisements without authorization; and (3) inducing false quotes, seek illegitimate interests or harm the interests of others, by using false statistical data, communication effects or Internet value.

In February 2018, the SAIC promulgated the Notice on Launching Special Overhaul of Internet Advertising (the "Internet Advertising Notice"). The Internet Advertising Notice specifies that the illegal Internet advertisements having an adverse social impact, generating enormous publicity, or detrimental to the personal and property safety of the public via Internet media, shall be strictly regulated.

***Regulations on Intellectual Property Rights***

China has implemented legislations governing intellectual property rights, including trademarks, patents and copyrights. China is a signatory to the major international conventions on intellectual property rights and became a member of the Agreement on Trade Related Aspects of Intellectual Property Rights upon its accession to the World Trade Organization in December 2001.

Patent

The standing committee of the National People's Congress adopted the Patent Law in 1984 and was subsequently amended in 1992, 2000, 2008 and 2020. The State Council promulgated Implementation Regulation for the Paten Law in 2001, which was amended in 2010. To be patentable, invention or utility models must meet three conditions: novelty, inventiveness and practical applicability. A patent is valid for a term of 20 years in the case of an invention and a term of 10 years in the case of utility models and designs. A third-party user must obtain consent or a proper license from the patent owner to use the patent. Otherwise, such use constitutes an infringement of patent rights.

Copyright

The National People's Congress adopted the Copyright Law in 1990 and amended in 2001, 2010 and 2020. The State Council promulgated Implementing Regulations of the Copyright Law in 2002, which was amended in 2002, 2011 and 2013. The Copyright Law extends copyright protection to internet activities, products disseminated over the internet and software products. In addition, there is a voluntary registration system administered by the China Copyright Protection Center. The amended Copyright Law also requires the registration of a copyright pledge.

Software products

In China, holders of computer software copyrights enjoy protections under the Copyright Law. Various regulations relating to the protection of software copyrights in China have promulgated, including Copyright Law of the PRC which was promulgated in 1990 and amended in 2001, 2010 and 2020, and the Regulation for the Implementation of the Copyright Law of the PRC which came into effect in September 2002 and was amended in January 2011 and further amended in January 2013. Additionally, the Computer Software Protection Regulations which was issued by State Council on June 4, 1991 and amended in 2001, 2011 and 2013. Under these regulations, computer software that is independently developed and exists in a physical form is protected, and software copyright owners may license or transfer their software copyrights to others. Registration of software copyrights, exclusive licensing and transfer contracts with the Copyright Protection Center of China or its local branches is encouraged. Such registration is not mandatory under the PRC laws, but can enhance the protections available to the registered copyrights holders. In 2002, in order to further implement the Computer Software Protection Regulations, the National Copyright Administration of the PRC issued the Computer Software Copyright Registration Procedures, which apply to software copyright registration, license contract registration and transfer contract registration. In compliance with, and in order to take advantage of, the above rules, we had registered 14 computer software copyrights as of December 31, 2021.

Trademark

The PRC Trademark Law was adopted in 1982 and was amended in 1993, 2001, 2013 and 2019. The State Council promulgated the Implementing Regulations of the Trademark Law in 2002, which was amended in 2014. The Trademark Office under the SAIC handles trademark registrations and grants a term of 10 years for registered trademarks and another 10 years if requested upon expiry of the first or any renewed ten-year term. Trademark license agreements must be filed with the Trademark Office for record. We registered our trademark "开心汽车" in class 35, which is crucial to our business.

Domain Names

In 2002, the CNNIC issued the Implementing Rules for Domain Name Registration and revised it in 2009 and 2012 (abolished on June 18, 2019), setting forth detailed rules for the registration of domain names. On August 24, 2017, the MIIT, promulgated the Administrative Measures for Internet Domain Names ("Internet Domain Name Measures"). The Internet Domain Name Measures regulate the registration of domain names, such as the first-tier domain name ".cn". In June 2019, the CNNIC issued the new version of Rules of First-tier Domain Name Dispute Resolution and the former version issued in 2014 was abolished, pursuant to which the CNNIC can authorize a domain name dispute resolution institution to resolve disputes. We have registered domain names including www.kaixin.com, www.htche.com and www.htche.net.

***Regulations on Anti-unfair Competition***

Under the Anti-unfair Competition Law, effective in 1993 and revised in 2017 and 2019, a business operator is prohibited from carrying out acts intending to cause confusion, which would mislead others into thinking that its products belong to another party or that there is an association with another party, by:

- using without permission, a mark that is identical with or similar to product names, packaging or decoration of others with a certain degree of influence;
- using without permission, the name of an enterprise, a social organization or an individual with a certain degree of influence;
- using without permission, the main element of a domain name, website name or webpage with a certain degree of influence; or
- carrying out confusing acts that are sufficient to mislead others into thinking that a product belongs to another party or there is an affiliation with another party.

***Regulations on Foreign Exchange***

Under the Foreign Currency Administration Rules, which were revised in 2008, if documents certifying the purposes of the conversion of RMB into foreign currency are submitted to the relevant foreign exchange conversion bank, the RMB will be convertible for current account items, including the distribution of dividends, interest, royalty payments, trade and service-related foreign exchange transactions. Conversion of RMB for capital account items, such as direct investment, loans, securities investment and repatriation of investment, however, is subject to the approval of SAFE or its local counterpart.

Under the Administration Rules for the Settlement, Sale and Payment of Foreign Exchange, which were promulgated in 1996, foreign-invested enterprises may only buy, sell and/or remit foreign currencies at banks authorized to conduct foreign exchange business after providing valid commercial documents and, in the case of capital account item transactions, obtaining approval from SAFE or its local counterpart. Capital investments by PRC entities outside of China, after obtaining the required approvals of the relevant approval authorities, such as the Ministry of Commerce and the National Development and Reform Commission or their local counterparts, are also required to register with SAFE or its local counterpart.

In February 2015, SAFE promulgated the Notice on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment (the "SAFE Circular 13"), which took effect on June 1, 2015 and was last amended on December 30, 2019. SAFE Circular 13 delegates the power to enforce the foreign exchange registration in connection with inbound and outbound direct investments under relevant SAFE rules from local branches of SAFE to banks, thereby further simplifying the foreign exchange registration procedures for inbound and outbound direct investments.

In March 2015, SAFE issued the Circular on Reform of the Administrative Rules of the Payment and Settlement of Foreign Exchange Capital of Foreign-Invested Enterprises ("SAFE Circular 19"), which became effective on June 1, 2015 and was last amended on March 23, 2023. In June 2016, the SAFE issued the Circular of the State Administration of Foreign Exchange on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts ("SAFE Circular 16"), which revised some provisions of SAFE Circular 19. According to SAFE Circular 19 and SAFE Circular 16, the flow and use of the Renminbi capital converted from registered capital denominated in foreign currency of a foreign-invested company is regulated such that Renminbi capital may not be used for business beyond its business scope or to provide loans to persons other than the foreign-invested company's affiliates unless otherwise permitted under its business scope. Violations of SAFE Circular 19 or SAFE Circular 16 could result in administrative penalties. Pursuant to SAFE Circular 19 and SAFE Circular 16, foreign-invested enterprises may either continue to follow the current payment-based foreign currency settlement system or choose to follow the "conversion-at-will" system for foreign currency settlement. Where a foreign-invested enterprise follows the conversion-at-will system for foreign currency settlement, it may convert part or all of the amount of the foreign currency in its capital account into Renminbi at any time. The converted Renminbi will be kept in a designated account labeled as settled but pending payment, and if the foreign-invested enterprise needs to make payment from such designated account, it still needs to go through the review process with its bank and provide necessary supporting documents. SAFE Circular 19 and SAFE Circular 16, therefore, has substantially lifted the restrictions on the usage by a foreign-invested enterprise of its Renminbi registered capital converted from foreign currencies. According to SAFE Circular 19 and SAFE Circular 16, such Renminbi capital may be used at the discretion of the foreign-invested enterprise and SAFE will eliminate the prior approval requirement and only examine the authenticity of the declared usage afterwards. There remain substantial uncertainties with respect to the interpretation and implementation of this circular by relevant authorities.

Moreover, on January 26, 2017, the SAFE promulgated the Circular of the State Administration of Foreign Exchange on Further Advancing the Reform of Foreign Exchange Administration and Improving Examination of Authenticity and Compliance ("SAFE Circular 3"). SAFE Circular 3 stipulates several control measures with respect to the outbound remittance of any profit from domestic entities to offshore entities, including provisions that (i) under the principle of genuine transaction, banks should review board resolutions, the original version of tax filing records and audited financial statements before wiring the foreign exchange profit distribution of a foreign-invested enterprise exceeding US$50,000; and (ii) domestic entities should hold income to make up previous years' losses before remitting the profits to offshore entities. Moreover, pursuant to SAFE Circular 3, verification on the genuineness and compliance of the foreign direct investments in domestic entities has also been tightened.

In utilizing funds that we hold offshore, as an offshore holding company with PRC subsidiaries, we may (i) make additional capital contributions to our PRC subsidiaries; (ii) establish new PRC subsidiaries and make capital contributions to these new PRC subsidiaries; (iii) make loans to our PRC subsidiaries or consolidated affiliated entities; or (iv) acquire offshore entities with business operations in China during offshore transactions. However, most of these acts are subject to the PRC regulations and approvals. For example:

- capital contributions to our PRC subsidiaries, whether existing or newly established ones, must be approved by the Ministry of Commerce or its local counterparts;
- loans by us to our PRC subsidiaries, each of which is a foreign-invested enterprise, to finance their activities cannot exceed the statutory limits and must be registered with SAFE or its local branches; and
- loans by us to our consolidated affiliated entities, which are domestic PRC entities, must be approved by the National Development and Reform Commission and must also be registered with SAFE or its local branches.

***Regulations on Dividend Distribution***

Wholly foreign-owned enterprises in the PRC may pay dividends only out of their accumulated profits as determined in accordance with the PRC accounting standards and regulations. The principal regulations governing dividend distributions of wholly foreign-owned enterprises include the PRC Company Law promulgated in 1993, as amended in 1999, 2004, 2005, 2013, 2018, and 2024, and the Foreign Investment Law and the Implementation of the Foreign Investment Law promulgated in 2019. Under these regulations, foreign investors can freely remit into or out of PRC, in Renminbi or any other foreign currency, their capital contributions, profits, capital gains, income from asset disposal, intellectual property royalties, lawfully acquired compensation, indemnity or liquidation income and so on generated within the territory of PRC.

In addition, according to the PRC Company Law, these wholly foreign-owned enterprises are required to set aside at least 10% of their respective accumulated profits each year, if any, to fund certain reserve funds, until the aggregate amount of such fund reaches 50% of its registered capital.

***Regulations on Offshore Investment by PRC Residents***

In July 2014, SAFE promulgated the Notice on Relevant Issues Concerning Foreign Exchange Control of Domestic Residents' Overseas Investment and Financing and Roundtrip Investment through Offshore Special Purpose Vehicles ("SAFE Circular 37"), which replaced the former Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Inbound Investment via Overseas Special Purpose Vehicles ("SAFE Circular 75"), promulgated by SAFE in 2005.

SAFE Circular 37 requires PRC residents to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests, which is referred to in SAFE Circular 37 as a "special purpose vehicle". SAFE Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle, such as an increase or decrease of capital contributed by PRC residents, share transfer or exchange, merger, division or other material events. In the event that a PRC resident holding interests in a special purpose vehicle fails to complete the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be prohibited from making profit distributions to the offshore parent company and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiaries. Furthermore, failure to comply with the various SAFE registration requirements described above could result in liabilities under the PRC law for evasion of foreign exchange controls.

***Regulations on Employee Stock Options Plans***

In 2007, SAFE issued implementing rules for the Administrative Measures of Foreign Exchange Matters for Individuals, which, among other things, specified approval requirements for certain capital account transactions, such as a PRC citizen's participation in employee stock ownership plans or share option plans of an overseas publicly listed company, and it was further amended on May 29, 2016. In 2012, SAFE promulgated the Notice on the Administration of Foreign Exchange Matters for Domestic Individuals Participating in the Stock Incentive Plans of Overseas Listed Companies (the "Stock Option Notice"), which simplifies the requirements and procedures for the registration of stock incentive plan participants, especially in respect of the required application documents and the absence of strict requirements on offshore and onshore custodian banks.

Under these rules, for PRC resident individuals who participate in stock incentive plans of overseas publicly listed companies, which includes employee stock ownership plans, stock option plans and other incentive plans permitted by the relevant laws and regulations, a PRC domestic qualified agent or the PRC subsidiary of such overseas listed company must, among other things, file on behalf of such resident an application with SAFE or its local counterpart to obtain approval for an annual allowance with respect to the purchase of foreign exchange in connection with the stock holding or share option exercises, as PRC residents may not directly use overseas funds to purchase shares or exercise share options. In addition, within three months after any substantial changes to any such stock incentive plan, including any changes due to a merger, acquisition or changes to the domestic or overseas custodian agent, the domestic agent must update the registration with SAFE.

Under the Foreign Currency Administration Rules, as amended in 2008, the foreign exchange proceeds of domestic entities and individuals can be remitted into China or deposited abroad, subject to the terms and conditions to be issued by SAFE. The foreign exchange proceeds from the sales of shares can be converted into RMB or transferred to such individuals' foreign exchange savings account after the proceeds have been remitted to the special foreign exchange account which opened at the PRC domestic bank. If share options are exercised in a cashless exercise, the PRC domestic individuals are required to remit the proceeds to special foreign exchange accounts.

In addition, the State Administration of Taxation ("SAT"), has issued circulars concerning employee share options such as the Notice on Issues Concerning the Individual Income Tax on Equity Incentives issued in 2009 and Notice on Issue of Levying Individual Income Taxes on Incomes from Individual Stock Options promulgated in 2005. Under these circulars, our employees working in China who exercise share options will be subject to PRC individual income tax. Our PRC subsidiaries have obligations to file documents related to employee share options with the relevant tax authorities and withhold the individual income taxes of employees who exercise their share options.

***Regulations on Taxation***

Enterprise Income Tax

The PRC Enterprise Income Tax Law, which was promulgated on March 16, 2007 and took effect on January 1, 2008, and further amended on February 24, 2017 and December 29, 2018, imposes a uniform enterprise income tax rate of 25% on all the PRC resident enterprises, including foreign-invested enterprises, unless they qualify for certain exceptions. The enterprise income tax is calculated based on the PRC resident enterprise's global income as determined under PRC tax laws and accounting standards. If a non-resident enterprise sets up an organization or establishment in the PRC, it will be subject to enterprise income tax for the income derived from such organization or establishment in the PRC and for our ordinary shares the income derived from outside the PRC but with an actual connection with such organization or establishment in the PRC.

The PRC Enterprise Income Tax Law and its implementation rules, which were promulgated on December 6, 2007 and took effect on January 1, 2008 and was revised on April 23, 2019, permit certain "high and new technology enterprises strongly supported by the state" that independently own core intellectual property and meet statutory criteria, to enjoy a reduced 15% enterprise income tax rate. On January 29, 2016, the SAT, the Ministry of Science and Technology and the Ministry of Finance jointly issued the Administrative Rules for the Certification of High and New Technology Enterprises specifying the criteria and procedures for the certification of High and New Technology Enterprises.

Value-added Tax

The Provisional Regulations of the PRC on Value-added Tax, which were promulgated by the State Council on December 13, 1993 and came into effect on January 1, 1994, were most recently amended on November 19, 2017. According to the Value-added Tax Law (the "VAT Law"), all enterprises and individuals engaged in the sale of goods, the provision of processing, repair and replacement services, sales of services, intangible assets, real property and the importation of goods within the territory of the PRC are the taxpayers of value-added tax ("VAT"). The VAT tax rates generally applicable are simplified as 17%, 11%, 6% and 0%, and the VAT tax rate applicable to the small-scale taxpayers is 3%. According to the Notice on Adjusting Value-added Tax Rate jointly issued by the Finance Department and SAT, starting from May 1, 2018, the VAT tax rates had been reduced to 16%, 10%, 6% and 0%. According to the Announcement on Policies Related to Deepening the Reform of Value-added Tax jointly issued by the Finance Department, SAT and the General Administration of Customs, starting from April 1, 2019, the VAT tax rates have been further reduced to 13%, 9%, 6% and 0%.

As of the date of this Annual Report, our PRC subsidiaries and consolidated affiliated entities are generally subject to 0%, 3%, or 6% VAT rate.

Dividend Withholding Tax

Pursuant to the EIT Law and its implementation rules, dividends generated after January 1, 2008 and payable by a foreign-invested enterprise in China to its foreign enterprise investors are subject to a 10% withholding tax, unless any such foreign investor's jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement. Under the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes on Income and Capital (the "China-HK Taxation Arrangement"), which became effective on August 21, 2006, income tax on dividends payable to a company resident in Hong Kong that holds more than a 25% equity interest in a PRC resident enterprise may be reduced to a rate of 5%. According to the Announcement of the State Administration of Taxation on Issues Relating to "Beneficial Owner" in Tax Treaties, which were promulgated by the SAT on February 3, 2018 and came into effect on April 1, 2018, the 5% tax rate does not automatically apply as approvals from competent local tax authorities are required before an enterprise can enjoy the relevant tax treatments relating to dividends under the relevant taxation treaties. In addition, according to a tax circular issued by SAT in February 2009, if the main purpose of an offshore arrangement is to obtain a preferential tax treatment, the PRC tax authorities have the discretion to adjust the preferential tax rate enjoyed by the relevant offshore entity. Although Shanghai Auto is currently wholly owned by Jet Sound Hong Kong Company Limited, there can be no assurance that we will be able to enjoy the preferential withholding tax rate of 5% under the China-HK Taxation Arrangement.

***Labor Laws and Social Insurance***

Pursuant to the PRC Labor Law and the PRC Labor Contract Law, employers must execute written labor contracts with full-time employees. All employers must compensate their employees with wages equal to at least the local minimum wage standards. All employers are required to establish a system for labor safety and sanitation, strictly abide by state rules and standards and provide employees with workplace safety trainings. In addition, employers in China are obliged to provide employees with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, work-related injury insurance, medical insurance and housing funds. Violations of the PRC Labor Contract Law and the PRC Labor Law may result in the imposition of fines and other administrative liabilities. Criminal liabilities may arise for serious violations. To comply with these laws and regulations, we have entered into labor contracts with all of our full-time employees and provide them with the proper welfare and employment benefits as required by the PRC laws and regulations.

***Regulations on Concentration in Merger and Acquisition Transactions***

In August 2006, six PRC regulatory agencies jointly adopted the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (the "M&A Rules"), which was amended in 2009. The M&A Rule established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex. These rules require, among other things, that the Ministry of Commerce be notified in advance of any change-of-control transaction in which a foreign investor will take control of a PRC domestic enterprise or a foreign company with substantial PRC operations, if certain thresholds under the Provisions on Thresholds for Prior Notification of Concentrations of Undertakings issued by the State Council in 2008 and amended on September 18, 2018 are triggered.

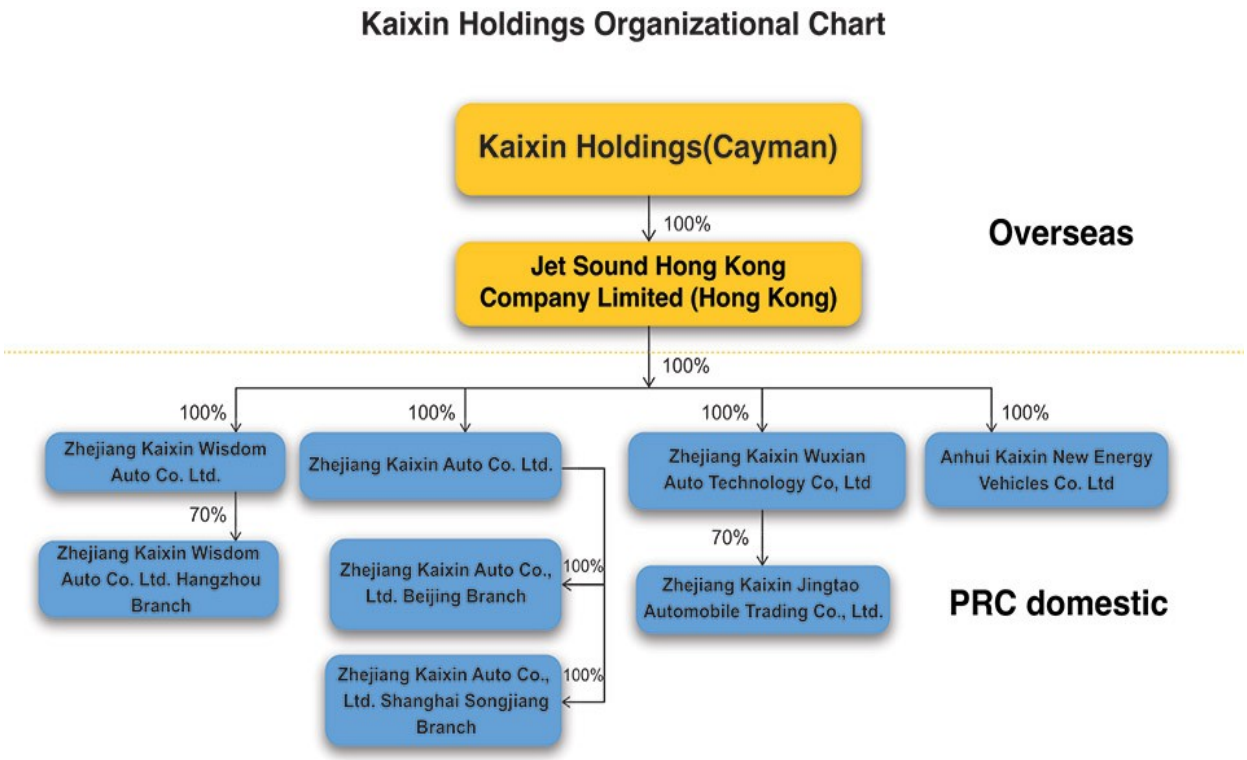
***Regulations on Overseas Direct Investment***

In September 2014, MOFCOM promulgated the Measures for the Administration of Overseas Investment (the "Overseas Investment Measures"). The Overseas Investment Measures define "overseas investment" as activities that an PRC enterprise obtains any ownership, right of control, right of business management, or other relevant rights and interests by formation, merger or any other means. Pursuant to the Overseas Investment Measures, the overseas investment shall make record-filing with the local branch of MOFCOM via the online filing system if it is not involved any sensitive country or region, or any industry.

In December 2017, the NDRC adopted the Administrative Measures for Enterprises' Overseas Investment (the "Overseas Investment Rules") which became effective in March 2018. The Overseas Investment Rules provide that, for local enterprises (enterprises that are not managed by the state government), if the amount of investment made by the Chinese investors is less than US$300 million, and the target project is non-sensitive, then the overseas investment project will require online filing with the local branch of the NDRC where the enterprise itself is registered. And overseas investment as stipulated in the Overseas Investment Rules shall mean activities where an PRC enterprise, directly or through an overseas enterprise controlled by it, acquires any ownership, right of control, right of business management, or other relevant rights and interests overseas, by contributing assets or rights and interests, providing financing and/or guarantees, or any other means.

## C. Organizational Structure.

The following diagram illustrates our corporate structure and identifies our subsidiaries and their subsidiaries, as of the date of this Annual Report.



As of the date of this Annual Report, we have no VIEs in the PRC and we conduct our operations exclusively through our wholly-owned subsidiaries. Historically, as a Cayman Islands holding company, we conduct our operations in China through our PRC subsidiaries and the VIEs. To mitigate the uncertainties in our corporate structure and exert full control on our operating entities, we transferred operations in the VIEs to our wholly-owned entities and disposed of Renren Finance, Inc, which was our wholly-owned subsidiary that contractually controls the VIEs. As a result, all VIEs were disposed as of October 27, 2022.

**D. Property, Plants and Equipment.**

We lease approximately 541 square meters of office space in Beijing, China as of the date of the Annual Report. Our Dealership Outlets lease operating spaces in various Chinese cities. We lease our premises under non-cancelable operating lease agreements.

Our servers are primarily hosted at internet data centers owned by a major domestic internet data center provider. The hosting services agreements typically have terms of six months to one year.

We believe that we will be able to obtain adequate facilities, principally through leasing, to accommodate our future expansion plans.

**ITEM 4A. UNRESOLVED STAFF COMMENTS.**

Not applicable.

**ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS.**

**A. Operating Results.**

**Overview**

We are a leading premium new and used auto dealership group in China. The Company is primarily engaged in the sales of domestic and imported automobiles in the PRC. We are committed to providing superior car purchase and ownership experiences to our customers. Our passion and professionalism build trust and long-term customer loyalty. As of December 31, 2024, we had three Dealerships covering three cities in China. On average, our Dealership operators have over ten years of experience in the car sales industry. We provide new and used car buyers in China with access to a wide selection of used vehicles across our network of Dealerships, with a focus on premium brands, such as Audi, BMW, Mercedes-Benz, Land Rover and Porsche.

We sourced, marketed and sold approximately 879, 525, and nil new and used vehicles to customers across China in 2022, 2023, and 2024, respectively.

**Recent Developments**

In September 2023, the Group, through one of its subsidiaries in the PRC, set up one subsidiary, namely, Zhejiang Kaixin Yuanman Automobile Trading Co. Ltd. The Group owned 100% equity interest in the subsidiary.

In February through March 2023, the Group, through one of its subsidiaries in the PRC, set up a subsidiary, namely, Zhejiang Kaixin Jingtao Automobile Trading Co. Ltd.The Group owned 70% equity interest in the subsidiary.

In January 2024, we set up one subsidiary, namely, Zhejiang Kaixin Zhihui Auto Co. Ltd.. The Group owned 100% equity interest in the subsidiary.

During the year ended December 31, 2024, we entered into certain share transfer agreements with third parties, pursuant to which the Group transferred equity interest in subsidiaries. The details are as follows:

| Name of Disposed Subsidiaries | Date of Disposal | % of Ownership after disposal |
|---|---|---|
| Kaixin Manman Commuting Technology Co. Ltd | May 27, 2024 | 0 % |
| Kaixin Daman Automobile Trading Co. Ltd. | July 30, 2024 | 0 % |
| Wuhan Jieying Chimei Automobile Sales Co., Ltd. | August 22, 2024 | 0 % |
| Chongqing Jieying Shangyue Automobile Sales Co., Ltd. | November 8, 2024 | 0 % |
| Anhui Kaixin New Energy Vehicle Co., Ltd. | December 5, 2024 | 33.298 % |
| Morning Star Auto Inc. | December 5, 2024 | 0 % |

**Key Factors Affecting Our Results of Operations**

We believe that our results of operations are significantly affected by the following key factors.

***Demand for Premium Passenger Vehicles in China***

We generate a substantial majority of our revenues from the sales of premium passenger vehicles and the market demand for such passenger vehicles in China directly affects our revenues. Demand for premium passenger vehicles is affected by a variety of factors, including:

- macro-economic conditions in China, level of urbanization and household income;
- continued increase in the number of affluent individuals and consumer sentiment towards premium automobiles;
- continued improvement of road networks and infrastructure; and
- PRC laws and regulations with regard to passenger vehicles.

***Integration of Our Dealerships***

We began to acquire majority control of used car dealers across China in the second half of 2017. We rely on our Dealerships to conduct significant aspects of our business. As of December 31, 2024, we had three Dealerships. Our Dealerships and their employees directly interact with the consumers and other dealerships, and their performance directly impact our results of operations and financial condition. In addition, expansion of our network of Dealerships may affect our results of operations in the form of startup costs, acquisitions of new Dealership assets or capital injections.

***Customer Engagement and Branding***

We engage car buyers primarily through our network of Dealerships, our website and mobile apps, and advertising on third-party platforms. Our ability to expand our customer base depends on the scale and performance of the Dealerships as well as our ability to expand the Dealership network. We also collaborate with the leading online automotive advertising platforms to tap into their large user bases. Our success in such collaboration will affect our ability to broaden our prospective car buyer base through online channels in a cost-efficient manner.

Our growth depends on our ability to strengthen our brand through word of mouth and advertisements. The goal of these endeavors is to increase the number of visitors to our website, mobile apps and Dealership Outlets and increase the likelihood that visitors will purchase vehicles from us. In addition, our performance will be enhanced by providing a superior customer experience, which drives our ability to generate customer referrals and repeat sales.

***Competitive Landscape***

We believe that our operational model, which combines both online and offline channels, is superior to either online-only or offline-only models and differentiates us from our competitors. Our ability to strengthen our market position as a leading premium used auto dealership group and continue to meet the needs of our customers will continue to affect our results of operations.

Our business is also subject to trends specific to our industry, including customer demand and the competitive landscape. The car retail industry in China is highly fragmented, and we see a trend towards consolidation that will take hold in the future. In addition, we believe that there are trends towards the growth of online technologies and consumer auto financing in China. Competition affects not only our day-to-day performance in terms of our ability to acquire customers and automobile inventory, but also our ability to adapt to these trends.

***Strategic Expansion and Acquisitions***

In the second half of 2017, we started to acquire used car dealers and had acquired 14 used car Dealerships across China as of December 31, 2020. We may selectively pursue acquisitions, investments, joint ventures and partnerships that we believe are strategic and complementary to our operations and technology. These acquisitions, investments, joint ventures and partnerships may affect our results of operations.

On June 25, 2021, we closed the Haitaoche Acquisition. Haitaoche is a China-based merchant for domestic and imported automobiles. The manufacture and distribution of automobiles are undergoing significant changes in China, which are expected to create new opportunities and business models. Haitaoche strives to become a leading automobile retail platform in China. In addition to strengthening its imported automobile sales business, it plans to expand into electronic vehicles and other business areas. Haitaoche aims to enter into strategic cooperation agreements with multiple electronic vehicle manufacturers in China and serve a wider group of distributors and consumers. Haitaoche sourced, marketed and sold 431, 33 and 184 vehicles to customers across China in 2019, 2020 and 2021, respectively.

By integrating the operations and resources of Haitaoche with the used car dealership business, we are engaged in the sales of both new and used, domestic and imported automobiles and will be actively looking for opportunities to expand into the business area of electronic vehicles. We released our new energy vehicle strategic plan on December 1, 2021, and we target to quickly expand our new energy vehicle team and start with developing commercial new energy vehicles for intra-city and inter-city logistics applications in the initial stage.

***Financing and Access to Capital***

We have historically funded our operations and expansion with support from Moatable, the issuance of ABSs and term loans, and we believe that the future growth and expansion of our business will involve additional debt and/or equity financing from both Chinese and international external investors. The availability of financing, and the terms on which it is available, are expected to affect our future results of operations.

**Key Components of Results of Operations**

***Revenues***

Our revenues are derived from car sales. Our sales revenue are US$82.8 million, US$31.5 million, and nil in 2022, 2023 and 2024, respectively.

| | For the Years Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | 2023 | | 2024 | |
| | US$ | % | US$ | % | US$ | % |
| | (in thousands, except for percentages) | | | | | |
| **Revenues:** | | | | | | |
| Car sales revenue | 82,840 | 100.0 | 31,535 | 100.0 | — | — |
| **Total revenues** | **82,840** | **100.0** | **31,535** | **100.0** | **—** | **—** |

On June 25, 2021, Kaixin Holdings (KAH) completed the Haitaoche Acquisition, which is considered a reverse acquisition (or reverse takeover, or "Acquisition") of KAH by Haitaoche Limited (Haitaoche) as the acquirer under the applicable accounting treatment. Following the completion of the Acquisition, KAH is the consolidated parent of Haitaoche and the resulting company operates under the KAH corporate name. Haitaoche's historical financial statements became the historical financial statements of the Company. The acquired assets and liabilities of KAH are included in the Company's consolidated balance sheet as of June 25, 2021 and the results of its operations and cash flows are included in the Company's consolidated statement of operations and comprehensive income (loss) and cash flows for periods beginning after June 25, 2021. Therefore, the results of operations of KAH in 2020 is not included in the consolidated financial statement.

Our car sales revenues are primarily driven by the number of customer traffic to the Dealerships, our inventory selection, the effectiveness of our branding and marketing efforts, the quality of our customer services, our pricing and competition in our industry. The Company invested significant resources in revamping the car sales business after the completion of the reverse merger, which contributed to the growth of the car sales.

For the year ended December 31, 2024, we did not generate revenues from car sales due to a reassignment of our car sale business. Accordingly, our cost of revenue was nil for the year ended December 31, 2024. We are resuming the car sales business in 2025 and are actively engaged in developing our domestic and international client bases.

***Cost of Revenues***

Cost of revenues consists of costs directly related to used-car sales and new-car wholesales. The following table sets forth the breakdown of our cost of revenues, both in absolute amounts and as percentages of our total cost of revenues, for the periods presented:

| | For the Years Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | 2023 | | 2024 | |
| | US$ | % | US$ | % | US$ | % |
| | (in thousands, except for percentages) | | | | | |
| **Cost of revenues:** | | | | | | |
| Car sales | 82,194 | 100.0 | 31,193 | 100.0 | — | — |
| **Total cost of revenues** | **82,194** | **100.0** | **31,193** | **100.0** | **—** | **—** |

Cost of Used-car sales

Cost of revenues consists of costs directly related to used-car sales and new car wholesales, including inventory acquisition costs and write-down of inventory. Given that there was no car sale in 2024, the cost of revenues was nil.

***Operating Expenses***

Our operating expenses consist of selling and marketing expenses and general and administrative expenses. The following table sets forth our operating expenses for continuing operations, both in absolute amounts and as percentages of our total operating expenses for the periods indicated:

| | For the Years Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | 2023 | | 2024 | |
| | US$ | % | US$ | % | US$ | % |
| | (in thousands, except for percentages) | | | | | |
| **Operating expenses:** | | | | | | |
| Selling and marketing | 2,097 | 4.3 | 3,313 | 15.5 | 963 | 5 % |
| General and administrative | 46,488 | 95.7 | 18,013 | 84.5 | 18,178 | 95 % |
| **Total operating expenses** | **48,585** | **100.0** | **21,326** | **100.0** | **19,141** | **100 %** |

Selling and Marketing Expenses

Selling and marketing expenses consist primarily of salaries, benefits and commissions for our selling and marketing personnel and advertising, promotion expenses, and provision for dealership incentive. Our selling and marketing expenses may increase in the near term if we increase our promotion expenses for the Kaixin Auto brand or the new energy vehicles business.

General and Administrative Expenses

General and administrative expenses consist primarily of salaries and benefits for our general and administrative personnel and fees, write-offs of prepayment for vehicle purchase and other current assets, share-based compensation expenses, and expenses for third-party professional services. Our general and administrative expenses may increase in the future on an absolute basis as our business grows.

***Cayman Islands***

We are an exempted company incorporated in the Cayman Islands. Under the current laws of the Cayman Islands, we are not subject to tax based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. In addition, upon payment of dividends by us to our shareholders, no Cayman Islands withholding tax will be imposed.

***Hong Kong***

Our subsidiary incorporated in Hong Kong is subject to Hong Kong two-tiered profit tax at a rate of 8.25% for the first 2 million Hong Kong dollars ("HKD") of profits and at a rate of 16.5% for profits above 2 million HKD. No Hong Kong profit tax has been levied as we did not have assessable profit that was earned in or derived from the Hong Kong subsidiary during the periods presented. Hong Kong does not impose a withholding tax on dividends.

***China***

Generally, our subsidiaries in China are subject to enterprise income tax on their taxable income in China at a rate of 25%. The enterprise income tax is calculated based on the entity's global income as determined under PRC tax laws and accounting standards.

We are subject to VAT at a rate of 1% on the difference between the original purchase price and the retail price for the used car sales. We are subject to VAT at a rate of 13 % on the sales of new automobiles. We are also subject to surcharges on VAT payments in accordance with the PRC law.

Dividends paid by our wholly foreign-owned subsidiary in China to its intermediary holding company in Hong Kong will be subject to a withholding tax rate of 10%, unless the relevant Hong Kong entity satisfies all the requirements under the Arrangement between the PRC and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income and Capital, in which case the dividends paid to the Hong Kong subsidiary would be subject to withholding tax at the standard rate of 5%.

If our holding company in the Cayman Islands or any of our subsidiaries outside of China were deemed to be a "resident enterprise" under the PRC Enterprise Income Tax Law, it would be subject to enterprise income tax on its worldwide income at a rate of 25%.

**Results of Operations**

The following tables set forth a summary of our consolidated results of operations for the periods presented. This information should be read together with our consolidated financial statements and related notes included elsewhere in this annual report. The operating results in any periods are not necessarily indicative of the results that may be expected for any future period.

| | For the Years Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | 2023 | | 2024 | |
| | (in thousands, except for percentage) | | | | | |
| | | % | | % | | % |
| Total revenues | 82,840 | 100.0 | 31,535 | 100.0 | — | — |
| Total cost of revenues | 82,194 | 99.2 | 31,193 | 98.9 | — | — |
| **Gross profit** | **646** | **0.8** | **342** | **1.1** | **—** | **—** |
| Operating expenses: | | | | | | |
| Selling and marketing expenses | 2,097 | 2.5 | 3,313 | 10.5 | 963 | — |
| General and administrative expenses | 46,488 | 56.1 | 18,013 | 57.1 | 18,178 | — |
| **Total operating expenses** | **48,585** | **58.6** | **21,326** | **67.6** | **19,141** | **—** |
| **Loss from operations** | **(47,939)** | **(57.9)** | **(20,984)** | **(66.5)** | **(19,141)** | **—** |
| Other income (expenses), net | 728 | 0.9 | (9) | (0.0) | 392 | — |
| Foreign currency exchange gain (loss) | (139) | (0.2) | (10) | (0.0) | 7 | — |
| Interest expense, net | (1,034) | (1.2) | (525) | (1.7) | (342) | — |
| Change in fair value of warrants | 316 | 0.4 | (208) | (0.7) | 210 | — |
| Impairment of other receivables | — | — | (8,848) | (28.1) | — | — |
| Impairment of prepaid expenses and other current assets | (22,921) | (25.9) | (23,262) | (73.8) | — | — |
| Provision for dealership settlement | (15,134) | (18.3) | — | — | — | — |
| Gain (loss) from disposal of subsidiaries | 1,578 | 1.9 | 64 | (0.2) | (23,037) | — |
| **Loss before income tax provision** | **(84,545)** | **(100.3)** | **(53,782)** | **(170.5)** | **(41,911)** | **—** |
| Income tax benefit (expense) | (74) | (0.1) | 228 | (0.7) | 931 | — |
| **Net loss** | **(84,619)** | **(100.4)** | **(53,554)** | **(169.8)** | **(40,980)** | **—** |

***Year ended December 31, 2024 compared with year ended December 31, 2023***

Revenues and Cost of Revenues

For the year ended December 31, 2024, we did not generate revenues from car sales. Accordingly our cost of revenues was nil for the year ended December 31, 2024.

Gross Profit

As a result of the foregoing, we recorded a gross profit of US$342 thousand in 2023 and a gross profit of nil in 2024.

Operating Expenses

Our total operating expenses decreased from US$21.3 million in 2023 to US$19.1 million in 2024. The difference is mainly resulted from the decline in selling and marketing expenses.

- *Selling and marketing expenses.* Our selling and marketing expenses decreased from US$3,3 million in 2023 to US$963 thousand in 2024. The decrease was primarily due to a decrease of approximately $2.1 million in dealership settlement expenses and a decrease of bonus of approximately $0.1 million in payroll expenses for salespersons as we did not generate revenues in the year of 2024.

- *General and administrative expenses.* Our general and administrative expenses slightly increased from US$18.0 million in 2023 to US$18.2 million in 2024.

Other Income (Expenses)

Other expense was US$9 thousand in 2023, as compared to other income of US$392 thousand in 2024.

Interest Expenses, Net

Our interest expenses, net were US$525 thousand in 2023 and US$342 thousand in 2024.

Change in fair value of warrants

Loss from change in fair value of warrants was US$208 thousand in 2023, as compared to gain from change in fair value of warrants of US$210 thousand in 2024.

Gain (loss) on disposal of subsidiaries

There is a gain from the disposal of a subsidiary of $64 thousand in 2023 and a loss on the disposal of subsidiaries of US$23.0 million in 2024. For details, please refer to Note 3 to the consolidated financial statements.

Income Tax Benefit (Expense)

Our income tax benefits were US$228 thousand in 2023 and US$931 thousand in 2024, respectively.

Net Loss

As a result of the foregoing, we recorded net losses of US$53.6 million and US$41.0 million in 2023 and 2024, respectively.

***Year ended December 31, 2023 compared with year ended December 31, 2022***

Revenues

Our total revenues decreased from US$82.8 million in 2022 to US$31.5 million in 2023, primarily due to the decline in auto sales volume.

Cost of Revenues

Our cost of revenues for the new car wholesales decreased from US$82.2 million in 2022 to US$31.2 million in 2023, corresponding to the decline in sales revenues.

Gross Profit

As a result of the foregoing, we recorded gross profit of US$646 thousand in 2022 and gross profit of US$342 thousand in 2023.

Operating Expenses

Our total operating expenses decreased from US$48.6 million in 2022 to US$21.3 million in 2023. The difference is mainly resulted from a decrease in general and administrative expenses.

- Selling and marketing expenses. Our selling and marketing expenses increase from US$2,097 thousand in 2022 to US$3,313 thousand in 2023. The increase resulted from higher sales incentives expenses to the Dealerships.

- General and administrative expenses. Our general and administrative expenses decreased from US$46,488 thousand in 2022 to US$18,013 thousand in 2023. The decrease was primarily due to lower share-based compensation expense in 2023.

Other Income (Expenses)

Other income was US$728 thousand in 2022, as compared to other expense of US$9 thousand in 2023.

Interest Expenses, Net

Our interest expenses, net were US$1,034 thousand in 2022 and US$525 thousand in 2023, respectively.

Change in fair value of warrants

Gain from change in fair value of warrants was US$316 thousand in 2022, as compared to loss from change in fair value of warrants of US$208 in 2023.

Impairment of other receivables

There is a loss on impairment of other receivables of US$8.8 million in 2023.

Impairment of prepaid expenses and other current assets

Loss from impairment of other non-current assets was US$22.9 million and US$23.3 million in 2022 and 2023, respectively.

Provision for dealership settlement

Loss from provision for dealership settlement was US$15.1 million and nil in 2022 and 2023, respectively.

Gain on disposal of subsidiaries

There is a gain on disposal of subsidiaries of US$64 thousand in 2023.

Income Tax Benefit (Expense)

Our income tax expense was US$74 thousand in 2022, and our income tax benefit was US$228 thousand in 2023.

Net Loss

As a result of the foregoing, we recorded net losses of US$84.6 million and US$53.6 million in 2022 and 2023, respectively.

**Recent Accounting Pronouncements**

See Part III, “Financial Statements — Note 2 — Summary of significant accounting policies — Recent accounting pronouncements”.

## B. Liquidity and Capital Resources

**Cash flows and working capital**

The accompanying consolidated financial statements have been prepared assuming that we will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. For the year ended December 31, 2024, we generated negative cash flows from operating activities that amounted to US$3.0 millon and have a working capital of negative US$6.1 million as of December 31, 2024.

KX Venturas 4 LLC invested US$3.0 million in convertible preferred shares of the Company on December 28, 2020, which were all converted to ordinary shares during 2021. Moatable purchased US$6.0 million convertible preferred shares of the Company on March 31, 2021. Derong Group Limited invested US$4.6 million in the Company in February 2022 and received ordinary shares in March 2022. A group of investors, namely Mr. Long Li, Hermann Limited and Aslan Family Limited, invested in $1.0 million in ordinary shares in November 2023. On October 14, 2024, we closed a private placement with ATW Opportunities Master Fund II LP, a company incorporated under the laws of Delaware (the "Purchaser"). Pursuant to the securities purchase agreement (the "Purchase Agreement"), we agreed to sell an aggregate of 1,166,667 Class A Ordinary Shares, with a par value of $0.045 per share (the "Ordinary Shares") at a purchase price of $3.00 per share to the Purchaser (the "Offering"), representing 71.8% of the closing price of the Company on November 13, 2024. We received gross proceeds of $3,500,000 in connection with the Offering.

We intend to obtain additional equity or debt financing arrangements to support the growth of our business. The incurrence of indebtedness would result in an increase of fixed obligations and could result in operating covenants that would restrict our operations. There can be no assurance that financing will be available in amounts or on terms acceptable to us, if at all. See "Item 3. Key Information — D. Risk Factors —Risks Related to Our Business and Industry — We may need additional capital to pursue our business objectives and respond to business opportunities, challenges or unforeseen circumstances, and financing may not be available on terms acceptable to us, or at all".

Net cash used in operating activities was US$2.4 million, US$2.1 million and US$3.0 million in 2022, 2023 and 2024, respectively. As of December 31, 2024, we had cash of approximately US$2.4 million.

The following table sets forth a summary of our cash flows for the periods presented:

| | For the years ended December 31, | | |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | (in thousands of US$) | | |
| Net cash used in operating activities | (2,394) | (2,108) | (3,020) |
| Net cash used in investing activities | (156) | (3,134) | (26) |
| Net cash provided by financing activities | 5,406 | 1,015 | 4,510 |
| Effect of exchange rate changes on cash and cash equivalents | (1,017) | (790) | (1,161) |
| Net changes in cash and cash equivalents | 1,839 | (5,017) | 303 |
| Cash and cash equivalents at beginning of year | 5,263 | 7,102 | 2,085 |
| Cash and cash equivalents at end of year | 7,102 | 2,085 | 2,388 |

***Operating Activities***

Net cash used in operating activities was US$3.0 million in 2024. The principal items accounting for the difference between our net loss and the net cash used in operating activities in 2024 were loss from the disposal of a subsidiary of US$23.0 million, share - based compensation expense of US$10.9 million, and depreciation and amortization expenses of $3.9 million.

Net cash used in operating activities was US$2.1 million in 2023. The principal items accounting for the difference between our net loss and the net cash used in operating activities in 2023 were a loss from impairment of other non-current assets of US$23.3 million, loss from impairment of other receivables of US$8.8 million, share-based compensation expense of US$12.0 million, and depreciation and amortization expenses of $2.5 million.

Net cash used in operating activities was US$2.4 million in 2022. The principal items accounting for the difference between our net loss and the net cash used in operating activities in 2022 were a loss from impairment of other non-current assets of US$22.9 million, provision for dealership settlement of US$15.1 million, and share-based compensation expense of US$39.3 million.

***Investing Activities***

Net cash used in investing activities was US$26 thousand in 2024, which was mostly attributable to cash disposed on disposal of subsidiaries.

Net cash used in investing activities was US$3.1 million in 2023, which was mostly attributable to cash disposed on disposal of subsidiaries.

Net cash used in investing activities was US$0.2 million in 2022, which was mostly attributable to cash disposed on disposal of subsidiaries.

***Financing Activities***

Net cash provided by financing activities was US$4.5 million in 2024, which was primarily attributable to proceeds from issuance of ordinary shares and warrants.

Net cash provided by financing activities was US$1.0 million in 2023, which was primarily attributable to proceeds from issuance of ordinary shares and warrants.

Net cash provided by financing activities was US$5.4 million in 2022, which was primarily attributable to proceeds from issuance of ordinary shares of US$4.7 million and a convertible note of US$2.0 million, partially offset by cash paid for offering cost of US$2.0 million.

**Off-Balance Sheet Arrangements.**

We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. In addition, we have not entered into any derivative contracts that are indexed to our shares and classified as shareholder's equity or that are not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interests in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or product development services with us.

**Tabular Disclosure of Contractual Obligations.**

The following table sets forth our contractual obligations as of December 31, 2024:

| | Total | Less than 1 year | 1–3 years | 3–5 years | More than 5 years |
|---|---|---|---|---|---|
| | | | (in thousands of US$) | | |
| Operating Lease Obligations[1] | 231 | 141 | 90 | — | — |
| Loans and Convertible Note obligations | 635 | 635 | — | — | — |
| Total | 866 | 776 | 90 | — | — |

(1) Representing contractual undiscounted operating lease obligations relating to our non-cancelable lease of offices and facilitates.

Other than as shown above, we did not have any significant capital and other commitments, long-term obligations or guarantees as of December 31, 2024.

**Capital Expenditures**

Our capital expenditures were US$59 thousand, US$396 thousand, and US$18 thousand in 2022, 2023, and 2024, respectively. In 2024, our capital expenditures were mainly used to purchase property and equipment.

**Holding Company Structure**

Our Company, Kaixin Holdings, is not an operating company in China, but a Cayman Islands holding company with no operations of its own. We own and conduct operations primarily through operating subsidiaries in China. As a result, we rely on dividends and other distributions paid by our operating subsidiaries to pay dividends to our shareholders or to service our outstanding debts. If our subsidiaries or any newly formed subsidiaries incur debt on their own behalf in the future, the instruments governing their debt may restrict their ability to pay dividends to us. In addition, our wholly-owned PRC subsidiaries are permitted to pay dividends to us only out of their retained earnings, if any, as determined in accordance with the PRC accounting standards and regulations. Under the PRC laws, each of our PRC subsidiaries is required to set aside at least 10% of its after-tax profits each year, if any, to fund a statutory reserve until such reserve reaches 50% of its registered capital. Although the statutory reserves can be used, among other ways, to increase the registered capital and eliminate future losses in excess of retained earnings of the respective companies, the reserve funds are not distributable as cash dividends except in the event of liquidation. Remittance of dividends by a wholly foreign-owned company out of China is subject to examination by the banks designated by the SAFE. We currently plan to reinvest all earnings from our PRC subsidiaries to their business developments and do not plan to request dividend distributions from them.

**Internal Control over Financial Reporting**

Prior to the completion of the Business Combination, we had been a subsidiary of a listed company with limited accounting personnel and other resources with which to address our internal control and procedures over financial reporting. In the course of preparing our consolidated financial statements for the year ended December 31, 2019, we identified four material weaknesses in our internal control over financial reporting relating to (i) inadequate technical competency of financial staff in charge of significant and complex transactions to ensure that those transactions are properly accounted for in accordance with U.S. GAAP; (ii) lack of an effective and continuous risk assessment process to identify and assess the financial reporting risks; (iii) lack of evaluations to ascertain whether the components of internal control are present and functioning; and (iv) inadequate controls over prepayment for vehicle purchase at local dealerships. A "material weakness" is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim consolidated financial statements will not be prevented or detected on a timely basis.

To remedy our identified material weakness, we have taken measures to improve our internal control over financial reporting, including, among others: (i) hiring additional financial professionals and accounting consultants with relevant experiences, skills and knowledge in accounting and disclosure for complex transactions under the requirements of U.S. GAAP and SEC reporting requirements, including disclosure requirements for complex transactions under U.S. GAAP, to provide the necessary level of leadership to our finance and accounting function and increase the number of qualified financial reporting personnel; (ii) improving the capabilities of the existing financial reporting personnel through trainings and education on the accounting and reporting requirements under U.S. GAAP, SEC rules and regulations and the Sarbanes-Oxley Act; and (iii) designing and implementing robust financial reporting and management controls over future significant and complex transactions.

However, we believe material weaknesses persist in (i) lack of sufficient resources with US GAAP and the SEC reporting experiences, which could adversely affect the Company's ability to provide accurate disclosures on a timely matter; (ii) the lack of an effective and continuous risk assessment procedure to identify and assess the financial reporting risks; and (iii) lack of evaluations to ascertain whether the components of internal control are present and functioning as of December 31, 2024.

We ceased to qualify as an "emerging growth company" pursuant to the JOBS Act on December 31, 2022. However, since our public float was not over US$75 million on June 30, 2024, we are exempted from the auditor attestation requirement under Section 404 of the Sarbanes-Oxley Act of 2002 for the assessment of our internal control over financial reporting for the year ended December 31, 2024.

## C. Research and Development, Patents and Licenses, etc.

See "Item 4. Information on the Company — B. Business Overview — Research and Development".

**D. Trend Information.**

Other than as described elsewhere in this Annual Report, we are not aware of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material adverse effect on our revenue, income from continuing operations, profitability, liquidity or capital resources, or that would cause our reported financial information not necessarily to be indicative of future operating results or financial condition.

**E. Critical Accounting Policies and Estimates**

We prepare our consolidated financial statements in accordance with U.S. GAAP, which requires our management to make estimates that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the balance sheet dates, as well as the reported amounts of revenues and expenses during the reporting periods. To the extent that there are material differences between these estimates and actual results, our financial condition or results of operations would be affected. We base our estimates on our own historical experience and other assumptions that we believe are reasonable after taking account of our circumstances and expectations for the future based on available information. We evaluate these estimates on an ongoing basis.

Our expectations regarding the future are based on available information and assumptions that we believe to be reasonable, which together form our basis for making judgments about matters that are not readily apparent from other sources. Since the use of estimates is an integral component of the financial reporting process, our actual results could differ from those estimates. Some of our accounting policies require a higher degree of judgment than others in their application.

We consider an accounting estimate to be critical if: (i) the accounting estimate requires us to make assumptions about matters that were highly uncertain at the time the accounting estimate was made, and (ii) changes in the estimate that are reasonably likely to occur from period to period or use of different estimates that we reasonably could have used in the current period, would have a material impact on our financial condition or results of operations. When reading our consolidated financial statements, you should consider our selection of critical accounting policies, the judgment and other uncertainties affecting the application of such policies and the sensitivity of reported results to changes in conditions and assumptions.

When reading our consolidated financial statements, you should consider our selection of critical accounting policies, the judgment and other uncertainties affecting the application of such policies and the sensitivity of reported results to changes in conditions and assumptions. Our critical accounting policies and practices include the following: (i) revenue recognition and (ii) income taxes. See Note 2 — Summary of Significant Accounting Policies to our consolidated financial statements for the disclosure of these accounting policies. We believe the following accounting estimates involve the most significant judgments used in the preparation of our financial statements.

A list of critical accounting policies, judgements and estimates that are relevant to us is included in Note 2 of our consolidated financial statements included elsewhere herein.

**ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES.**

**A. Directors and Senior Management.**

The following table sets forth certain information relating to our directors and executive officers as of the date of this Annual Report.

| Directors and Executive Officers | Age | Position/Title |
|---|---|---|
| Mingjun Lin | 50 | Chairman, Director and Chief Executive Officer |
| Yi Yang | 53 | Director and Chief Financial Officer |
| Xiaolei Gu | 38 | Director |
| Deqiang Chen | 58 | Independent Director |
| Xiaoning Wu | 61 | Independent Director |

*Mingjun Lin* served as our chairman of the Board since May 2021 and our chief executive officer since May 2021. He has substantial experience in automotive internet media. He is the founder of Haitaoche, a China-based merchant for domestic and imported automobiles. Prior to founding Haitaoche in 2015, Mr. Lin held senior management positions with TOM Online and Tencent, and he was the founder of SUV.cn, a vertical online media that focused on SUV customer communities.

*Yi Yang* has served as our director since August 2022 and chief financial officer since August 2019. Prior to joining us, Ms. Yang served as strategic investment director and financial controller for Jomoo, a leading manufacturer and supplier of home products, such as kitchen and bathroom units, in China. Prior to that, she was a chief financial officer at Wellong Etown, an internet-based logistics company. Ms. Yang has also worked at the Bank of New York Mellon as vice president and controller, where she formulated strategic financial plans, participated in asset restructurings, and worked on numerous large domestic and cross-border M&A transactions. Ms. Yang received a master's degree in Computer Science from Saint Joseph's University in the U.S. She is a certified public accountant, and a member of the American Institute of Certified Public Accountants (AICPA).

*Xiaolei Gu* has served as our director since May 2021. He is the director of Strategic Development Department with the Company since November 2020. He served as the chief media content officer of Haitaoche Limited during 2015-2020 and chief media content officer of Beijing Yunfeiyang Technology Company during 2009 to 2014.

*Xiaoning Wu* has served as our director since January 2024. He has been serving as the chairman of Shangdong Zibo Fengdu Jiantao Company since 2003 and possesses rich experience in corporate financial management, capital investments, and sales areas. He also served as an accountant and the corporate controller of Taishun Zhanzhou Construction Company from 1986 to 1993 and as the CEO of Nantong Yongxing from 1994 to 2003.

*Deqiang Chen* has served as our director since May 2021. He is the general manager of Wenzhou Fude Property Co., Ltd. since 2013 and consultant to Wenzhou Zhongxiao Culture Co., Ltd. since 2016. He served as the chairman of the board of directors of Fude Feida Petrochemical Whole Set Equipment Limited Company during 2003 to 2013. Mr. Chen holds an MBA degree from Guanghua School of Management of the Beijing University.

## B. Compensation.

### Compensation of Directors and Executive Officers

For the fiscal year ended December 31, 2024, we paid an aggregate of approximately US$0.86 million in cash to our directors and executive officers. We are not required under Cayman Islands law to disclose, and we have not otherwise disclosed, the compensation of our directors and executive officers on an individual basis. We have not set aside or accrued any amounts to provide pension, retirement or other similar benefits to our directors and executive officers. Our PRC subsidiaries are required by law to make contributions equal to certain percentages of each employee's salary for his or her pension insurance, medical insurance, unemployment insurance and other statutory benefits and a housing provident fund.

### Employment Agreements and Indemnification Agreements

We have entered into employment agreements with each of our executive officers.

We may terminate employment for cause, at any time, without advance notice or remuneration, for certain acts of the executive officer, such as violation of our internal rules, failure to perform agreed duties or dishonest acts that resulted in material harm to our interests, disclosure of confidential information or trade secrets that resulted in material harm to our interests, and being subject to criminal liabilities. The executive officer may resign at any time with a 30 days' advance written notice.

Each executive officer has agreed to hold, both during and after the termination of his or her employment, our trade secrets in confidence. Each executive officer has also agreed that we shall be entitled to all inventions, innovations and other intellectual property rights, titles and patent application rights that are created by such officer while performing assigned work for us or mainly utilizing our resources and premises. In addition, each executive officer has agreed to be bound by the non-competition and non-solicitation restrictions during the term of his or her employment.

We have also entered into indemnification agreements with each of our directors and executive officers. Under these agreements, we agree to indemnify our directors and executive officers against certain liabilities and expenses incurred by such persons in connection with claims made by reason of their being a director or officer of our Company.

**Equity Incentive Plans**

***2020 Equity Incentive Plan***

Our 2020 equity incentive plan, or the 2020 Plan, was adopted by our board of directors on November 17, 2020. The 2020 Plan provides for the grant of options, restricted shares and restricted share units, which are referred to collectively as awards. Up to 5,000,000 ordinary shares may be granted as awards under the 2020 Plan.

The following paragraphs describe the principal terms of the 2020 Plan.

*Administration*

The 2020 Plan is administered by our directors, the compensation committee, or any subcommittee thereof to whom such directors or the compensation committee shall delegate the power to administer the plan. The plan administrator is authorized to interpret the plan and to determine the provisions of each award.

*Change in Control*

In the event of a change in control or another transaction having a similar effect, then any incentives granted under the 2020 Plan shall be deemed vested immediately. The plan administrator may, in its sole discretion, adjust the number of ordinary shares subject to the awards then held by a participant in the 2020 Plan as needed to prevent dilution or enlargement of the participant's rights that otherwise would result from such event. A "change of control" under the 2020 Plan is defined as: means any of the following: (i) Continuing Directors cease to constitute at least fifty percent (50%) of the members of the Board; (ii) the shareholders of the Company approve any plan or proposal for the liquidation or dissolution of the Company; (iii) any consolidation, merger or share exchange of the Company in which the Company is not the continuing or surviving corporation or pursuant to which the Company's Ordinary Shares would be converted into cash, securities or other property; or (iv) any sale, lease, exchange or other transfer (excluding transfer by way of pledge or hypothecation) in one transaction or a series of related transactions, of all or substantially all of the assets of the Company; provided, however, that a transaction described in clauses (iii) or (iv) shall not constitute a Change of Control hereunder if after such transaction (I) Continuing Directors constitute at least fifty percent (50%) of the members of the board of directors of the continuing, surviving or acquiring entity, as the case may be or, if such entity has a parent entity directly or indirectly holding at least a majority of the voting power of the voting securities of the continuing, surviving or acquiring entity, Continuing Directors constitute at least fifty percent (50%) of the members of the board of directors of the entity that is the ultimate parent of the continuing, surviving or acquiring entity, and (II) the continuing, surviving or acquiring entity (or the ultimate parent of such continuing, surviving or acquiring entity) assumes all outstanding Awards granted under the 2020 Plan.

*Term*

Unless terminated earlier, the 2020 Plan will terminate on November 16, 2030. Awards made under the plan on or prior to the date of its termination will continue in effect subject to the terms of the plan and the award.

***2021 Equity Incentive Plan***

Our 2021 equity incentive plan (the "2021 Plan"), was adopted by our Board on July 12, 2021. The 2021 Plan provides for the grant of options, restricted shares and restricted share units, which are referred to collectively as awards. Up to 26,596,000 ordinary shares may be granted as awards under the 2021 Plan.

The following paragraphs describe the principal terms of the 2021 Plan.

*Administration*

The 2021 Plan is administered by our directors, the compensation committee, or any subcommittee thereof to whom such directors or the compensation committee shall delegate the power to administer the plan. The plan administrator is authorized to interpret the plan and to determine the provisions of each award.

*Change in Control*

In the event of a change in control or another transaction having a similar effect, then the plan administrator may, in its sole discretion, adjust the number of ordinary shares subject to the awards then held by a participant in the 2021 Plan as needed to prevent dilution or enlargement of the participant's rights that otherwise would result from such event. The plan administrator may also, in its sole direction, provide in substitution for the participant's awards such alternative consideration as it may determine to be equitable in the circumstances. A "change of control" under the 2021 Plan is defined as: (i) Continuing Directors cease to constitute at least fifty percent (50%) of the members of the Board; (ii) the shareholders of the Company approve any plan or proposal for the liquidation or dissolution of the Company; (iii) any consolidation, merger or share exchange of the Company in which the Company is not the continuing or surviving corporation or pursuant to which the Company's Ordinary Shares would be converted into cash, securities or other property; or (iv) any sale, lease, exchange or other transfer (excluding transfer by way of pledge or hypothecation) in one transaction or a series of related transactions, of all or substantially all of the assets of the Company; provided, however, that a transaction described in clauses (iii) or (iv) shall not constitute a Change of Control hereunder if after such transaction (I) Continuing Directors constitute at least fifty percent (50%) of the members of the board of directors of the continuing, surviving or acquiring entity, as the case may be or, if such entity has a parent entity directly or indirectly holding at least a majority of the voting power of the voting securities of the continuing, surviving or acquiring entity, Continuing Directors constitute at least fifty percent (50%) of the members of the board of directors of the entity that is the ultimate parent of the continuing, surviving or acquiring entity, and (II) the continuing, surviving or acquiring entity (or the ultimate parent of such continuing, surviving or acquiring entity) assumes all outstanding Awards granted under the 2021 Plan.

*Term*

Unless terminated earlier, the 2021 Plan will terminate on July 12, 2031. Awards made under the plan on or prior to the date of its termination will continue in effect subject to the terms of the plan and the award.

*Vesting Schedule*

In general, the plan administrator determines, the vesting schedule, which vesting schedule will be set forth in the award agreement.

*Amendment and Termination of Plan*

Our Board may at any time amend, alter or discontinue the 2021 Plan, subject to certain exceptions.

***2022 Equity Incentive Plan***

Our 2022 equity incentive plan (the "2022 Plan"), was adopted by our Board on May 17, 2022. The 2022 Plan provides for the grant of options, restricted shares and restricted share units, which are referred to collectively as awards. Up to 39,500,000 ordinary shares may be granted as awards under the 2022 Plan.
The following paragraphs describe the principal terms of the 2022 Plan.

*Administration*

The 2022 Plan is administered by sole director, the compensation committee, or any subcommittee thereof to whom such directors or the compensation committee shall delegate the power to administer the plan. The plan administrator is authorized to interpret the plan and to determine the provisions of each award.

*Change in Control*

In the event of a change in control or another transaction having a similar effect, then the plan administrator may, in its sole discretion, adjust the number of ordinary shares subject to the awards then held by a participant in the 2022 Plan as needed to prevent dilution or enlargement of the participant's rights that otherwise would result from such event. The plan administrator may also, in its sole direction, provide in substitution for the participant's awards such alternative consideration as it may determine to be equitable in the circumstances. A "change of control" under the 2022 Plan is defined as: (i) the board of directors changes such that there is turnover of at least 50% of the members of the board; (ii) the shareholders approve any plan or proposal for the liquidation or dissolution of the company; (iii) the shareholders approve any consolidation, merger or share exchange of the company in which the company ceases to exist as a corporation, or as a result of which, the ordinary shares would be converted into cash, securities or other properties; or (iv) any sale, lease, exchange or other transfer of all or substantially all of the company's assets. There will be an exception to the definition of "change of control" as follows: a transaction described in (iii) or (iv) shall not be a "change of control" if (A) after such transaction the board of directors did not undergo a turnover of at least 50% of the members of the board of directors, and/or such unchanged board of directors controls an entity which directly or indirectly holds a majority of the ordinary shares of the continuing, surviving or acquiring entity referenced in (iii) or (iv); and (B) such successor entity assumes all outstanding share awards under the 2022 Plan.

*Term*

Unless terminated earlier, the 2022 Plan will terminate on May 17, 2032. Awards made under the plan on or prior to the date of its termination will continue in effect subject to the terms of the plan and the award.

***2023 Equity Incentive Plan***

Our 2023 equity incentive plan (the "2023 Plan"), was adopted by our Board on January 17, 2023. The 2023 Plan provides for the grant of options, restricted shares and restricted share units, which are referred to collectively as awards. Up to 39,500,000 ordinary shares may be granted as awards under the 2023 Plan.

The following paragraphs describe the principal terms of the 2023 Plan.

*Administration*

The 2023 Plan is administered by sole director, the compensation committee, or any subcommittee thereof to whom such directors or the compensation committee shall delegate the power to administer the plan. The plan administrator is authorized to interpret the plan and to determine the provisions of each award.

*Change in Control*

In the event of a change in control or another transaction having a similar effect, then the plan administrator may, in its sole discretion, adjust the number of ordinary shares subject to the awards then held by a participant in the 2023 Plan as needed to prevent dilution or enlargement of the participant's rights that otherwise would result from such event. The plan administrator may also, in its sole direction, provide in substitution for the participant's awards such alternative consideration as it may determine to be equitable in the circumstances. A "change of control" under the 2023 Plan is defined as: (i) the board of directors changes such that there is turnover of at least 50% of the members of the board; (ii) the shareholders approve any plan or proposal for the liquidation or dissolution of the company; (iii) the shareholders approve any consolidation, merger or share exchange of the company in which the company ceases to exist as a corporation, or as a result of which, the ordinary shares would be converted into cash, securities or other properties; or (iv) any sale, lease, exchange or other transfer of all or substantially all of the company's assets. There will be an exception to the definition of "change of control" as follows: a transaction described in (iii) or (iv) shall not be a "change of control" if (A) after such transaction the board of directors did not undergo a turnover of at least 50% of the members of the board of directors, and/or such unchanged board of directors controls an entity which directly or indirectly holds a majority of the ordinary shares of the continuing, surviving or acquiring entity referenced in (iii) or (iv); and (B) such successor entity assumes all outstanding share awards under the 2023 Plan.

*Term*

Unless terminated earlier, the 2023 Plan will terminate on January 17, 2033. Awards made under the plan on or prior to the date of its termination will continue in effect subject to the terms of the plan and the award.

***January 2024 Equity Incentive Plan***

Our January 2024 equity incentive plan (the "January 2024 Plan"), was adopted by our Board on January 2, 2024. The 2024 Plan provides for the grant of options, restricted shares and restricted share units, which are referred to collectively as awards. Up to 8,000,000 Class A ordinary shares, par value of US$0.00075 each, and 1,000,000 Class B ordinary shares, par value of US$0.00075 each, may be granted as awards under the January 2024 Plan.

The following paragraphs describe the principal terms of the January 2024 Plan.

Administration

The January 2024 Plan is administered by sole director, the compensation committee, or any subcommittee thereof to whom such directors or the compensation committee shall delegate the power to administer the plan. The plan administrator is authorized to interpret the plan and to determine the provisions of each award.

Change in Control

In the event of a change in control or another transaction having a similar effect, then the plan administrator may, in its sole discretion, adjust the number of ordinary shares subject to the awards then held by a participant in the January 2024 Plan as needed to prevent dilution or enlargement of the participant's rights that otherwise would result from such event. The plan administrator may also, in its sole direction, provide in substitution for the participant's awards such alternative consideration as it may determine to be equitable in the circumstances. A "change of control" under the January 2024 Plan is defined as: (i) the board of directors changes such that there is turnover of at least 50% of the members of the board; (ii) the shareholders approve any plan or proposal for the liquidation or dissolution of the company; (iii) the shareholders approve any consolidation, merger or share exchange of the company in which the company ceases to exist as a corporation, or as a result of which, the ordinary shares would be converted into cash, securities or other properties; or (iv) any sale, lease, exchange or other transfer of all or substantially all of the company's assets. There will be an exception to the definition of "change of control" as follows: a transaction described in (iii) or (iv) shall not be a "change of control" if (A) after such transaction the board of directors did not undergo a turnover of at least 50% of the members of the board of directors, and/or such unchanged board of directors controls an entity which directly or indirectly holds a majority of the ordinary shares of the continuing, surviving or acquiring entity referenced in (iii) or (iv); and (B) such successor entity assumes all outstanding share awards under the January 2024 Plan.

***October 2024 Equity Incentive Plan***

Our October 2024 equity incentive plan (the "October 2024 Plan"), was adopted by our Board on October 2, 2024. The October 2024 Plan provides for the grant of options, restricted shares and restricted share units, which are referred to collectively as awards. Up to 17,000,000 Class A ordinary shares, par value of US$0.045 each, and 5,000,000 Class B ordinary shares, par value of US$0.045 each, may be granted as awards under the October 2024 Plan.

The following paragraphs describe the principal terms of the October 2024 Plan.

Administration

The October 2024 Plan is administered by sole director, the compensation committee, or any subcommittee thereof to whom such directors or the compensation committee shall delegate the power to administer the plan. The plan administrator is authorized to interpret the plan and to determine the provisions of each award.

Change in Control

In the event of a change in control or another transaction having a similar effect, then the plan administrator may, in its sole discretion, adjust the number of ordinary shares subject to the awards then held by a participant in the October 2024 Plan as needed to prevent dilution or enlargement of the participant's rights that otherwise would result from such event. The plan administrator may also, in its sole direction, provide in substitution for the participant's awards such alternative consideration as it may determine to be equitable in the circumstances. A "change of control" under the October 2024 Plan is defined as: (i) the board of directors changes such that there is turnover of at least 50% of the members of the board; (ii) the shareholders approve any plan or proposal for the liquidation or dissolution of the company; (iii) the shareholders approve any consolidation, merger or share exchange of the company in which the company ceases to exist as a corporation, or as a result of which, the ordinary shares would be converted into cash, securities or other properties; or (iv) any sale, lease, exchange or other transfer of all or substantially all of the company's assets. There will be an exception to the definition of "change of control" as follows: a transaction described in (iii) or (iv) shall not be a "change of control" if (A) after such transaction the board of directors did not undergo a turnover of at least 50% of the members of the board of directors, and/or such unchanged board of directors controls an entity which directly or indirectly holds a majority of the ordinary shares of the continuing, surviving or acquiring entity referenced in (iii) or (iv); and (B) such successor entity assumes all outstanding share awards under the October 2024 Plan.

***Granted Awards***

The table below summarizes, as of March 1, 2025, the outstanding options and restricted shares that have been granted to our directors and executive officers.

| Name | Number of shares underlying awards granted[(1)] | Exercise price (US$ per share) | Grant date | Expiration date |
|---|---|---|---|---|
| Deqiang Chen | 250 | N/A | October 21, 2021, December 28, 2022 and September 11, 2023 | October 21, 2031, December 28, 2032 and and September 11, 2023, respectively |
| Mingjun Lin | 2,222 | N/A | October 21, 2021 | October 21, 2031 |
| Xiaolei Gu | 833 | N/A | October 21, 2021, December 28, 2022 and September 11, 2023 | October 21, 2031, December 28, 2032 and September 2033, respectively |
| Total | 3,305 | | | |

*Notes:*

(1) In the form of restricted shares.

## C. Board Practices.

### Board of Directors

Under our currently effective memorandum and articles of association, our company shall have not less than three (3) and not more than nine (9) directors, unless such number is changed by special resolution of our shareholders. Mr. Mingjun Lin and Ms. Lucy Yi Yang each shall have the right to appoint or remove one (1) director by delivering a written notice to our Company.

Our Board currently consists of five directors. A director is not required to hold any shares in our company by way of qualification. A director may vote with respect to any contract or transaction, or proposed contract or transaction in which he or she is, whether directly or indirectly interested, provided that (a) such director has declared the nature of his or her interest at the earliest meeting of the board at which it is practicable for him or her to do so, either specifically or by way of a general notice; and (b) if such contract or arrangement is a transaction with a related party, such transaction has been approved by the audit committee in accordance with the Nasdaq Rules. Our directors may exercise all the powers of the company to borrow money, mortgage or charge its undertaking, property and assets (present or future) and uncalled capital or any part thereof, and issue debentures, debenture stock, bonds or other securities, whether outright or as collateral security for any debt, liability or obligation of the company or of any third party. None of our non-executive directors has a service contract with us that provides for benefits upon termination of service.

### Committees of the Board of Directors

We have established three committees under the Board: an audit committee, a compensation committee and a nominating and governance committee. Each committee's members and functions are described as below.

#### *Audit Committee*

Our audit committee consists of Xiaoning Wu. Xiaoning Wu is the chairman of our audit committee. We have determined that Xiaoning Wu satisfies the "independence" requirements of Rule 5605(c)(2) of the Listing Rules of the Nasdaq Stock Market and Rule 10A-3 under the Exchange Act, as amended. We have determined that Xiaoning Wu qualifies as an "audit committee financial expert". The audit committee oversees our accounting and financial reporting processes and the audits of the financial statements of our Company. The audit committee is responsible for, among other things:

- appointing the independent auditors and pre-approving all auditing and non-auditing services permitted to be performed by the independent auditors;
- reviewing with the independent auditors regarding any audit problems or difficulties and management's response;
- discussing the annual audited financial statements with management and the independent auditors;
- reviewing the adequacy and effectiveness of our accounting and internal control policies, procedures and any steps taken to monitor and control major financial risk exposures;
- reviewing and approving all proposed related party transactions;
- meeting separately and periodically with management and the independent auditors; and
- monitoring compliance with our code of business conduct and ethics, including reviewing the adequacy and effectiveness of our procedures to ensure proper compliance.

***Compensation Committee***

Our compensation committee consists of Xiaoning Wu. Xiaoning Wu is the chairman of our compensation committee. We have determined that Xiaoning Wu satisfies the "independence" requirements of Rule 5605(c)(2) of the Listing Rules of the Nasdaq Stock Market. The compensation committee assists the Board in reviewing and approving the compensation structure, including all forms of compensation, relating to our directors and executive officers. Our chief executive officer may not be present at any committee meeting during which his compensation is deliberated. The compensation committee is responsible for, among other things:

- reviewing and approving, or recommending to the Board for its approval, the compensation for our chief executive officer and other executive officers;
- reviewing and recommending to the Board for determination with respect to the compensation of our non-employee directors;
- reviewing periodically and approving any incentive compensation or equity plans, programs or similar arrangements; and
- selecting compensation consultant, legal counsel or other advisers only after taking into consideration all factors relevant to that person's independence from management.

***Nominating and Governance Committee***

Our nominating and governance committee consists of Xiaoning Wu. We have determined that Xiaoning Wu satisfies the "independence" requirements of Rule 5605(c)(2) of the Listing Rules of the Nasdaq Stock Market. The nominating and governance committee assists the Board in selecting individuals qualified to become our directors and in determining the composition of the Board and its committees. The nominating and governance committee is responsible for, among other things:

- selecting and recommending to the Board regarding the nominees for election by the shareholders or appointment by the Board;
- reviewing annually with the Board regarding the current composition of the Board with regards to characteristics such as independence, knowledge, skills, experiences and diversity;
- making recommendations on the frequency and structure of Board meetings and monitoring the functioning of the committees of the Board; and
- advising the Board periodically with regards to significant developments in the law and practice of corporate governance as well as our compliance with the applicable laws and regulations, and making recommendations to the Board on all matters of corporate governance and on any remedial actions to be taken.

**Duties of Directors**

Under Cayman Islands law, our directors owe fiduciary duties to our Company, including a duty of loyalty, a duty to act honestly, and a duty to act in what they consider in good faith to be in our best interests. Our directors must also exercise their powers only for a proper purpose. Our directors also owe to our Company a duty to exercise skills which they actually possess and such care and diligence that a reasonably prudent person would exercise in comparable circumstances. It was previously considered that a director need not exhibit in the performance of his duties a greater degree of skills than may reasonably be expected from a person of his knowledge and experience. However, English and Commonwealth Courts have moved towards an objective standard with regards to the required skill and care and these authorities are likely to be followed in the Cayman Islands. In fulfilling their duty of care to us, our directors must ensure the compliance with our memorandum and articles of association, as amended and/or restated from time to time. Our Company has the right to seek damages if a duty owed by any of our directors is breached. In certain limited exceptional circumstances, a shareholder may have the right to seek damages in our name if a duty owed by our directors is breached.

Our Board has all the powers necessary for managing, and for directing and supervising, our business affairs. The functions and powers of our Board include, among others:

- convening shareholders' annual and extraordinary general meetings and reporting its work to shareholders at such meetings;
- declaring dividends and distributions;
- appointing officers and determining the term of office of the officers;
- exercising the borrowing powers of our Company and mortgaging the property of our Company; and
- approving the transfer of shares in our Company, including the registration of such shares in our register of members.

**Terms of Directors and Officers**

Other than the directors that may be appointed by Mr. Mingjun Lin and Ms. Yi Yang in accordance with our memorandum and articles of association, our directors may be elected by ordinary resolution by our shareholders. Our directors may by the affirmative vote of a simple majority of the remaining directors present and voting at a Board meeting, have the power from time to time and at any time to appoint any person as a director to fill a casual vacancy on the Board or as an addition to the existing Board, subject to our Company's compliance with the director nomination procedures required under the applicable corporate governance rules of the Nasdaq as long as our ordinary shares are trading on the Nasdaq. Our directors are not subject to a term of office and each director shall hold office until his or her successor shall have been elected and qualified. A director may be removed from office by special resolution of our shareholders at any time before the expiration of his or her term, except that Mr. Mingjun Lin and Ms. Yi Yang each shall have the right to remove one (1) director by delivering a written notice to the Company.

Our officers are elected by and serve at the discretion of the Board. Subject to our memorandum and articles of association, the Chief Executive Officer may from time to time appoint any person, whether or not a director of the company, to hold such office in the company as the Chief Executive Officer may think necessary for the administration of the company, including the office of Chief Operating Officer, Chief Financial Officer or Chief Technology Officer, and for such term and at such remuneration, and with such powers and duties as the Chief Executive Officer may think fit.

**D. Employees.**

We had 19 employees as of December 31, 2024. The following table sets forth the number of our employees categorized by function as of December 31, 2024:

| Functional Area | Number of Employees | % of Total Employees |
|---|---|---|
| Management and administration | 15 | 78.9 % |
| Sales and marketing | 4 | 21.1 % |
| Research and development | — | — |
| Total | 19 | 100.0 % |

We believe that we offer our employees competitive compensation packages and a dynamic work environment that encourages initiative and is based on merits. As a result, we have generally been able to attract and retain qualified personnel and maintain a stable core management team. We plan to hire additional experienced and talented employees in areas such as new energy vehicles design and manufacturing, big data analytics, marketing and operations, risk management and sales as we expand our business.

As required by the PRC regulations, we participate in various government statutory employee benefit plans, including social insurance, namely pension insurance, medical insurance, an unemployment insurance plan, a work-related injury insurance plan and a maternity insurance plan, and a housing provident fund. We are required under the PRC laws to make contributions to employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by local government regulations from time to time. We enter into employment agreements with our employees. Our senior management enters into employment agreements with confidentiality and non-competition terms. The non-competition restricted period typically expires one year after the termination of employment, and we agree to compensate the employee with a certain percentage of his or her pre-departure salary during the restricted period.

We believe that we maintain a good working relationship with our employees, and we have not experienced any major labor disputes.

**E. Share Ownership.**

Except as specifically noted, the following table sets forth information with respect to the beneficial ownership of our ordinary shares as of March 15, 2025 by:

- each of our directors and executive officers; and
- each person known to us to beneficially own more than 5% of our ordinary shares on an as-converted basis.

The calculations in the table below are based on 8,853,325 Class A ordinary shares and 2,100,000 Class B ordinary shares (retroactively adjusted to reflect the 1-to-60 reverse stock split effected on October 25, 2024) outstanding as of March 15, 2025.

Beneficial ownership is determined in accordance with the rules and regulations of the SEC. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, we have included shares that the person has the right to acquire within 60 days, including through the exercise of any restricted share unit, option, warrant or other right or the conversion of any other security. These shares, however, are not included in the computation of the percentage ownership of any other person.

| Beneficial Owners[1] | Number of Class A ordinary shares | Number of Class B ordinary shares | % of Ownership of total Class A ordinary shares and Class B ordinary shares | % of aggregate voting power** |
|---|---|---|---|---|
| **Directors and Executive Officers:** | | | | |
| Mingjun Lin | 2,222 | 1,155,000 | 10.6 | 54.1 |
| Yi Yang | — | 945,000 | 8.6 | 44.3 |
| Deqiang Chen | * | — | * | * |
| Xiaolei Gu | * | — | * | * |
| Xiaoning Wu | * | * | * | * |
| All Directors and Executive Officers as a Group | 22,222 | 2,100,000 | 19.3 | 98.4 |

*Notes:*

* Less than 1% of our total outstanding ordinary shares.

** For each person and group included in this column, percentage voting power is calculated by dividing voting power beneficially owned by such person or group by voting power of all of our Class A ordinary shares and Class B ordinary shares as a single class. Each holder of Class A ordinary shares is entitled to one vote per share and each holder of Class B ordinary shares is entitled to two hundred and fifty per share on all matters subject to vote at our general meeting. Our Class A ordinary shares and Class B ordinary shares vote together as a single class on all matters submitted to a vote of our shareholders, except as may otherwise be required by law or provided for in our memorandum and articles of association. Each Class B ordinary share is convertible into one Class A ordinary share at the option of the holder thereof, while Class A ordinary shares cannot be converted into Class B ordinary shares under any circumstances.

(1) Unless otherwise indicated, the business address of each of the beneficial owners is c/o Kaixin Holdings, Unit B2-303-137, 198 Qidi Road, Beigan Community, Xiaoshan District, Hangzhou, Zhejiang Province, People's Republic of China.

(2) Morning Star EV Inc. is a company incorporated under the laws of the British Virgin Islands with limited liabilities with the registered address of Craigmuir Chambers, Road Town, Tortola, VG 1110, British Virgin Islands. Morning Star EV Inc. is wholly owned by Lei Gu.

In addition, Kaixin Holdings entered into a definitive securities purchase agreement with KX Venturas 4 LLC as the investor on December 28, 2020 pursuant to which the investor has the right to invest US$6.0 million in newly designated convertible preferred shares of Kaixin and US$4.0 million in ordinary shares of Kaixin. The preferred shares are convertible into Kaixin's ordinary shares at a conversion price of US$3.00, subject to customary anti-dilution adjustments. The preferred shares have no voting rights. The first tranche of US$3.0 million of the investment closed on December 29, 2020. Pursuant to the purchase agreement, the investor will also receive warrants to subscribe for Kaixin's ordinary shares at an exercise price of US$3.00 per share.

In May 2023, the Company issued 50,000 convertible preferred shares of the Company to Stanley Star in connection of the disposal of the Disposal Group. The preferred shares are convertible, at any time and from time to time from at the option of the holder, into 50,000,000 ordinary shares of the Company.

In June 2024, the Company issued 12,800 Series G convertible preferred shares of the Company to Shangyue Limited in connection of the disposal of entirety 100% equity of Kaixin Auto Group. The preferred shares are convertible, at any time and from time to time from the option of the holder, into 50,000 ordinary shares of the Company.

In November, 2024, the Company entered into a securities purchase agreement with ATW Opportunities Master Fund II LP (the "Purchaser"). Pursuant to the securities purchase agreement, the Company agreed to sell an aggregate of 1,166,667 ordinary shares of the Company, with a par value of $0.045 per share, at a purchase price of $3.00 per share to the Purchaser for gross proceeds of $3.5 million.

As of March 15, 2025, our shares were held by fourteen record holders in the United States. We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company.

### F. Disclosure of A Registrant's Action to Recover Erroneously Awarded Compensation

Not applicable.

## ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS.

### A. Major Shareholders

Please refer to "Item 6. Directors, Senior Management and Employees — E. Directors, Senior Management and Employees — Share Ownership".

### B. Related Party Transactions

**Related Party Transactions with Moatable**

On March 31, 2021, Kaixin entered into a definitive securities purchase agreement with Moatable pursuant to which Moatable invested US$6,000,000 in newly designated convertible preferred shares of Kaixin. The preferred shares are convertible into Kaixin's ordinary shares at the conversion price of US$3.00, subject to customary anti-dilution adjustments. The preferred shares have no voting right. The investment closed on April 8, 2021.

**Employment Agreements and Indemnification Agreements**

Please refer to "Item 6. Directors, Senior Management and Employees — B. Compensation — Employment Agreements and Indemnification Agreements."

**Share Incentives**

Please refer to "Item 6. Directors, Senior Management and Employees — B. Compensation — Equity Incentive Plans."

**C. Interests of Experts and Counsel.**

Not applicable.

**ITEM 8. FINANCIAL INFORMATION.**

**A. Consolidated Statements and Other Financial Information.**

Please refer to Item 18 "Financial Statements" for our audited consolidated financial statements filed as part of this Annual Report.

**Legal Proceedings**

From time to time, we may be involved in disputes and legal or administrative proceedings in the ordinary course of our business, including actions with respect to the breach of contract, labor and employment claims, copyright, trademark, patent infringement, bankruptcy and other matters. Other than the disputes with certain non-controlling shareholders and the litigation discussed below, to the best knowledge of management, there are no material legal proceedings pending against us and there are no proceedings in which any of our directors, officers, or any beneficial shareholders of more than five percent (5%) of our voting securities is an adverse party or has a material interest adverse to us as of the date of this Annual Report.

In 2019, due to disagreements with certain non-controlling shareholders on operational matters, some non-controlling shareholders detained our inventories in our Dealerships and significant uncertainty arose on the realizability and collectability of the prepayments to purchase used cars for these Dealerships and amounts due from these non-controlling shareholders. Therefore, we wrote down US$17.8 million of inventory, and wrote off US$22.3 million of prepayments for the year ended December 31, 2019. By early 2021, we reached agreement with a majority of the non-controlling shareholders to settle the disputes over the allocation of assets and confirm our mutual commitment to the growth and revamp of our car sale business. The net impact on the recoverable amounts of the previously detained and impaired assets was US$2.9 million, which have been recorded as a reduction of general and administrative expense for the year ended December 31, 2020. There was a reversal of UD$3.3 million of prior impairment, which is recognized as a US$0.6 million reduction of general and administrative expense and a US$2.7 reduction of cost of goods sold for the year ended December 31, 2021.

In early 2016, a subsidiary of Haitaoche signed a vehicle purchase agreement and made a deposit of €3.46 million euro for automobiles purchase paid to a foreign supplier named Brueggmann Group Nlunter Den Linden ("BG Group"). BG Group terminated the agreement and withheld the deposit without delivering the vehicles. In August 2018, the Haitaoche entity filed a litigation against BG Group for a full refund of the deposit plus interest. After a number of hearings which held in 2020 and 2021, the court decided the case in our favor on December 6, 2021. However, since we have not been able to recover any of the fund, the €3.46 million euro was written off.

**Dividend Policy**

Our Board has the discretion on whether to distribute dividends, subject to certain requirements of Cayman Islands law. In addition, our shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our Board. In either case, all dividends are subject to certain restrictions under Cayman Islands law, namely that our Company may only pay dividends out of profits or share premium account, and provided 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. Even if we decide to pay dividends, the form, frequency and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the Board may deem relevant.

We do not have any present plan to pay any cash dividends on our ordinary shares in the foreseeable future. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business.

We are a holding company incorporated in the Cayman Islands. We may rely on dividends from our subsidiaries in China for our cash requirements, including any payment of dividends to our shareholders. PRC regulations may restrict the ability of our PRC subsidiaries to pay dividends to us. See "Item 4. Information on the Company — B. Business Overview — Regulation — Regulations on Dividend Distribution".

**B. Significant Changes.**

Except as disclosed elsewhere in this Annual Report, we have not experienced any significant changes since the date of our audited consolidated financial statements included in this Annual Report.

**ITEM 9. THE OFFER AND LISTING**.

**A. Offer and Listing Details.**

See "—C. Markets".

**B. Plan of Distribution.**

Not applicable.

**C. Markets.**

Our ordinary shares are listed on the Nasdaq Capital Market under the symbol "KXIN".

**D. Selling Shareholders.**

Not applicable.

**E. Dilution.**

Not applicable.

**F. Expenses of the Issue.**

Not applicable.

**ITEM 10. ADDITIONAL INFORMATION.**

**A. Share Capital.**

Not applicable.

**B. Memorandum and Articles of Association.**

The following are the summaries of material provisions of our sixth amended and restated memorandum and articles of association then effective during the financial year ended 31 December 2024, and of the Companies Act, insofar as they relate to the material terms of our ordinary shares.

*Objects of Our Company*. Under our memorandum and articles of association, the objects of our Company are unrestricted and we have the full power and authority to carry out any objects that are not prohibited by the law of the Cayman Islands.

*Ordinary Shares*. Our ordinary shares are divided into Class A ordinary shares and Class B ordinary shares. Holders of our Class A ordinary shares and Class B ordinary shares have the same rights except for voting and conversion rights. Our ordinary shares are issued in registered form and are issued when registered in our register of members.

*Conversion.* Each Class B ordinary share is convertible into one Class A ordinary share at any time at the option of the holder thereof. Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances.

*Dividends*. The holders of our ordinary shares are entitled to such dividends as may be declared by our Board. In addition, our shareholders may declare dividends by ordinary resolution, but no dividend shall exceed the amount recommended by our directors. Our memorandum and articles of association provide that the directors may, before recommending or declaring any dividends, set aside out of the funds legally available for distribution such sums as they think proper as a reserve or reserves which shall, in the absolute discretion of the directors, be applicable for meeting contingencies or for equalizing dividends or for any other purpose to which those funds may be properly applied. Under the laws of the Cayman Islands, our Company may pay a dividend out of either profit or share premium account, provided 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.

*Voting Rights*. Holders of ordinary shares have the right to receive notice of, attend, speak and vote at general meetings of our Company. Holders of ordinary shares shall at all times vote together as one class on all matters submitted to a vote by shareholders. In respect of matters requiring shareholders' vote, on a poll, each Class A ordinary share is entitled to one vote, and each Class B ordinary share is entitled to two hundred and fifty votes. Voting at any shareholders' meeting is by show of hands unless a poll is demanded (before or on the declaration of the result of the show of hands). A poll may be demanded by the chairman of such meeting or any one or more shareholders who together hold not less than one-tenth of the paid up voting share capital.

An ordinary resolution to be passed at a meeting by the shareholders requires the affirmative vote of a simple majority of the votes attaching to the ordinary shares cast at a meeting, while a special resolution requires the affirmative vote of no less than two-thirds of the votes cast attaching to the outstanding ordinary shares at a meeting. A special resolution will be required for important matters such as a change of name or making changes to our memorandum and articles of association. Holders of the ordinary shares may, among other things, divide or combine their shares by ordinary resolution.

*General Meetings of Shareholders*. As a Cayman Islands exempted company, we are not obliged by the Companies Act to call shareholders' annual general meetings. Our memorandum and articles of association provide that we may (but are not obliged to) in each year hold a general meeting as our annual general meeting in which case we shall specify the meeting as such in the notices calling it, and the annual general meeting shall be held at such time and place as may be determined by our directors.

Shareholders' general meetings may be convened by any director. Advance notice of at least seven calendar days is required for the convening of our annual general shareholders' meeting (if any) and any other general meeting of our shareholders. A quorum required for any general meeting of shareholders consists of at least one shareholder present in person or by proxy, representing not less than one-third of all votes attaching to all of our shares in issue and entitled to vote.

The Companies Act provides shareholders with only limited rights to requisition a general meeting, and does not provide shareholders with any right to put any proposal before a general meeting. However, these rights may be provided in a company's articles of association. Our memorandum and articles of association provide that upon the requisition of shareholders representing in aggregate of not less than one-fifth of the votes attaching to the issued and outstanding shares of our Company entitled to vote at general meetings, our Board will convene an extraordinary general meeting and put the resolutions so requisitioned to a vote at such meeting. Any resolutions proposed at an extraordinary general meeting convened pursuant to the requisition of shareholders should be passed by special resolutions. However, our memorandum and articles of association do not provide our shareholders with any right to put any proposals before annual general meetings or extraordinary general meetings not called by such shareholders.

*Transfer of Ordinary Shares*. Subject to the restrictions set out below, any of our shareholders may transfer all or any of his or her ordinary shares by an instrument of transfer in the usual or common form or any other form approved by our Board.

Our Board may, in its absolute discretion, decline to register any transfer of any ordinary share which is not fully paid up or on which we have a lien. Our Board may also decline to register any transfer of any ordinary share unless:

- the instrument of transfer is lodged with our Company, accompanied by the certificate for the shares to which it relates and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer;
- the shares to be transferred are free of any lien in favor of our Company;

- the instrument of transfer is in respect of only one class of shares;
- the instrument of transfer is properly stamped, if required; and
- in the case of a transfer to joint holders, the number of joint holders to whom the Share is to be transferred does not exceed four; a fee of such maximum sum as the Nasdaq Capital Market may determine to be payable, or such lesser sum as our Board may from time to time require, is paid to our Company in respect thereof.

If our directors refuse to register a transfer they shall, within two months after the date on which the instrument of transfer was lodged, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 14 days' notice being given by advertisement in one or more newspapers or by electronic means, be suspended and the register closed at such times and for such periods as our Board may from time to time determine.

*Liquidation*. On the winding up of our Company, if the assets available for distribution amongst our shareholders shall be insufficient to repay the whole of the share capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by our shareholders in proportion to the par value of the shares held by them. If in a winding up the assets available for distribution amongst our shareholders shall be more than sufficient to repay the whole of the share capital at the commencement of the winding up, the surplus shall be distributed amongst our shareholders in proportion to the par value of the shares held by them at the commencement of the winding up subject to a deduction from those Shares in respect of which there are monies due, of all monies payable to our Company for unpaid calls or otherwise.

*Calls on Shares and Forfeiture of Shares*. Our Board may from time to time make calls upon shareholders for any amounts unpaid on their shares in a notice served to such shareholders at least 14 days prior to the specified time and place of payment. The shares that have been called upon and remain unpaid are subject to forfeiture.

*Redemption, Repurchase and Surrender of Shares*. We may issue shares on terms that such shares are subject to redemption, at our option or at the option of the holders of these shares, on such terms and in such manner as may be determined by our Board. Our Company may also repurchase any of our shares on such terms and in such manner as have been approved by our Board or by an ordinary resolution of our shareholders (provided that no such purchase may be made contrary to the terms or manner recommended by the Board). Under the Companies Act, the redemption or repurchase of any shares may be paid out of our company's profits or out of the proceeds of a new issuance of shares made for the purpose of such redemption or repurchase, or out of capital (including share premium account and capital redemption reserve) if our Company can, immediately following such payment, pay its debts as they fall due in the ordinary course of business. In addition, under the Companies Act no such shares may be redeemed or repurchased (a) unless it is fully paid up; (b) if such redemption or repurchase would result in there being no shares outstanding; or (c) if the company has commenced liquidation. In addition, our Company may accept the surrender of any fully paid shares for no consideration.

*Variations of Rights of Shares*. If at any time our share capital is divided into different classes or series of shares, the rights attaching to any class or series (unless otherwise provided by the terms of issue of the shares of that class or series) may, subject to our articles of association, be varied or abrogated with the consent in writing of the holders of a majority of the issued shares of that class or series or with the sanction of a special resolution passed at a general meeting of the holders of the shares of that class or series. The rights conferred upon the holders of the shares of any class or series issued with the preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class or series, be deemed to be varied by the creation or issue of further shares ranking in priority thereto or pari passu therewith.

*Issuance of Additional Shares*. Our memorandum and articles of association authorizes our Board to issue additional ordinary shares from time to time as our Board shall determine, to the extent of available authorized but unissued shares.

Our memorandum and articles of association may also authorizes our Board to establish from time to time one or more series of preferred shares and to determine, with respect to any series of preferred shares, the terms and rights of that series, including:

- the designation of the series;
- the number of shares of the series;

- the dividend rights, dividend rates, conversion rights, voting rights; and
- the rights and terms of redemption and liquidation preferences.

Our Board may issue preferred shares without action by our shareholders to the extent authorized but unissued. Issuance of these shares may dilute the voting power of holders of the ordinary shares.

*Inspection of Books and Records*. Holders of our ordinary shares will have no general rights under the Cayman Islands law to inspect or obtain copies of our list of shareholders or our corporate records (except for the memorandum and articles of association, any special resolutions passed by our shareholders and the register of mortgages and charges). However, we will provide our shareholders with annual audited financial statements.

*Anti-Takeover Provisions*. Some provisions of our memorandum and articles of association may discourage, delay or prevent a change of control of our Company or management that shareholders may consider favorable, including provisions that:

- authorize our Board to issue preferred shares in one or more series and to designate the price, rights, preferences, privileges and restrictions of such preferred shares without any further votes or actions by our shareholders; and
- limit the ability of shareholders to requisition and convene general meetings of shareholders.

However, under Cayman Islands law, our directors may only exercise the rights and powers granted to them under our memorandum and articles of association for a proper purpose and for what they believe in good faith to be in the best interests of our Company.

*Exempted Company*. We are an exempted company with limited liability under the Companies Act. The Companies Act distinguishes between ordinary resident companies and exempted companies. Any company that is registered in the Cayman Islands but conducts business mainly outside of the Cayman Islands may apply to be registered as an exempted company. The requirements for an exempted company are essentially the same as for an ordinary company except that an exempted company:

- does not have to file an annual return of its shareholders with the Registrar of Companies;
- is not required to open its register of members for inspection;
- does not have to hold an annual general meeting;
- may obtain an undertaking against the imposition of any future taxation (such undertakings are usually given for 30 years in the first instance);
- may register by way of continuation in another jurisdiction and be deregistered in the Cayman Islands;
- may register as a limited duration company; and
- may register as a segregated portfolio company.

"Limited liability" means that the liability of each shareholder is limited to the amount unpaid by the shareholder on the shares of the company (except in exceptional circumstances, such as involving fraud, the establishment of an agency relationship or an illegal or improper purpose or other circumstances in which a court may be prepared to pierce or lift the corporate veil).

**Differences in Corporate Law**

The Companies Act of the Cayman Islands is derived, to a large extent, from the older Companies Acts of England but does not follow recent English statutory enactments and accordingly there are significant differences between the Companies Act of the Cayman Islands and the current Companies Act of England. In addition, the Companies Act differs from laws applicable to U.S. corporations and their shareholders. Set forth below is a summary of certain significant differences between the provisions of the Companies Act applicable to us and the laws applicable to companies incorporated in the United States and their shareholders.

*Mergers and Similar Arrangements*. The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (i) "merger" means the merging of two or more constituent companies and the vesting of their undertakings, properties and liabilities in one of such companies as the surviving company; and (ii) a "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies in the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (a) a special resolution of the shareholders of each constituent company; and (b) such other authorization, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

A merger between a Cayman parent company and its Cayman subsidiary or subsidiaries does not require authorization by a resolution of shareholders of that Cayman subsidiary if a copy of the plan of merger is given to every member of that Cayman subsidiary to be merged unless that member agrees otherwise. For this purpose, a company is a "parent" of a subsidiary if it holds issued shares that together represent at least ninety percent (90%) of the votes at a general meeting of the subsidiary.

The consent of each holder of a fixed or floating security interest over a constituent company is required unless this requirement is waived by a court in the Cayman Islands.

Save in certain limited circumstances, a shareholder of a Cayman constituent company who dissents from the merger or consolidation is entitled to payment of the fair value of his shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) upon dissenting to the merger or consolidation, provide the dissenting shareholder complies strictly with the procedures set out in the Companies Act. The exercise of dissenter rights will preclude the exercise by the dissenting shareholder of any other rights to which he or she might otherwise be entitled by virtue of holding shares, save for the right to seek relief on the grounds that the merger or consolidation is void or unlawful.

Separate from the statutory provisions relating to mergers and consolidations, the Companies Act also contains statutory provisions that facilitate the reconstruction and amalgamation of companies by way of schemes of arrangement, provided that the arrangement is approved by (a) 75% in value of the shareholders or class of shareholders, as the case may be, or (b) a majority in number representing 75% in value of the creditors or each class of creditors, as the case may be, with whom the arrangement is to be made that are in each case present and voting either in person or by proxy at a meeting, or meetings, convened for that purpose. The convening of the meetings and subsequently the arrangement must be sanctioned by the Grand Court of the Cayman Islands. While a dissenting shareholder has the right to express to the court the view that the transaction ought not to be approved, the court can be expected to approve the arrangement if it determines that:

- the statutory provisions as to the required majority vote have been met;
- the shareholders have been fairly represented at the meeting in question and the statutory majority are acting bona fide without coercion of the minority to promote interests adverse to those of the class;
- the arrangement is such that may be reasonably approved by an intelligent and honest man of that class acting in respect of his interest; and
- the arrangement is not one that would more properly be sanctioned under some other provisions of the Companies Act.

The Companies Act also contains a statutory power of compulsory acquisition which may facilitate the "squeeze out" of dissentient minority shareholder upon a tender offer. When a tender offer is made and accepted by holders of 90.0% of the shares affected within four months, the offeror may, within a two-month period commencing on the expiration of such four-month period, require the holders of the remaining shares to transfer such shares to the offeror on the terms of the offer. An objection can be made to the Grand Court of the Cayman Islands, but this is unlikely to succeed in the case of an offer which has been so approved unless there is evidence of fraud, bad faith or collusion.

If an arrangement and reconstruction by way of scheme of arrangement is thus approved and sanctioned, or if a tender offer is made and accepted, a dissenting shareholder would have no rights comparable to appraisal rights, which would otherwise ordinarily be available to dissenting shareholders of Delaware corporations, providing rights to receive payment in cash for the judicially determined value of the shares.

*Shareholders' Suits.* In principle, we will normally be the proper plaintiff to sue for a wrong done to us as a company, and as a general rule a derivative action may not be brought by a minority shareholder. However, based on English authorities, which would in all likelihood be of persuasive authority in the Cayman Islands, the Cayman Islands court can be expected to follow and apply the common law principles (namely the rule in Foss v. Harbottle and the exceptions thereto) so that a non-controlling shareholder may be permitted to commence a class action against or derivative actions in the name of the company to challenge actions where:

- a company acts or proposes to act illegally or ultra vires and is therefore incapable of ratification by the shareholders;
- the act complained of, although not ultra vires, could only be effected duly if authorized by more than a simple majority vote that has not been obtained; and
- those who control the company are perpetrating a "fraud on the minority".

*Indemnification of Directors and Executive Officers and Limitation of Liabilities*. Cayman Islands law does not limit the extent to which a company's memorandum and articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences of committing a crime. Our memorandum and articles of association provide that we shall indemnify our officers and directors against all actions, proceedings, costs, charges, expenses, losses, damages or liabilities incurred or sustained by such directors or officer, other than by reason of such person's dishonesty, willful default or fraud, in or about the conduct of our Company's business or affairs (including as a result of any mistake of judgment) or in the execution or discharge of his duties, powers, authorities or discretions, including without prejudice to the generality of the foregoing, any costs, expenses, losses or liabilities incurred by such director or officer in defending (whether successfully or otherwise) any civil proceedings concerning our Company or its affairs in any court whether in the Cayman Islands or elsewhere. This standard of conduct is generally the same as permitted under the Delaware General Corporation Law for a Delaware corporation.

In addition, we have entered into indemnification agreements with our directors and executive officers that provide such persons with additional indemnification beyond that provided in our memorandum and articles of association.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers or persons controlling us under the foregoing provisions, we have been informed that in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

*Directors' Fiduciary Duties*. Under Delaware General Corporation Law, a director of a Delaware corporation has a fiduciary duty to the corporation and its shareholders. This duty has two components: the duty of care and the duty of loyalty. The duty of care requires that a director act in good faith, with the care that an ordinarily prudent person would exercise under similar circumstances. Under this duty, a director must inform himself/herself of, and disclose to shareholders, all material information reasonably available regarding a significant transaction. The duty of loyalty requires that a director acts in a manner he/she reasonably believes to be in the best interests of the corporation. He/she must not use his/her corporate position for any personal gains or advantages. This duty prohibits self-dealing by a director and mandates that the best interest of the corporation and its shareholders take precedence over any interest possessed by a director, officer or controlling shareholder and not shared by the shareholders generally. In general, actions of a director are presumed to have been made on an informed basis, in good faith and in the honest belief that the action taken was in the best interests of the corporation. However, this presumption may be rebutted by evidence of a breach of one of the fiduciary duties. Should such evidence be presented concerning a transaction by a director, the director must prove the procedural fairness of the transaction, and that the transaction was of fair value to the corporation.

As a matter of Cayman Islands law, a director of a Cayman Islands company is in the position of a fiduciary with respect to the company and therefore it is considered that he/she owes the following duties to the company-a duty to act bona fide in the best interests of the company, a duty not to make a profit based on his/her position as director (unless the company permits him/her to do so), a duty not to put himself/herself in a position where the interests of the company conflict with his/her personal interest or his/her duty to a third party, and a duty to exercise powers for the purpose for which such powers were intended. A director of a Cayman Islands company owes to the company a duty to act with skill and care. It was previously considered that a director need not exhibit in the performance of his/her duties a greater degree of skills than may reasonably be expected from a person of his/her knowledge and experience. However, English and Commonwealth courts have moved towards an objective standard with regards to the required skill and care and these authorities are likely to be followed in the Cayman Islands.

*Shareholder Action by Written Resolution*. Under the Delaware General Corporation Law, a corporation may eliminate the right of shareholders to act by written consent and by amendment to its certificate of incorporation. Cayman Islands law and our articles of association provide that our shareholders may approve corporate matters by way of a unanimous written resolution signed by or on behalf of each shareholder who would have been entitled to vote on such matter at a general meeting without a meeting being held.

*Shareholder Proposals.* Under the Delaware General Corporation Law, a shareholder has the right to put any proposal before the annual meeting of shareholders, provided that it complies with the notice provisions in the governing documents. A special meeting may be called by the board of directors or any other person authorized to do so in the governing documents, but shareholders may be precluded from calling such special meetings.

The Companies Act provides shareholders with only limited rights to requisition a general meeting, and does not provide shareholders with any right to put any proposal before a general meeting. However, these rights may be provided in a company's articles of association. Our articles of association allow our shareholders holding in aggregate as at the date of the requisition not less than one-fifth of all votes attaching to the issued and outstanding shares of our Company entitled to vote at general meetings to requisition an extraordinary general meeting of our shareholders, in which case our Board is obliged to convene an extraordinary general meeting and to put the resolutions so requisitioned to a vote at such meeting. Other than this right to requisition a shareholders' meeting, our articles of association do not provide our shareholders with any other right to put proposals before annual general meetings or extraordinary general meetings not called by such shareholders. As an exempted Cayman Islands company, we may but are not obliged by the law to call shareholders' annual general meetings.

*Cumulative Voting.* Under the Delaware General Corporation Law, cumulative voting for elections of directors is not permitted unless the corporation's certificate of incorporation specifically provides for it. Cumulative voting potentially facilitates the representation of minority shareholders on a board of directors since it permits the minority shareholder to cast all the votes to which the shareholder is entitled on a single director, which increases the shareholder's voting power with respect to electing such director. There are no prohibitions in relation to cumulative voting under the laws of the Cayman Islands but our articles of association do not provide for cumulative voting. As a result, our shareholders are not afforded any less protections or rights on this issue than shareholders of a Delaware corporation.

*Removal of Directors*. Under the Delaware General Corporation Law, a director of a corporation with a classified board may be removed only for cause with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. Under our articles of association, directors may be removed with or without cause, by a special resolution of our shareholders. In addition, a director's office shall be vacated if the director (i) becomes bankrupt or makes any arrangement or composition with his creditors; (ii) is found to be or becomes of unsound mind or dies; (iii) resigns his office by notice in writing to the company; (iv) without special leave of absence from our Board, is absent from three consecutive meetings of the Board and the Board resolves that his office be vacated; or (v) is removed from office pursuant to any other provisions of our memorandum and articles of association.

*Transactions with Interested Shareholders.* The Delaware General Corporation Law contains a business combination statute applicable to Delaware corporations whereby, unless the corporation has specifically elected not to be governed by such statute by amendment to its certificate of incorporation, it is prohibited from engaging in certain business combinations with an "interested shareholder" for three years following the date that such person becomes an interested shareholder. An interested shareholder generally is a person or a group who or which owns or owned 15% or more of the target's outstanding voting share within the past three years. This has the effect of limiting the ability of a potential acquirer to make a two-tiered bid for the target in which all shareholders would not be treated equally. The statute does not apply if, among other things, prior to the date on which such shareholder becomes an interested shareholder, the board of directors approves either the business combination or the transaction which resulted in the person becoming an interested shareholder. This encourages any potential acquirer of a Delaware corporation to negotiate the terms of any acquisition transaction with the target's board of directors.

Cayman Islands law has no comparable statute. As a result, we cannot avail ourselves of the types of protections afforded by the Delaware business combination statute. However, although Cayman Islands law does not regulate transactions between a company and its significant shareholders, it does provide that such transactions must be entered into bona fide in the best interests of the company and not with the effect of constituting a fraud on the minority shareholders.

*Restructuring.* A company may present a petition to the Grand Court of the Cayman Islands for the appointment of a restructuring officer on the grounds that the company:

(a) is or is likely to become unable to pay its debts; and

(b) intends to present a compromise or arrangement to its creditors (or classes thereof) either pursuant to the Companies Act, the law of a foreign country or by way of a consensual restructuring.

The Grand Court may, among other things, make an order appointing a restructuring officer upon hearing of such petition, and any restructuring officer so appointed shall have such powers and carry out only such functions as the court may order. At any time (i) after the presentation of a petition for the appointment of a restructuring officer but before an order for the appointment of a restructuring officer has been made, and (ii) when an order for the appointment of a restructuring officer is made, until such order has been discharged, no suit, action or other proceedings (other than criminal proceedings) shall be proceeded with or commenced against the company, no resolution to wind up the company shall be passed, and no winding up petition may be presented against the company, except with the leave of the court and subject to such terms as the court may impose. However, notwithstanding the presentation of a petition for the appointment of a restructuring officer or the appointment of a restructuring officer, a creditor who has security over the whole or part of the assets of the company is entitled to enforce the security without the leave of the court and without reference to the restructuring officer appointed.

*Dissolution and Winding up*. Under the Delaware General Corporation Law, unless the board of directors approves the proposal to dissolve, dissolution must be approved by shareholders holding 100% of the total voting power of the corporation. Only if the dissolution is initiated by the board of directors may it be approved by a simple majority of the corporation's outstanding shares. Delaware law allows a Delaware corporation to include in its certificate of incorporation a supermajority voting requirement in connection with the dissolutions initiated by the board of directors.

Under Cayman Islands law, a company may be wound up by either an order of the courts of the Cayman Islands or by a special resolution of its members or, if the company is unable to pay its debts as they fall due, by an ordinary resolution of its members. The court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the court, just and equitable to do so. Under the Companies Act and our articles of association, our Company may be dissolved, liquidated or wound up by a special resolution of our shareholders.

*Variation of Rights of Shares*. Under the Delaware General Corporation Law, a corporation may vary the rights of a class of shares with the approval of a majority of the outstanding shares of such class, unless the certificate of incorporation provides otherwise. Under our articles of association, whenever our share capital is divided into different classes, we may vary the rights attached to any class with the written consent of the holders of a majority of the issued shares of that class or with the sanction of a special resolution passed at a general meeting of the holders of the shares of that class.

*Amendment of Governing Documents*. Under the Delaware General Corporation Law, a corporation's governing documents may be amended with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. Under the Companies Act and our memorandum and articles of association, our memorandum and articles of association may only be amended by a special resolution of our shareholders.

*Rights of Non-resident or Foreign Shareholders*. There are no limitations imposed by our memorandum and articles of association on the rights of non-resident or foreign shareholders to hold or exercise voting rights on our shares. In addition, there are no provisions in our memorandum and articles of association governing the ownership threshold above which shareholder ownership must be disclosed.

## C. Material Contracts.

We have not entered into any material contracts other than in the ordinary course of business and other than those described in "Item 4. Information on the Company", "Item 7. Major Shareholders and Related Party Transactions — B. Related Party Transactions", "Item 10. Additional Information — C. Material Contracts" or elsewhere in this Annual Report on Form 20-F.

## D. Exchange Controls.

See "Item 4. Information on the Company — B. Business Overview — PRC Regulation— Regulations on Foreign Exchange".

## E. Taxation.

The following summary of the material Cayman Islands, PRC and U.S. federal income tax consequences of an investment in our ordinary shares is based upon laws and relevant interpretations thereof in effect as of the date of this registration statement, all of which are subject to changes. This summary does not deal with all possible tax consequences relating to an investment in our ordinary shares, such as the tax consequences under U.S. state and local tax laws or under the tax laws of jurisdictions other than the Cayman Islands, the People's Republic of China and the United States.

### Cayman Islands Taxation

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us levied by the government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or, after execution, brought within the jurisdiction of the Cayman Islands. The Cayman Islands is not a party to any double tax treaties that are applicable to any payments made to or by our Company. There are no exchange control regulations or currency restrictions in the Cayman Islands.

Payments of dividends and capital in respect of our ordinary shares will not be subject to taxation in the Cayman Islands and no withholdings will be required on the payment of a dividend or capital to any holders of our ordinary shares, nor will gains derived from the disposal of our ordinary shares be subject to Cayman Islands income or corporation tax.

**People's Republic of China Taxation**

Under the PRC Enterprise Income Tax Law and its implementation rules, an enterprise established outside of the PRC with a "de facto management body" within the PRC is considered a resident enterprise and will be subject to the enterprise income tax at the rate of 25% on its global income. The implementation rules define the term "de facto management body" as the body that exercises full and substantial control over and overall management of the business, productions, personnel, accounts and properties of an enterprise. In April 2009, the State Administration of Taxation issued a circular, known as Circular 82, was last amended in December 29, 2017, which provides certain specific criteria for determining whether the "de facto management body" of a PRC-controlled enterprise that is incorporated offshore is located in China. Although this circular only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners, the criteria set forth in the circular may reflect the State Administration of Taxation's general position on how the "de facto management body" test should be applied in determining the tax resident status of all offshore enterprises. According to Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its "de facto management body" in China only if all of the following conditions are met: (i) the primary location of the day-to-day operational management is in the PRC; (ii) decisions relating to the enterprise's financial and human resource matters are made or are subject to approval by organizations or personnel in the PRC; (iii) the enterprise's primary assets, accounting books and records, company seals, and board and shareholder resolutions, are located or maintained in the PRC; and (iv) at least 50% of voting board members or senior executives habitually reside in the PRC.

We believe that our Company is not a PRC resident enterprise for PRC tax purposes. Our Company is not controlled by a PRC enterprise or PRC enterprise group and we do not believe that our company meets all of the conditions above. Our Company is a Company incorporated outside the PRC. As a holding company, its key assets are its ownership interests in its subsidiaries, and its key assets are located, and its records (including the resolutions of its board of directors and the resolutions of its shareholders) are maintained, outside the PRC. For the same reasons, we believe our other entities outside of China are not PRC resident enterprises either. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term "de facto management body". There can be no assurance that the PRC government will ultimately take a view that is consistent with us.

If the PRC tax authorities determine that our Company is a PRC resident enterprise for enterprise income tax purposes, we may be required to withhold a 10% withholding tax from dividends that we pay to our shareholders that are non-resident enterprises. In addition, non-resident enterprise shareholders may be subject to a 10% PRC tax on gains realized on the sale or other disposition of ordinary shares, if such income is treated as sourced from within the PRC. It is unclear whether our non-PRC individual shareholders would be subject to any PRC tax on dividends or gains obtained by such non-PRC individual shareholders in the event that we are determined to be a PRC resident enterprise. If any PRC tax were to apply to such dividends or gains, it would generally apply at a rate of 20% unless a reduced rate is available under an applicable tax treaty. It is also unclear whether non-PRC shareholders of our Company would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that our company is treated as a PRC resident enterprise. Pursuant to the EIT Law and its implementation rules, if a non-resident enterprise has not set up an organization or establishment in China, or has set up an organization or establishment but the income derived has no actual connection with such organization or establishment, it will be subject to a withholding tax on its PRC-sourced income at a rate of 10%. Pursuant to the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Tax Evasion on Income, the tax rate in respect to dividends paid by a PRC enterprise to a Hong Kong enterprise is reduced to 5% from a standard rate of 10% if the Hong Kong enterprise directly holds at least 25% of the PRC enterprise. Pursuant to the Notice of the State Administration of Taxation on the Issues concerning the Application of the Dividend Clauses of Tax Agreements ("SAT Circular 81"), a Hong Kong resident enterprise must meet the following conditions, among others, in order to enjoy the reduced tax rate: (i) such a fiscal resident who obtains dividends should be a company as provided in the tax agreement; and (ii) owner's equity and voting shares of the Chinese resident company directly owned by such a fiscal resident reaches a specified percentage; and (iii) the capital of the Chinese resident company directly owned by such a fiscal resident, at any time during the twelve months prior to the acquisition of the dividends, reaches a percentage specified in the tax agreement. Furthermore, the Administrative Measures for Non-Resident Enterprises to Enjoy Treatments under Tax Treaties (For Trial Implementation), which became effective in October 2009, require that non-resident enterprises must obtain approval from the relevant tax authority in order to enjoy the reduced tax rate. There are also other conditions for enjoying the reduced tax rate according to other relevant tax rules and regulations. Accordingly, our subsidiary may be able to enjoy the 5% tax rate for the dividends it receives from its PRC incorporated subsidiaries if they satisfy the conditions prescribed under SAT Circular 81 and other relevant tax rules and regulations and obtain the approvals as required. However, according to SAT Circular 81, if the relevant tax authorities determine our transactions or arrangements are for the primary purpose of enjoying a favorable tax treatment, the relevant tax authorities may adjust the favorable tax rate on dividends in the future.

Provided that our Cayman Islands holding company is not deemed to be a PRC resident enterprise, holders of our ordinary shares who are not PRC residents will not be subject to PRC income tax on dividends distributed by us or gains realized from the sale or other disposition of our ordinary shares. SAT Circular 7 further clarifies that, if a non-resident enterprise derives income by acquiring and selling shares in an offshore listed enterprise in the public market, such income will not be subject to PRC tax. However, there is uncertainty as to the application of SAT Circular 37 and SAT Circular 7, we and our non-PRC resident investors may be at risk of being required to file a return and being taxed under SAT Circular 37 and SAT Circular 7, thus we may be required to expend valuable resources to comply with SAT Circular 37 and SAT Circular 7 or to establish that we should not be taxed under SAT Circular 37 and SAT Circular 7. See "Item 3. Key Information — D. Risk Factors — Risks Related to Doing Business in China — We face uncertainty with respect to indirect transfers of equity interests in PRC resident enterprises by their non-PRC holding companies, and heightened scrutiny over acquisition transactions by the PRC tax authorities may have a negative impact on potential acquisitions that we may pursue in the future".

**United States Federal Income Tax Considerations**

The following discussion is a summary of certain material U.S. federal income tax considerations generally applicable to the ownership and disposition of our ordinary shares by a U.S. Holder (as defined below) that acquires our ordinary shares as "capital assets" (generally, property held for investment) under the U.S. Internal Revenue Code of 1986, as amended (the "Code"). This discussion is based upon existing U.S. federal tax law, which is subject to differing interpretations or change, possibly with retroactive effect. No ruling has been sought from the Internal Revenue Service (the "IRS"), with respect to any U.S. federal income tax consequences described below, and there can be no assurance that the IRS or a court will not take a contrary position. This discussion, moreover, does not address any U.S. federal estate, gift, Medicare tax on net investment income or alternative minimum tax considerations, any election to apply Section 1400Z-2 of the Code to gains recognized with respect to sales or other dispositions of our ordinary shares, or any state, local or non-U.S. tax considerations relating to the ownership or disposition of our ordinary shares. The following summary also does not address all aspects of U.S. federal income taxation that may be important to particular investors in light of their individual circumstances or to persons in special tax situations, all of whom may be subject to tax rules that differ significantly from those discussed below, such as:

- banks and other financial institutions;
- insurance companies;
- pension plans;
- cooperatives;
- regulated investment companies;
- real estate investment trusts;
- broker-dealers;
- traders that elect to use a mark-to-market method of accounting;
- certain former U.S. citizens or long-term residents;
- tax-exempt entities (including private foundations) and governmental entities;
- holders who acquire our ordinary shares pursuant to any employee share option or otherwise as compensation;
- investors that will hold our ordinary shares as part of a straddle, hedge, conversion, constructive sale or other integrated transaction for U.S. federal income tax purposes;
- investors that have a functional currency other than the U.S. dollar;
- persons subject to special tax accounting rules as a result of any item of gross income with respect to our ordinary shares being taken into account in an applicable financial statement;
- persons that actually or constructively own 10% or more of the total combined voting power of all classes of our voting stock; or
- partnerships or other entities taxable as partnerships for U.S. federal income tax purposes, or persons holding common stock through such entities.

Each U.S. Holder is urged to consult its tax advisor regarding the application of U.S. federal taxation to its particular circumstances, and the state, local, non-U.S. and other tax considerations of the ownership and disposition of our ordinary shares.

***General***

For purposes of this discussion, a "U.S. Holder" is a beneficial owner of our ordinary shares that is, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created in, or organized under the law of the United States or any state thereof or the District of Columbia;
- an estate the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source; or
- a trust (A) the administration of which is subject to the primary supervision of a U.S. court and which has one or more U.S. persons who have the authority to control all substantial decisions of the trust or (B) that has otherwise validly elected to be treated as a U.S. person under the Code.

If a partnership (or other entity treated as a partnership for U.S. federal income tax purposes) is a beneficial owner of our ordinary shares, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. Partnerships holding our ordinary shares and their partners are urged to consult their tax advisors regarding an investment in our ordinary shares.

***Passive Foreign Investment Company Considerations***

A non-U.S. corporation, such as our Company, will be classified as a passive foreign investment company ("PFIC"), for U.S. federal income tax purposes for any taxable year, if either (i) 75% or more of its gross income for such year consists of certain types of "passive" income; or (ii) 50% or more of the value of its assets (determined on the basis of a quarterly average) during such year is attributable to assets that produce or are held for the production of passive income. For this purpose, cash and assets readily convertible into cash are categorized as a passive asset and the company's goodwill and other unbooked intangibles associated with active business activities may generally be classified as active assets. Passive income generally includes, among other things, dividends, interest, rents, royalties, and gains from the disposition of passive assets. We will be treated as owning a proportionate share of the assets and earning a proportionate share of the income of any other corporation in which we own, directly or indirectly, more than 25% (by value) of the stock. If a corporation is treated as a PFIC with respect to a U.S. Holder for any taxable year, the corporation will continue to be treated as a PFIC with respect to that U.S. Holder in all succeeding taxable years, regardless of whether the corporation continues to meet the PFIC requirements in such years, unless certain elections are made.

The determination as to whether a foreign corporation is a PFIC is based on the application of complex U.S. federal income tax rules, which are subject to differing interpretations, and the determination will depend on the composition of the income, expenses and assets of the foreign corporation from time to time and the nature of the activities performed by its officers and employees. Based upon our current and projected income and assets, we do not believe we were a PFIC for U.S. federal income tax purposes for the taxable year ended December 31, 2024 and we do not expect to be a PFIC for the current taxable year or the foreseeable future. While we do not anticipate being or becoming a PFIC in the current taxable year or foreseeable future, no assurance can be given in this regard because the determination of whether we will be or become a PFIC is a factual determination made annually that will depend, in part, upon the composition of our income and assets. Fluctuations in the market price of our ordinary shares may cause us to be classified as a PFIC for the current or future taxable years because the value of our assets for purposes of the asset test, including the value of our goodwill and unbooked intangibles, may be determined by reference to the market price of our ordinary shares from time to time (which may be volatile). If our market capitalization subsequently declines, we may be or become classified as a PFIC for the current taxable year or future taxable years. Furthermore, under circumstances where our revenue from activities that produce passive income significantly increases relative to our revenue from activities that produce non-passive income, or where we determine not to deploy significant amounts of cash for active purposes, our risk of becoming classified as a PFIC may substantially increase. Our U.S. counsel expresses no opinion with respect to our PFIC status for our current taxable year, and also expresses no opinion with regard to our expectations regarding our PFIC status in the future.

If we are classified as a PFIC for any year during which a U.S. Holder holds our ordinary shares, the PFIC rules discussed below under "—Passive Foreign Investment Company Rules" generally will apply to such U.S. Holder for such taxable year, and unless the U.S. Holder makes certain elections, will apply in future years even if we cease to be a PFIC.

The discussion below under "—Dividends" and "—Sale or Other Disposition" is written on the basis that we will not be or become classified as a PFIC for U.S. federal income tax purposes. The U.S. federal income tax rules that apply generally if we are treated as a PFIC are discussed below under "—Passive Foreign Investment Company Rules".

***Dividends***

Subject to the discussion below under "—Passive Foreign Investment Company Rules", the gross amount of any distributions paid on our ordinary shares out of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles, will generally be includible in the gross income of a U.S. Holder as dividend income on the day actually or constructively received by the U.S. Holder. Because we do not intend to determine our earnings and profits on the basis of U.S. federal income tax principles, it is expected that any distributions that we pay will generally be treated as a "dividend" for U.S. federal income tax purposes. Dividends received on our ordinary shares will not be eligible for the dividends received deduction allowed to corporations in respect of dividends received from U.S. corporations.

Individuals and other non-corporate U.S. Holders will be subject to tax on dividend income from a "qualified foreign corporation" at a lower capital gains rate rather than the marginal tax rates generally applicable to ordinary income, provided that certain holding period requirements are met. A non-U.S. corporation (other than a corporation that is classified as a PFIC for the taxable year in which the dividend is paid or the preceding taxable year) will generally be considered to be a qualified foreign corporation (i) if it is eligible for the benefits of a comprehensive tax treaty with the U.S. which the Secretary of the Treasury of the U.S. determines is satisfactory for the purposes of this provision and which includes an exchange of information program; or (ii) with respect to any dividends it pays on stock which is readily tradable on an established securities market in the U.S. We expect our ordinary shares will be readily tradeable on an established securities market in the United States, but there can be no assurance that our ordinary shares will continue to be considered readily tradeable on an established securities market in later years.

In the event that we are deemed to be a PRC resident enterprise under the PRC Enterprise Income Tax Law (see "—People's Republic of China Taxation"), a U.S. Holder may be subject to PRC withholding taxes on dividends paid on our ordinary shares. We may, however, be eligible for the benefits of the United States-PRC income tax treaty (which the Secretary of the Treasury of the United States has determined is satisfactory for the purpose of being a "qualified foreign corporation"). If we are eligible for such benefits, the dividends that we pay on our ordinary shares would be eligible for the reduced rates of taxation described in the preceding paragraph.

Dividends will generally be treated as income from foreign sources for U.S. foreign tax credit purposes and will generally constitute passive category income. Depending on the U.S. Holder's individual facts and circumstances, a U.S. Holder may be eligible, subject to a number of complex limitations, to claim a foreign tax credit in respect of any foreign withholding taxes imposed on dividends received on our ordinary shares. A U.S. Holder who does not elect to claim a foreign tax credit for foreign tax withheld may instead claim a deduction, for U.S. federal income tax purposes, in respect of such withholding, but only for a year in which such holder elects to do so for all creditable foreign income taxes. The rules governing the foreign tax credit are complex and their outcome depends in large part on the U.S. Holder's individual facts and circumstances. Accordingly, U.S. Holders are urged to consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

***Sale or Other Disposition***

Subject to the discussion below under "—Passive Foreign Investment Company Rules", a U.S. Holder will generally recognize capital gain or loss upon the sale or other disposition of our ordinary shares in an amount equal to the difference between the amount realized upon the disposition and the holder's adjusted tax basis in such ordinary shares. Any capital gain or loss will be long-term if our ordinary shares have been held for more than one year. The deductibility of a capital loss may be subject to some limitations. Any such gain or loss that the U.S. Holder recognizes will generally be U.S.-source gain or loss for U.S. foreign tax credit purposes, which will generally limit the availability of foreign tax credits. However, in the event that we are deemed to be a PRC resident enterprise under the PRC Enterprise Income Tax Law, we may be eligible for the benefits of the United States-PRC income tax treaty. In such event, if PRC tax were to be imposed on any gain from the disposition of the ordinary shares, a U.S. Holder that is eligible for the benefits of the United States-PRC income tax treaty may elect to treat such gain as PRC source income. If a U.S. Holder is not eligible for the benefits of the United States-PRC income tax treaty or fails to make the election to treat any gains as foreign source, then such U.S. Holder may not be able to use the foreign tax credit arising from any PRC tax imposed on the disposition of the ordinary shares unless such credit can be applied (subject to applicable limitations) against U.S. federal income tax due on other income derived from foreign sources in the same income category (generally, the passive category). U.S. Holders are urged to consult their tax advisors regarding the tax consequences if a foreign tax is imposed on a disposition of the ordinary shares, including the availability of the foreign tax credit under their specific circumstances.

***Passive Foreign Investment Company Rules***

If we are classified as a PFIC for any taxable year during which a U.S. Holder holds our ordinary shares, and unless the U.S. Holder makes a mark-to-market election (as described below), the U.S. Holder will generally be subject to special tax rules that have a penalizing effect, regardless of whether we remain a PFIC, on (i) any excess distributions that we make to the U.S. Holder (which generally means any distributions paid during a taxable year to a U.S. Holder that is greater than 125 percent of the average annual distributions paid in the three preceding taxable years or, if shorter, the U.S. Holder's holding period for our ordinary shares); and (ii) any gains realized on the sale or other disposition of our ordinary shares. Under the PFIC rules:

- the excess distributions or gains will be allocated ratably over the U.S. Holder's holding period for the ordinary shares;
- the amount allocated to the current taxable year and any taxable years in the U.S. Holder's holding period prior to the first taxable year in which we are classified as a PFIC (each, a "pre-PFIC year"), will be taxable as ordinary income;
- the amount allocated to each prior taxable year, other than a pre-PFIC year, will be subject to tax at the highest tax rate in effect for individuals or corporations, as appropriate, for that year; and
- the interest charge generally applicable to underpayments of tax will be imposed on the tax attributable to each prior taxable year, other than a pre-PFIC year.

If we are a PFIC for any taxable year during which a U.S. Holder holds our ordinary shares and any of our subsidiaries is also a PFIC, such U.S. Holder would be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC for purposes of the application of these rules. U.S. Holders are urged to consult their tax advisors regarding the application of the PFIC rules to any of our subsidiary.

As an alternative to the foregoing rules, a U.S. Holder of "marketable stock" (as defined below) in a PFIC may make a mark-to-market election with respect to such stock. If a U.S. Holder makes this election, the holder will generally (i) include as ordinary income for each taxable year that we are a PFIC the excess, if any, of the fair market value of ordinary shares held at the end of the taxable year over the adjusted tax basis of such ordinary shares; and (ii) deduct as an ordinary loss the excess, if any, of the adjusted tax basis of the ordinary shares over the fair market value of such ordinary shares held at the end of the taxable year, but such deduction will only be allowed to the extent of the amount previously included in income as a result of the mark-to-market election. The U.S. Holder's adjusted tax basis in the ordinary shares would be adjusted to reflect any income or loss resulting from the mark-to-market election. If a U.S. Holder makes a mark-to-market election in respect of a corporation classified as a PFIC and such corporation ceases to be classified as a PFIC, the holder will not be required to take into account the gain or loss described above during any period that such corporation is not classified as a PFIC. If a U.S. Holder makes a mark-to-market election, any gain such U.S. Holder recognizes upon the sale or other disposition of the ordinary shares in a year when we are a PFIC will be treated as ordinary income and any loss will be treated as ordinary loss, but such loss will only be treated as ordinary loss to the extent of the net amount previously included in income as a result of the mark-to-market election.

The mark-to-market election is available only for "marketable stock", which is the stock that is regularly traded on a qualified exchange or other market as defined in applicable U.S. Treasury regulations. We anticipate that our ordinary shares should qualify as being regularly traded, but no assurances may be given in this regard.

Because a mark-to-market election cannot be made for any lower-tier PFICs that we may own, a U.S. Holder may continue to be subject to the PFIC rules with respect to such U.S. Holder's indirect interest in any investments held by us that are treated as an equity interest in a PFIC for U.S. federal income tax purposes.

We do not intend to provide information necessary for U.S. Holders to make qualified electing fund elections which, if available, would result in tax treatment different from (and generally less adverse than) the general tax treatment for PFICs described above.

If a U.S. Holder owns our ordinary shares during any taxable year that we are a PFIC, the holder must generally file an annual IRS Form 8621 or such other form as is required by the U.S. Treasury Department. Each U.S. Holder is advised to consult its tax advisors regarding the potential U.S. federal income tax consequences of owning and disposing of the ordinary shares if we are or become a PFIC, including the possibility of making a mark-to-market election.

***Information Reporting and Backup Withholding***

U.S. Holders may be subject to information reporting to the IRS and U.S. backup withholding with respect to dividends on and proceeds from the sale or other disposition of our ordinary shares. Backup withholding will not apply, however, to a U.S. Holder who furnishes a correct taxpayer identification number and makes any other required certification, or who is otherwise exempt from backup withholding.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a U.S. Holder's U.S. federal income tax liability, and a U.S. Holder generally may obtain a refund of any excess amounts withheld under the backup withholding rules by filing the appropriate claim for refund with the IRS and furnishing any required information. U.S. Holders should consult their tax advisors regarding the application of the U.S. information reporting and backup withholding rules.

Certain U.S. Holders who are individuals (or certain specified entities) may be required to report information relating to their ownership of our ordinary shares. U.S. Holders should consult their tax advisers regarding their reporting obligations with respect to our ordinary shares.

**F. Dividends and Paying Agents.**

Not applicable.

**G. Statement by Experts.**

Not applicable.

**H. Documents on Display.**

We are subject to periodic reporting and other informational requirements of the Exchange Act as applicable to foreign private issuers. Accordingly, we are required to file reports, including annual reports on Form 20-F, and other information with the SEC. As a foreign private issuer, we are exempt from the rules of the Exchange Act prescribing the furnishing and content of proxy statements to shareholders, and our executive officers, directors and principal shareholders are not subject to the insider short-swing profit disclosure and recovery provisions of Section 16 of the Exchange Act.

All information that we have filed with the SEC can be accessed through the SEC's website at www.sec.gov. This information can also be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. You can request copies of these documents, upon payment of a duplicating fee, by writing to the SEC. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference rooms.

In accordance with Nasdaq Stock Market Rule 5250(d), we will post this Annual Report on Form 20-F on our website at ir.kaixin.com. In addition, we will provide hard copies of our annual report free of charge to shareholders upon request.

**I. Subsidiary Information.**

Not applicable.

**J. Annual Report to Security Holders.**

Not applicable.

**ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

**Foreign Currency Exchange Rate Risk**

Substantially all of our revenues and expenses are denominated in Renminbi. The functional currency of our Company is the U.S. dollar. The functional currency of our PRC subsidiaries is the Renminbi, and the functional currency of our Hong Kong subsidiaries is the Hong Kong Dollar.We use the U.S. dollar as our reporting currency. Monetary assets and liabilities denominated in currencies other than the functional currency are translated into the functional currency at the rates of exchange ruling at the balance sheet date. Transactions in currencies other than the functional currency during the year are converted into functional currency at the applicable rates of exchange prevailing when the transactions occurred. Transaction gains and losses are recognized in the statements of operations. Due to foreign currency translation adjustments, we had a net a net foreign exchange gain of US$1.9 million in 2022, a net foreign exchange loss of US$1.3 million in 2023, and foreign exchange gain of US$1.0 million in 2024.

To date, we have not entered into any hedging transactions in an effort to reduce its exposure to foreign currency exchange risk. Although our exposure to foreign exchange risks is generally limited, the value of our ordinary shares will be affected by the exchange rate between the U.S. dollar and the Renminbi because the value of our business is effectively denominated in Renminbi, while our ordinary shares will be traded in U.S. dollars.

The value of Renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in political and economic conditions and the foreign exchange policy adopted by the PRC government. On July 21, 2005, the PRC government changed its policy of pegging the value of the Renminbi to the U.S. dollar. Following the removal of the U.S. dollar peg, the Renminbi appreciated more than 20% against the U.S. dollar over the following three years. Between July 2008 and June 2010, this appreciation halted and the exchange rate between the Renminbi and the U.S. dollar remained within a narrow band. Since June 2010, the PRC government has allowed the Renminbi to appreciate slowly against the U.S. dollar again, and it has appreciated more than 10% since June 2010. On August 11, 2015, the People's Bank of China announced plans to improve the central parity rate of the Renminbi against the U.S. dollar by authorizing market-makers to provide parity to the China Foreign Exchange Trading Center operated by the People's Bank of China with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign currencies as well as changes in exchange rates of major international currencies. Effective from October 1, 2016, the International Monetary Fund added Renminbi to its Special Drawing Rights currency basket. Such change and additional future changes may increase volatility in the trading value of the Renminbi against foreign currencies. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future. Accordingly, it is difficult to predict how market forces, PRC or U.S. government policies may impact the exchange rate between Renminbi and the U.S. dollar in the future.

To the extent that we need to convert U.S. dollars into Renminbi for our operations, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the Renminbi amount that we receive from the conversion. Conversely, if we decide to convert Renminbi into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or for other business purposes, appreciation of the U.S. dollar against the Renminbi would have a negative effect on the U.S. dollar amounts available to us.

**Interest Rate Risk**

To date, we have not been exposed to material risks due to changes in market interest rates, and we have not used any derivative financial instruments to manage our interest risk exposure. However, Kaixin cannot provide assurance that it will not be exposed to material risks due to changes in market interest rate in the future.

Investments in both fixed rate and floating rate interest earning instruments carry a degree of interest rate risk. Fixed rate securities may have their fair market value adversely impacted due to a rise in interest rates, while floating rate securities may produce less income than expected if interest rates fall.

**Inflation**

Since our inception, inflation in China has not materially affected our results of operations. According to the National Bureau of Statistics of China, the year-over-year percent changes in the consumer price index for December 2022, 2023 and 2024 increased 2.0%, 0.2%, and 0.5%, respectively. Although we have not been materially affected by inflation in the past, we may be affected if China experiences higher rates of inflation in the future.

## ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES.

**A. Debt Securities.**

Not applicable.

**B. Warrants and Rights.**

Not applicable.

**C. Other Securities.**

Not applicable.

**D. American Depositary Shares.**

Not applicable.

## PART II

### ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES.

None.

### ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS.

See "Item 10. Additional Information — B. Memorandum and Articles of Association." for a description of the rights of securities holders.

**Use of Proceeds**

The following "Use of Proceeds" information relates to the registration statement on Form S-1, as amended (File Number 333-220510) in relation to our initial public offering of units of CM Seven Star. The registration statement was declared effective by the SEC on October 25, 2017. EarlyBirdCapital, Inc. was the representative of the underwriters for our initial public offering.

See "Item 4. Information on the Company — A. History and Development of the Company — History of CM Seven Star" for a description of the use of proceeds from the initial public offering in connection with the Business Combination.

### ITEM 15. CONTROLS AND PROCEDURES.

**Evaluation of Disclosure Controls and Procedures**

Our management, with the participation of our chief executive officer and chief financial officer, has performed an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this Annual Report.

Based upon that evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were ineffective as of December 31, 2024 and as of the date that the evaluation of the effectiveness of our disclosure controls and procedures was completed, because of the material weaknesses in our internal control over financial reporting described below. Our disclosure controls and procedures were not effective to satisfy the objectives for which they are intended. As defined in the standards established by the PCAOB, a "material weakness" is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis.

Notwithstanding the material weaknesses identified, we believe that the consolidated financial statements included in this Annual Report correctly present our financial position, results of operations and cash flows for the fiscal years covered thereby in all material respects.

**Management's Annual Report on Internal Control over Financial Reporting**

***Management's assessment of the effectiveness of our Company's internal control over financial reporting***

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, for our company. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles, and includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of a company's assets, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that a company's receipts and expenditures are being made only in accordance with authorizations of a company's management and directors, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of a company's assets that could have a material effect on the consolidated financial statements. Due to its inherent limitations, a system of internal control over financial reporting can provide only reasonable assurance with respect to consolidated financial statement preparation and presentation, and may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As required by Section 404 of the Sarbanes-Oxley Act and related rules as promulgated by the Commission, our management assessed the effectiveness of our company's internal control over financial reporting as of December 31, 2024, using criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Our management identified the following material weaknesses in our internal control over financial reporting:

(i) lack of sufficient resources with US GAAP and the SEC reporting experiences, which could adversely affect the Company's ability to provide accurate disclosures on a timely matter;

(ii) lack of an effective and continuous risk assessment procedure to identify and assess the financial reporting risks; and

(iii) lack of evaluations to ascertain whether the components of internal control are present and functioning.

As a result of these material weaknesses and based on the evaluation described above, management concluded that our internal control over financial reporting was not effective as of December 31, 2024. Notwithstanding these material weaknesses, however, management has concluded that the consolidated financial statements included in this Annual Report present fairly, in all material respects, our financial position, results of operations and cash flows for the periods presented in conformity with U.S. GAAP.

***Management's Remediation Plans and Actions***

To remediate the material weaknesses described above in "Management's Report on Internal Control over Financial Reporting," we are implementing the plan and measures described below, and we will continue to evaluate and may in the future implement additional measures.

We will carry out the following remediation measures:

(i) hiring additional financial professionals and accounting consultants with relevant experiences, skills and knowledge in accounting and disclosure for complex transactions under the requirements of U.S. GAAP and SEC reporting requirements, including disclosure requirements for complex transactions under U.S. GAAP, to provide the necessary level of leadership to our finance and accounting function and increase the number of qualified financial reporting personnel;

(ii) improving the capabilities of the existing financial reporting personnel through trainings and education on the accounting and reporting requirements under U.S. GAAP, SEC rules and regulations and the Sarbanes-Oxley Act;

(iii) designing and implementing robust financial reporting and management controls over future significant and complex transactions; and

(iv) implementing procedures to enhance the design and effectiveness of internal control both at the entity and transaction levels in regard to inventory custody, including maintaining timely and accurate inventory records, segregation of employee duties, legal and physical protection of ownership rights.

**Attestation Report of the Independent Registered Public Accounting Firm**

We ceased to qualify as an "emerging growth company" pursuant to the JOBS Act on December 31, 2022. However, since our public float was not over US$75 million on June 30, 2024, we are exempted from the auditor attestation requirement under Section 404 of the Sarbanes-Oxley Act of 2002 for the assessment of our internal control over financial reporting for the year ended December 31, 2024.

**Changes in Internal Control over Financial Reporting**

Other than as described above, there were no other changes in our internal controls over financial reporting that occurred during the year ended December 31, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## ITEM 16. [RESERVED]

## ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT.

Our Board has determined that Xiaoning Wu, the chairman of our audit committee, qualifies as an "audit committee financial expert" as defined in Item 16A of Form 20-F and satisfies the "independence" requirements of Rule 5605(a)(2) of the Listing Rules of the Nasdaq Stock Market and Rule 10A-3 under the Exchange Act.

## ITEM 16B. CODE OF ETHICS.

Our Board has adopted a code of ethics that applies to all of the directors, officers and employees of us and our subsidiaries, whether they work for us on a full-time, part-time, consultative, or temporary basis. Certain provisions of the code apply specifically to our chief executive officer, chief financial officer, senior finance officer, controller, senior vice presidents, vice presidents and any other persons who perform similar functions for us. We have posted a copy of our code of business conduct and ethics on our website at *http://ir.kaixin.com*.

## ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

The following table sets forth the aggregate fees by categories specified below in connection with certain professional services rendered by Onestop Assurance PAC.

| | For the Years Ended December 31, | |
|---|---|---|
| | 2023 | 2024 |
| | (in thousands of US$) | |
| Audit fees[(1)] | 328 | 250 |
| Total | 328 | 250 |

(1) "Audit fees" means the aggregate fees billed in relation to professional services rendered by our principal external auditors for the audit of the specific year's annual consolidated financial statements and assistance with review of documents filed with the SEC and other statutory and regulatory filings.

The policy of our audit committee is to pre-approve all auditing and non-auditing services permitted to be performed by our independent registered public accounting firm.

## ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES.

Not applicable.

**ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS.**

None.

**ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT.**

Not applicable.

**ITEM 16G. CORPORATE GOVERNANCE.**

As a Cayman Islands company listed on the Nasdaq Capital Market, we are subject to the Nasdaq Stock Market Rules corporate governance listing standards. However, Nasdaq Stock Market Rules permit a foreign private issuer like us to follow the corporate governance practices of its home country. Certain corporate governance practices in the Cayman Islands, which is our home country, may differ significantly from the Nasdaq Stock Market Rules. While we voluntarily follow most Nasdaq corporate governance rules, we may choose to take advantage of the following exemptions afforded to foreign private issuers:

- exemption from the requirement that a majority of our Board consists of independent directors;
- exemption from the requirement that the audit committee is composed of at least three members set forth in Nasdaq Rule 5605(c)(2)(A);
- exemption from the requirement that the compensation committee is composed of at least two independent directors as set forth in Nasdaq Rule 5605(d)(2)(A);
- exemption from the requirement to obtain shareholders' approval for certain issuances of securities, including shareholders' approval of stock option plans; and
- exemption from the requirement that our Board shall have regularly scheduled meetings at which only independent directors are present as set forth in Nasdaq Rule 5605(b)(2).

We intend to follow our home country practices in lieu of the foregoing requirements. Although we may rely on home country corporate governance practices in lieu of certain of the rules in the Nasdaq Rule 5600 Series and Rule 5250(d), we must comply with Nasdaq's Notification of Non-compliance requirement (Rule 5625), the Voting Rights requirement (Rule 5640) and have an audit committee that satisfies Rule 5605(c)(3), consisting of committee members that meet the independence requirements of Rule 5605(c)(2)(A)(ii). Although we currently intend to comply with the Nasdaq corporate governance rules applicable other than as noted above, we may in the future decide to use the foreign private issuer exemption with respect to some or all the other Nasdaq corporate governance rules. As a result, our shareholders may be afforded less protection than they otherwise would under the Nasdaq corporate governance listing standards applicable to U.S. domestic issuers. We may utilize these exemptions for as long as we continue to qualify as a foreign private issuer.

**ITEM 16H. MINE SAFETY DISCLOSURE.**

Not applicable.

**ITEM 16I. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS.**

Not applicable.

**ITEM 16J. INSIDER TRADING POLICIES.**

We have adopted an insider trading policy that governs the purchase, sale, and other dispositions of our ordinary shares by officers, directors, employees, and consultants that is reasonably designed to promote compliance with applicable insider trading laws, rules and regulations, and listing standards. A copy of the policy is included as Exhibit 11.2 to the Form 20-F.

## ITEM 16K. CYBERSECURITY.

### Cybersecurity Risk Management and Strategy

We have developed and implemented a cybersecurity risk management program intended to protect the confidentiality, integrity, and availability of our critical systems and information.

Our cybersecurity risk management aligns with and shares common methodologies and reporting channels with our broader risk management.

Key features of our cybersecurity risk management program include, but are not limited to, the following:

- risk assessments designed to help identify material cybersecurity risks to our critical systems, information, products, services, and our broader enterprise IT Systems environment;
- a security team principally responsible for managing (1) our cybersecurity risk assessment processes, (2) our security controls, and (3) our response to cybersecurity incidents;
- processes for monitoring for vulnerabilities of our technology which includes code review (as necessary), testing and analysis of software across the software lifecycle;
- the use of external service providers, where appropriate, to assess, test or otherwise assist with aspects of our security controls;
- physical and technical security measures, including encryption, authentication, and access controls;
- cybersecurity awareness training and internal cybersecurity resources for our employees; and
- a cybersecurity incident response plan that includes procedures for responding to cybersecurity incidents.

We have not identified risks from known cybersecurity threats, including as a result of any prior cybersecurity incidents, that have materially affected us, including our operations, business strategy, results of operations, or financial condition. We face risks from cybersecurity threats that, if realized, are reasonably likely to materially affect us, including our operations, business strategy, results of operations, or financial condition. See “Item 3. Key Information—D. Risk Factors — Risks Relating to Our Business — Cybersecurity incidents, including data security breaches or computer viruses, could harm our business by disrupting our delivery of services, damaging our reputation or exposing us to liability.”

### Cybersecurity Governance

Our board of directors considers cybersecurity risk as part of its risk oversight function and undertakes overall risk management, including oversight of cybersecurity and other information technology risks.

Our board of directors receives quarterly reports from management on our cybersecurity risks. In addition, management updates our board of directors, as necessary, regarding any significant cybersecurity incidents. Our board of directors also receives briefings from management on our cyber risk management program.

Our management has primary responsibility for our overall cybersecurity risk management program and supervises our internal cybersecurity personnel. Our management and the security team, including our chief financial officer and information technology director, are responsible for assessing and managing our material risks from cybersecurity threats. Our team's experience includes over twenty years of expertise in the IT and cybrersecurity fields and extensive connections with IT professionals and service providers.

Our management oversees efforts to prevent, detect, mitigate, and remediate cybersecurity risks and incidents through various means, which may include briefings from internal security personnel; information obtained from governmental, public or private sources; and alerts and reports produced by security tools deployed in our IT Systems environment.

## PART III

### ITEM 17. FINANCIAL STATEMENTS.

We have elected to provide financial statements pursuant to Item 18.

### ITEM 18. FINANCIAL STATEMENTS.

Our consolidated financial statements are included at the end of this Annual Report.

**ITEM 19. EXHIBITS.**

| Exhibit No. | Description of Exhibit |
|---|---|
| 1.1 | Sixth Amended and Restated Memorandum and Articles of Association of Kaixin Holdings, as adopted by a special resolution on October 1, 2024 (incorporated by reference to Exhibit 4.1 to our current report on Form S - 8 (File No. 333 - 282625), initially filed with the SEC on October 15, 2024). |
| 2.1 | Promissory Note in the principal amount of US$1,100,000 dated January 24, 2019 (incorporated by reference to Exhibit 10.6 to our annual report on Form 10-K (File No. 001-38261) filed with the SEC on March 25, 2019) |
| 2.2 | Promissory Note in the principal amount of US$1,013,629.30 dated January 24, 2019 (incorporated by reference to Exhibit 10.7 to our annual report on Form 10-K (File No. 001-38261) filed with the SEC on March 25, 2019) |
| 2.3 | Promissory Note dated April 9, 2018 (incorporated by reference to Exhibit 10.1 to our current report on Form 8-K (File No. 001-38261) filed with the SEC on April 13, 2018) |
| 2.4 | Description of Securities (incorporated by reference to Exhibit 2.4 to our annual report on Form 20-F (File No. 001-38261) filed with the SEC on July 10, 2020) |
| 4.1 | Form of Indemnification Agreement between Kaixin Auto Holdings and its directors and executive officers (incorporated by reference to Exhibit 10.1 to our current report on Form 8-K (File No. 001-38261), as amended, initially filed with the SEC on May 6, 2019) |
| 4.2 | Loan Agreement between Shanghai Renren Automobile Technology Company Limited, James Jian Liu and Yang Jing (English Translation) (incorporated by reference to Exhibit 10.2 to our current report on Form 8-K (File No. 001-38261), as amended, initially filed with the SEC on May 6, 2019) |
| 4.3 | Loan Agreement between Shanghai Renren Automobile Technology Company Limited, Yi Rui and Thomas Jintao Ren, dated August 18, 2017 (English Translation) (incorporated by reference to Exhibit 10.3 to our current report on Form 8-K (File No. 001-38261), as amended, initially filed with the SEC on May 6, 2019) |
| 4.4 | Exclusive Technology Support and Technology Services Agreement between Shanghai Renren Automobile Technology Company Limited and Shanghai Qianxiang Changda Internet Information Technology Development Co., Ltd., dated August 18, 2017 (English Translation) (incorporated by reference to Exhibit 10.4 to our current report on Form 8-K (File No. 001-38261), as amended, initially filed with the SEC on May 6, 2019) |
| 4.5 | Exclusive Technology Support and Technology Services Agreement between Shanghai Renren Automobile Technology Company Limited and Shanghai Jieying Automobile Sales Co., Ltd., dated August 18, 2017 (English Translation) (incorporated by reference to Exhibit 10.5 to our current report on Form 8-K (File No. 001-38261), as amended, initially filed with the SEC on May 6, 2019) |
| 4.6 | Equity Pledge Agreement concerning Shanghai Qianxiang Changda Internet Information Technology Development Co., Ltd among Shanghai Renren Automobile Technology Company Limited, James Jian Liu and Yang Jing, dated August 18, 2017 (English Translation) (incorporated by reference to Exhibit 10.6 to our current report on Form 8-K (File No. 001-38261), as amended, initially filed with the SEC on May 6, 2019) |
| 4.7 | Equity Interest Pledge Agreement concerning Shanghai Jieying Automobile Sales Co., Ltd. among Shanghai Renren Automobile Technology Company Limited, Yi Rui and Thomas Jintao Ren, dated August 18, 2017 (English Translation) (incorporated by reference to Exhibit 10.7 to our current report on Form 8-K (File No. 001-38261), as amended, initially filed with the SEC on May 6, 2019) |
| 4.8 | Intellectual Property Right License Agreement between Shanghai Renren Automobile Technology Company Limited and Shanghai Qianxiang Changda Internet Information (English Translation) Technology Development Co., Ltd., dated August 18, 2017 (English Translation) (incorporated by reference to Exhibit 10.8 to our current report on Form 8-K (File No. 001-38261), as amended, initially filed with the SEC on May 6, 2019) |
| 4.9 | Intellectual Property Right License Agreement between Shanghai Renren Automobile Technology Company Limited and Shanghai Jieying Automobile Sales Co., Ltd., dated August 18, 2017 (English Translation) (incorporated by reference to Exhibit 10.9 to our current report on Form 8-K (File No. 001-38261), as amended, initially filed with the SEC on May 6, 2019) |
| 4.10 | Business Operations Agreement among Shanghai Renren Automobile Technology Company Limited, Yi Rui, Thomas Jintao Ren and Shanghai Jieying Automobile Sales Co., Ltd., dated August 18, 2017 (English Translation) (incorporated by reference to Exhibit 10.10 to our current report on Form 8-K (File No. 001-38261), as amended, initially filed with the SEC on May 6, 2019) |

| | |
|---|---|
| 4.11 | Business Operations Agreement among Shanghai Renren Automobile Technology Company Limited, James Jian Liu, Yang Jing and Shanghai Qianxiang Changda Internet Information Technology Development Co., Ltd., dated August 18, 2017 (English Translation) (incorporated by reference to Exhibit 10.11 to our current report on Form 8-K (File No. 001-38261), as amended, initially filed with the SEC on May 6, 2019) |
| 4.12 | Equity Option Agreement concerning Shanghai Qianxiang Changda Internet Information Technology Development Co., Ltd among Shanghai Renren Automobile Technology Company Limited, James Jian Liu and Yang Jing, dated August 18, 2017 (English Translation) (incorporated by reference to Exhibit 10.12 to our current report on Form 8-K (File No. 001-38261), as amended, initially filed with the SEC on May 6, 2019) |
| 4.13 | Equity Option Agreement concerning Shanghai Jieying Automobile Sales Co., Ltd. among Shanghai Renren Automobile Technology Company Limited, Yi Rui and Thomas Jintao Ren, dated August 18, 2017 (English Translation) (incorporated by reference to Exhibit 10.13 to our current report on Form 8-K (File No. 001-38261), as amended, initially filed with the SEC on May 6, 2019) |
| 4.14 | Form of Equity Purchase Agreement (English Translation) (incorporated by reference to Exhibit 10.16 to our current report on Form 8-K (File No. 001-38261), as amended, initially filed with the SEC on May 6, 2019) |
| 4.15 | Form of Supplement to Equity Purchase Agreement (English Translation) (incorporated by reference to Exhibit 10.17 to our current report on Form 8-K (File No. 001-38261), as amended, initially filed with the SEC on May 6, 2019) |
| 4.16 | Form of Used Vehicle Purchase Agreement (English Translation) (incorporated by reference to Exhibit 10.18 to our current report on Form 8-K (File No. 001-38261), as amended, initially filed with the SEC on May 6, 2019) |
| 4.17 | Form of Used Vehicle Agency Services Agreement (English Translation) (incorporated by reference to Exhibit 10.19 to our current report on Form 8-K (File No. 001-38261), as amended, initially filed with the SEC on May 6, 2019) |
| 4.18 | Form of Vehicle Consignment Agreement (English Translation) (incorporated by reference to Exhibit 10.20 to our current report on Form 8-K (File No. 001-38261), as amended, initially filed with the SEC on May 6, 2019) |
| 4.19 | Form of Loan and Service Agreement (English Translation) (incorporated by reference to Exhibit 10.21 to our current report on Form 8-K (File No. 001-38261), as amended, initially filed with the SEC on May 6, 2019) |
| 4.20 | Form of Used Vehicle Sales Agreement (English Translation) (incorporated by reference to Exhibit 10.22 to our current report on Form 8-K (File No. 001-38261), as amended, initially filed with the SEC on May 6, 2019) |
| 4.21 | Share Exchange Agreement among CM Seven Star Acquisition Corporation, Kaixin Auto Group and Renren Inc., dated November 2, 2018 (incorporated by reference to Exhibit 10.23 to our current report on Form 8-K (File No. 001-38261), as amended, initially filed with the SEC on May 6, 2019) |
| 4.22 | Master Transaction Agreement among Renren Inc. CM Seven Star Acquisition Corporation and Kaixin Auto Group, dated April 30, 2018 (incorporated by reference to Exhibit 10.24 to our current report on Form 8-K (File No. 001-38261), as amended, initially filed with the SEC on May 6, 2019) |
| 4.23 | Non-Competition Agreement between Renren Inc. and Kaixin Auto Group, dated April 30, 2018 (incorporated by reference to Exhibit 10.25 to our current report on Form 8-K (File No. 001-38261), as amended, initially filed with the SEC on May 6, 2019) |
| 4.24 | Transitional Services Agreement between Renren Inc. and Kaixin Auto Group, dated April 30, 2018 (incorporated by reference to Exhibit 10.26 to our current report on Form 8-K (File No. 001-38261), as amended, initially filed with the SEC on May 6, 2019) |
| 4.25 | Investor Rights Agreement among CM Seven Star Acquisition Corporation, Shareholder Value Fund and Renren Inc., dated April 30, 2018 (incorporated by reference to Exhibit 10.27 to our current report on Form 8-K (File No. 001-38261), as amended, initially filed with the SEC on May 6, 2019) |
| 4.26 | Escrow Agreement concerning earnout shares among Renren Inc., CM Seven Star Acquisition Corporation and Vistra Corporate Services (HK) Limited, an escrow agent, dated April 30, 2018 (incorporated by reference to Exhibit 10.28 to our current report on Form 8-K (File No. 001-38261), as amended, initially filed with the SEC on May 6, 2019) |
| 4.27 | 2019 Kaixin Auto Holdings Equity Incentive Plan (incorporated by reference to Exhibit 10.30 to our current report on Form 8-K (File No. 001-38261), as amended, initially filed with the SEC on May 6, 2019) |
| 4.28 | Waiver Letter in connection with the Share Exchange Agreement among CM Seven Star Acquisition Corporation, Kaixin Auto Group, Renren Inc. and Shareholder Value Fund, dated April 30, 2019 (incorporated by reference to Exhibit 2.2 to our quarterly report on Form 10-Q (File No. 001-38261) filed with the SEC on May 15, 2019) |

| | |
|---|---|
| 4.29 | Subscription Agreement between Kaixin Auto Holdings and Shareholder Value fund, dated June 10, 2020 (incorporated by reference to Exhibit 4.29 to our annual report on Form 20-F (File No. 001-38261) filed with the SEC on July 10, 2020) |
| 4.30 | Share Purchase Agreement, dated December 31, 2020, among the Company and shareholders of Haitaoche Limited (incorporated by reference to Exhibit 99.2 to our current report on Form 6-K (File No. 001-38261), initially filed with the SEC on January 06, 2021) |
| 4.31 | Securities Purchase Agreement, dated December 28, 2020, between the Company and KX Venturas 4 LLC (incorporated by reference to Exhibit 99.1 to our current report on Form 6-K (File No. 001-38261), initially filed with the SEC on December 30, 2020) |
| 4.32 | Kaixin Auto Holding Certificate of Designation of Series A Convertible Preferred Shares, dated December 29, 2020 (incorporated by reference to Exhibit 99.2 to our current report on Form 6-K (File No. 001-38261), initially filed with the SEC on December 30, 2020) |
| 4.33 | Registration Rights Agreement, dated December 29, 2020, between the Company and KX Venturas 4 LLC(incorporated by reference to Exhibit 99.3 to our current report on Form 6-K (File No. 001-38261), initially filed with the SEC on December 30, 2020) |
| 4.34 | Form of Warrants issued or to be issued by the Company to KX Venturas 4 LLC(incorporated by reference to Exhibit 99.4 to our current report on Form 6-K (File No. 001-38261), initially filed with the SEC on December 30, 2020) |
| 4.35 | Securities Purchase Agreement, dated March 31, 2021, between Kaixin Auto Holdings and Renren Inc. (incorporated by reference to Exhibit 99.1 to our current report on Form 6-K (File No. 001-38261), initially filed with the SEC on April 06, 2021) |
| 4.36 | Kaixin Auto Holding Certificate of Designation of Series D Convertible Preferred Shares, dated March 31, 2021 (incorporated by reference to Exhibit 99.2 to our current report on Form 6-K (File No. 001-38261), initially filed with the SEC on April 06, 2021) |
| 4.37 | 2020 Kaixin Auto Holdings Equity Incentive Plan (incorporated by reference to Exhibit 10.2 to our current report on Form S-8 (File No. 333-256490), initially filed with the SEC on May 26, 2021) |
| 4.38 | 2021 Kaixin Auto Holdings Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to our current report on Form S-8 (File No. 333-259239), initially filed with the SEC on September 1, 2021) |
| 4.39 | Securities Purchase Agreement between Kaixin and Streeterville Capital, LLC dated November 19, 2021 (incorporated by reference to Exhibit 4.39 to our annual report on Form 20-F (File No. 001-38261) filed with the SEC on April 29, 2022) |
| 4.40 | Convertible Promissory Note in the principal amount of $2,180,000 between Kaixin and Streeterville Capital, LLC dated November 19, 2021 (incorporated by reference to Exhibit 4.40 to our annual report on Form 20-F (File No. 001-38261) filed with the SEC on April 29, 2022) |
| 4.41 | Securities Purchase Agreement between Kaixin and Streeterville Capital, LLC dated April 8, 2022 (incorporated by reference to Exhibit 4.41 to our annual report on Form 20-F (File No. 001-38261) filed with the SEC on May 16, 2023) |
| 4.42 | Convertible Promissory Note in the principle amount of $2,180,000 between Kaixin and Streeterville Capital, LLC dated April 8, 2022 (incorporated by reference to Exhibit 4.42 to our annual report on Form 20-F (File No. 001-38261) filed with the SEC on May 16, 2023) |
| 4.43 | 2022 Kaixin Auto Holdings Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to our current report on Form S-8 (File No. 333-265295), initially filed with the SEC on May 27, 2022) |
| 4.44 | Equity Transfer Agreement, dated August 5, 2022, between Kaixin Auto Group and Stanley Start Group Inc. (incorporated by reference to Exhibit 4.44 to our annual report on Form 20-F (File No. 001-38261) filed with the SEC on May 16, 2023) |
| 4.45 | The Supplemental Agreement to the Equity Transfer Agreement, dated December 28, 2022, between Kaixin Auto Group, Kaixin Auto Holdings and Stanley Start Group Inc. (incorporated by reference to Exhibit 4.45 to our annual report on Form 20-F (File No. 001-38261) filed with the SEC on May 16, 2023) |
| 4.46 | Kaixin Auto Holdings Certificate of Designation of Series F Convertible Preferred Shares, dated March 24, 2023 (incorporated by reference to Exhibit 4.46 to our annual report on Form 20-F (File No. 001-38261) filed with the SEC on May 16, 2023) |
| 4.47 | Securities Purchase Agreement, dated March 24, 2023, by and between Kaixin Auto Holdings and Stanley Star Group Inc. (incorporated by reference to Exhibit 4.47 to our annual report on Form 20-F (File No. 001-38261) filed with the SEC on May 16, 2023) |

| | |
|---|---|
| 4.48 | 2023 Kaixin Auto Holdings Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to our current report on Form S-8 (File No. 333-270487), initially filed with the SEC on March 13, 2023) |
| 4.49 | Securities Purchase Agreement, dated March 24, 2023, by and between Kaixin Auto Holdings and Mr. Long Li, Hermann Limited and Aslan Family Limited (incorporated by reference to Exhibit 99.1 to our current report on Form 6-K (File No. 001-38261), initially filed with the SEC on November 7, 2023) |
| 4.50 | 2024 Kaixin Auto Holdings Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to our current report on Form S - 8 (File No. 333 - 276443), initially filed with the SEC on January 9, 2024) |
| 4.51 | 2024 Kaixin Holdings Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to our current report on Form S - 8 (File No. 333 - 282625), initially filed with the SEC on October 15, 2024) |
| 4.52 | Amended and Restated Securities Purchase Agreement, dated May 28, 2024, between Kaixin Holdings and Shangyue Limited (incorporated by reference to Exhibit 99.1 to our current report on Form 6 - K (File No. 001 - 38261), initially filed with the SEC on May 28, 2024) |
| 4.53 | Kaixin Holdings Certificate of Designation of Series G Convertible Preferred Shares, dated May 28, 2024 (incorporated by reference to Exhibit 99.2 to our current report on Form 6 - K (File No. 001 - 38261), filed with the SEC on May 28, 2024) |
| 4.54* | Securities Purchase Agreement, dated May 15, 2024, between Kaixin Holdings and AutoA2A, Ltd |
| 4.55* | Kaixin Holdings Certificate of Designation of Series H Convertible Preferred Shares, dated May 15, 2024 |
| 4.56* | Kaixin Holdings Ordinary Shares Purchase Warrant Agreement, dated May 15, 2024, between Kaixin Holdings and AutoA2A, Ltd |
| 4.57 | Securities Purchase Agreement, dated November 13, 2024, by and between Kaixin Holdings and ATW Opportunities Master Fund II LP (incorporated by reference to Exhibit 99.1 to our current report on Form 6 - K report (File No. 001 - 38261) filed with SEC on November 14, 2024) |
| 8.1* | Principal subsidiaries of the Registrant |
| 11.1 | Code of Business Conduct and Ethics of the Registrant (incorporated by reference to Exhibit 11.1 to our annual report on Form 20-F (File No. 001-38261) filed with the SEC on July 10, 2020) |
| 11.2* | Insider Trading Policy |
| 12.1* | Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes - Oxley Act of 2002 |
| 12.2* | Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes - Oxley Act of 2002 |
| 13.1* | Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes - Oxley Act of 2002 |
| 13.2* | Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes - Oxley Act of 2002 |
| 15.1* | Consent of Onestop Assurance PAC, Independent Registered Public Accounting Firm |
| 97.1 | Clawback Policy (incorporated by reference to Exhibit 97.1 to our annual report on Form 20 - F (File No. 001 - 38261) filed with the SEC on April 29, 2024) |
| 101.INS* | Inline XBRL Instance Document |
| 101.SCH* | Inline XBRL Taxonomy Extension Schema Document |
| 101.CAL* | Inline XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF* | Inline XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB* | Inline XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE* | Inline XBRL Taxonomy Extension Presentation Linkbase Document |
| 104* | Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101) |

* Filed herewith

**SIGNATURES**

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

**Kaixin Holdings**

By: /s/ Mingjun Lin
Name: Mingjun Lin
Title: Chief Executive Officer

Date: March 31, 2025

**KAIXIN HOLDINGS**
**(FORMERLY KNOWN AS KAIXIN AUTO HOLDINGS)**
**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE YEARS ENDED DECEMBER 31, 2022, 2023, AND 2024**

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Kaixin Holdings

**Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of Kaixin Holdings and subsidiaries (the "Company") as of December 31, 2024, and the related consolidated statements of operations and comprehensive loss, changes in shareholders' equity, and cash flows for each of the year ended December 31, 2024, and the related notes (collectively referred to as the financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial positions of the Company as of December 31, 2024, and the results of its operations and its cash flows for each of the year ended December 31, 2024, in conformity with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

**Critical Audit Matter**

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which they relate.

*Going Concern*

As disclosed in Note 2.1 to the consolidated financial statements, the Company has incurred a loss of $41.0 million and negative cash flows from operating activities of $3.0 million. As at December 31, 2024, the Company had net current liabilities of $6.1 million. Management addresses its ability to continue as a going concern by seeking to obtain the financial support from two major shareholders of the Company, and other financing to satisfy the Company's obligations as and when they become due for at least one year from the financial statements issuance date.

We determined that Company's ability to continue as a going concern is a critical matter due to the estimation and uncertainty regarding the risk of bias in management's judgement and assumptions in their determination.

Our principal audit procedures relating to the going concern:

- Obtaining an understanding, and evaluating management's assessment on whether there are conditions or events that raise substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time;
- Assessing the management's plans and obtaining sufficient appropriate audit evidence to determine whether or not substantial doubt can be alleviated or still exists; and
- Review the relevant disclosures to the consolidated financial statements.

*Impairment of Intangible Assets*

As noted in Note 8 of the financial statements, the Company has recorded trademarks, technology and software as intangible assets, with a carrying amount of $20.7 million.

The principal consideration for our determination that auditing impairment of intangible assets is a critical audit matter is due to the degree of complexity and judgment used by management in developing the fair value measurement, which led to a high degree of audit judgment and subjectivity and significant effort in performing procedures relating to fair value measurement.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included:

- Reviewing procedures of management's impairment assessment;
- Evaluating the reasonableness of the valuation methodology used by management; and
- Testing the completeness and accuracy of the underlying data used by the management.

/s/ Onestop Assurance PAC

We have served as the Company's auditor since 2023.

Singapore

March 31, 2025

**KAIXIN HOLDINGS**
**(FORMERLY KNOWN AS KAIXIN AUTO HOLDINGS)**
**CONSOLIDATED BALANCE SHEETS**
**(In thousands of US dollars, except share, per share data, or otherwise noted)**

| | As of December 31, | |
|---|---|---|
| | 2024 | 2023 |
| **ASSETS** | | |
| **CURRENT ASSETS:** | | |
| Cash and cash equivalents | $ 2,388 | $ 2,085 |
| Inventories | 29 | 65 |
| Due from related parties | — | 1,455 |
| Prepayment for vehicle purchase and other current assets, net | 557 | 597 |
| **TOTAL CURRENT ASSETS** | **2,974** | **4,202** |
| Long-term investment | 393 | — |
| Property and equipment, net | 310 | 403 |
| Goodwill | — | 38,201 |
| Intangible assets, net | 20,713 | 24,438 |
| Operating lease right-of-use assets | 255 | 389 |
| **TOTAL NON-CURRENT ASSETS** | **21,671** | **63,431** |
| **TOTAL ASSETS** | **$ 24,645** | **$ 67,633** |
| | | |
| **LIABILITIES AND EQUITY** | | |
| **CURRENT LIABILITIES:** | | |
| Accounts payable | $ — | $ 94 |
| Short-term operating lease liabilities | 141 | 126 |
| Contract liabilities | 77 | — |
| Convertible notes | 635 | 2,392 |
| Income tax payable | 68 | 764 |
| Amounts due to related parties | 355 | 2,187 |
| Warrant liability | 22 | 232 |
| Payable for sales incentive | — | 417 |
| Accrued expenses and other current liabilities | 7,750 | 8,903 |
| **TOTAL CURRENT LIABILITIES** | **9,048** | **15,115** |
| Long-term operating lease liabilities | 90 | 238 |
| Deferred tax liabilities | 2,333 | 3,263 |
| **TOTAL LIABILITIES** | **$ 11,471** | **$ 18,616** |
| | | |
| **COMMITMENT AND CONTINGENCIES** | | |
| | | |
| **EQUITY** | | |
| Class A Ordinary Shares (par value of $0.045 per shares; 796,106,500 shares authorized, 5,489,162 and 830,109 shares issued and outstanding as of December 31, 2024 and 2023, respectively)* | 247 | 37 |
| Class B Ordinary Shares (par value of $0.045 per shares; 15,000,000 shares authorized, 1,100,000 and nil shares issued and outstanding as of December 31, 2024 and 2023, respectively)* | 50 | — |
| Series D convertible preferred shares (par value of $0.0001, 6,000 shares and 6,000 shares authorized, issued and outstanding as of December 31, 2024 and 2023, respectively.) | 1 | 1 |
| Series F convertible preferred shares (par value of 0.00005, 50,005 shares authorized, 42,500 and 50,000 shares issued and outstanding as of December 31, 2024 and 2023, respectively) | 1 | 1 |
| Series G convertible preferred shares (par value of 0.00075, 50,000 shares and 50,000 shares authorized, 12,800 and ni shares issued and outstanding as of December 31, 2024 and 2023, respectively) | 1 | — |
| Series H convertible preferred shares (par value of 0.00075, 50,000 shares and 50,000 shares authorized, 7,366 and nil shares issued and outstanding as of December 31, 2024 and 2023, respectively) | 1 | — |
| Additional paid-in capital | 406,344 | 399,117 |
| Subscription receivable | (17,900) | (17,900) |
| Statutory reserve | 8 | 8 |
| Accumulated deficit | (377,543) | (336,571) |
| Accumulated other comprehensive income | 1,963 | 890 |
| **TOTAL KAIXIN HOLDINGS' SHAREHOLDERS' EQUITY** | **13,173** | **45,583** |
| Non-controlling interests | 1 | 3,434 |
| **TOTAL EQUITY** | **13,174** | **49,017** |
| **TOTAL LIABILITIES AND EQUITY** | **$ 24,645** | **$ 67,633** |

* Retroactively restated to give effect to a share consolidation at a ratio of one-for-fifteenth ordinary shares effective on September 14, 2023 and a share consolidation at a ratio for one - for - sixty ordinary shares and an authorized share capital increase from $500,000 to $36,500,000 effective on October 25, 2024. (Note 1)

The accompanying notes are an integral part of these consolidated financial statements.

**KAIXIN HOLDINGS**
**(FORMERLY KNOWN AS KAIXIN AUTO HOLDINGS)**
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**
**(In thousands of US dollars, except share, per share data, or otherwise noted)**

| | For the years ended December 31, | | |
|---|---|---|---|
| | **2024** | **2023** | **2022** |
| Revenue, net | $ — | $ 31,535 | $ 82,840 |
| Cost of revenues | — | 31,193 | 82,194 |
| **Gross Profit** | **—** | **342** | **646** |
| **Operating Expenses** | | | |
| Selling and marketing expenses | 963 | 3,313 | 2,097 |
| General and administrative expenses | 18,178 | 18,013 | 46,488 |
| **Total Operating Expenses** | **19,141** | **21,326** | **48,585** |
| **Loss from Operations** | **(19,141)** | **(20,984)** | **(47,939)** |
| **Other Income (Expenses):** | | | |
| Other income (expenses), net | 392 | (9) | 728 |
| Foreign currency exchange gain (loss) | 7 | (10) | (139) |
| Interest expense, net | (342) | (525) | (1,034) |
| (Loss) gain on disposal of subsidiaries | (23,037) | 64 | 1,578 |
| Change in fair value of warrants | 210 | (208) | 316 |
| Impairment of other receivables | — | (8,848) | — |
| Impairment of prepaid expenses and other current assets | — | (23,262) | (22,921) |
| Provision for dealership settlement | — | — | (15,134) |
| **Other expenses, net** | **(22,770)** | **(32,798)** | **(36,606)** |
| **Loss Before Income Tax** | **(41,911)** | **(53,782)** | **(84,545)** |
| Income tax benefit (expenses) | 931 | 228 | (74) |
| **Net Loss** | **(40,980)** | **(53,554)** | **(84,619)** |
| Less: net (loss) income attributable to non-controlling interests | (8) | 9 | 87 |
| **Net Loss Attributable to Kaixin's Shareholders** | **$ (40,972)** | **$ (53,563)** | **$ (84,706)** |
| **Net Loss** | **$ (40,980)** | **$ (53,554)** | **$ (84,619)** |
| **Other Comprehensive (Loss) Income** | | | |
| Foreign currency translation adjustment | 972 | (1,343) | 1,866 |
| **Comprehensive Loss** | **(40,008)** | **(54,897)** | **(82,753)** |
| Less: comprehensive loss attributable to non-controlling interest | 109 | 754 | 940 |
| **Comprehensive Loss Attributable to Kaixin's Shareholders** | **$ (39,899)** | **$ (54,143)** | **$ (81,813)** |
| **Loss Per Share** | | | |
| Basic and diluted* | $ (26.05) | $ (140.44) | $ (380.86) |
| **Weighted Average Shares Used in Calculating Net Loss Per Share** | | | |
| Basic and diluted* | 1,572,546 | 381,393 | 222,408 |

* Retroactively restated to give effect to a share consolidation at a ratio of one-for-fifteenth ordinary shares effective on September 14, 2023 and a share consolidation at a ratio for one - for - sixty ordinary shares and an authorized share capital increase from $500,000 to $36,500,000 effective on October 25, 2024. (Note 1)

The accompanying notes are an integral part of these consolidated financial statements.

**KAIXIN HOLDINGS**
**(FORMERLY KNOWN AS KAIXIN AUTO HOLDINGS)**
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**
**(In thousands of US dollars, except share and per share data, or otherwise noted)**

| | Preferred shares | | Class A Ordinary Shares | | Class B Ordinary Shares | | Additional paid-in capital | Subscription receivable | Statutory reserve | Accumulated deficit | Accumulated Other Comprehensive (loss) income | Total shareholders' equity | Non-controlling interest | Total shareholders' Equity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | Shares | Amount | | | | | | | | |
| **Balance as of December 31, 2021** | **6,000** | **$ 1** | **181,255** | **$ 8** | **—** | **$ —** | **$ 227,310** | **$ —** | **$ 8** | **$ (198,302)** | **$ 637** | **$ 29,662** | **$ 8,417** | **$ 38,079** |
| Net loss | — | — | — | — | — | — | — | — | — | (84,706) | — | (84,706) | 87 | (84,619) |
| Issuance of ordinary shares and warrant for private placement | — | — | 4,896 | 1 | — | — | 4,243 | — | — | — | — | 4,244 | — | 4,244 |
| Shareholder investment | — | — | — | — | — | — | — | — | — | — | — | — | 665 | 665 |
| Dispose subsidiaries | — | — | — | — | — | — | — | — | — | — | (2,060) | (2,060) | (3,954) | (6,014) |
| Issuance of Series F convertible preferred shares | 50,000 | 2 | — | — | — | — | 24,591 | — | — | — | — | 24,593 | — | 24,593 |
| Foreign currency translation adjustment | — | — | — | — | — | — | — | — | — | — | 2,893 | 2,893 | (1,027) | 1,866 |
| Vesting of restricted shares award | — | — | 43,235 | 1 | — | — | 39,309 | — | — | — | — | 39,310 | — | 39,310 |
| Issuance of ordinary shares held in escrow | — | — | 24,225 | 1 | — | — | 17,378 | — | — | — | — | 17,379 | — | 17,379 |
| **Balance as of December 31, 2022** | **56,000** | **$ 3** | **253,611** | **$ 11** | **—** | **—** | **$ 312,831** | **$ —** | **$ 8** | **$ (283,008)** | **$ 1,470** | **$ 31,315** | **$ 4,188** | **$ 35,503** |
| Net (loss) income | — | — | — | — | — | — | — | — | — | (53,563) | — | (53,563) | 9 | (53,554) |
| Issuance of ordinary shares and warrant for private placement | — | — | 175,000 | 8 | — | — | 18,892 | (17,900) | — | — | — | 1,000 | — | 1,000 |
| Issuance of ordinary shares for conversion of Series F convertible preferred shares | (7,000) | (1) | 116,667 | 5 | — | — | 310 | — | — | — | — | 314 | — | 314 |
| Issuance of ordinary shares for acquisition of a subsidiary | — | — | 111,111 | 5 | — | — | 49,095 | — | — | — | — | 49,100 | — | 49,100 |
| Issuance of ordinary shares for redemption of warrants | — | — | 108,933 | 5 | — | — | 60 | — | — | — | — | 65 | — | 65 |
| Vesting of restricted shares award | — | — | 46,290 | 2 | — | — | 11,966 | — | — | — | — | 11,968 | — | 11,968 |
| Issuance of shares to settle payables for sales incentive | — | — | 11,026 | — | — | — | 3,914 | — | — | — | — | 3,914 | — | 3,914 |
| Issuance of ordinary shares for conversion of convertible notes | — | — | 7,360 | 1 | — | — | 2,049 | — | — | — | — | 2,050 | — | 2,050 |
| Issuance of ordinary shares for payments of dividends | — | — | 111 | ** | — | — | ** | — | — | — | — | — | — | — |
| Foreign currency translation adjustment | — | — | — | — | — | — | — | — | — | — | (580) | (580) | (763) | (1,343) |
| **Balance as of December 31, 2023** | **49,000** | **$ 2** | **830,109** | **$ 37** | **—** | **—** | **$ 399,117** | **$ (17,900)** | **$ 8** | **$ (336,571)** | **$ 890** | **$ 45,583** | **$ 3,434** | **$ 49,017** |
| Net loss | — | — | — | — | — | — | — | — | — | (40,972) | — | (40,972) | (8) | (40,980) |
| Vesting of restricted shares award | — | — | 2,355,059 | 106 | 1,100,000 | 50 | 10,700 | — | — | — | — | 10,856 | — | 10,856 |
| Issuance of ordinary shares for private placement | — | — | 1,240,953 | 56 | — | — | 3,669 | — | — | — | — | 3,725 | — | 3,725 |
| Issuance of ordinary shares for conversion of convertible notes | — | — | 559,710 | 25 | — | — | 2,063 | — | — | — | — | 2,088 | — | 2,088 |
| Issuance of ordinary shares for conversion of convertible preferred shares | (500) | ** | 500,000 | 23 | — | — | — | — | — | — | — | 23 | — | 23 |
| Issuance of Series G convertible preferred shares to settle payables due to purchaser of KAG | 12,800 | 1 | — | — | — | — | 1,995 | — | — | — | — | 1,996 | — | 1,996 |
| Issuance of Series H convertible preferred shares to settle payables for sales incentive | 7,366 | 1 | 1,664 | ** | — | — | 987 | — | — | — | — | 988 | — | 988 |
| Issuance of ordinary shares for payments of dividends | — | — | 1,667 | ** | — | — | ** | — | — | — | — | — | — | — |
| Disposal of subsidiaries | — | — | — | — | — | — | (12,187) | — | — | — | — | (12,187) | (3,324) | (15,511) |
| Foreign currency translation adjustment | — | — | — | — | — | — | — | — | — | — | 1,073 | 1,073 | (101) | 972 |
| **Balance as of December 31, 2024** | **68,666** | **$ 4** | **5,489,162** | **$ 247** | **1,100,000** | **$ 50** | **$ 406,344** | **$ (17,900)** | **$ 8** | **$ (377,543)** | **$ 1,963** | **$ 13,173** | **$ 1** | **$ 13,174** |

* Retroactively restated to give effect to a share consolidation at a ratio of one-for-fifteenth ordinary shares effective on September 14, 2023 and a share consolidation at a ratio for one-for-sixty ordinary shares and an authorized share capital increase from $500,000 to $36,500,000 effective on October 25, 2024. (Note 1)

** Less than $1,000

The accompanying notes are an integral part of these consolidated financial statements.

**KAIXIN HOLDINGS**
**(FORMERLY KNOWN AS KAIXIN AUTO HOLDINGS)**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(In thousands of US dollars, except share and per share data, or otherwise noted)**

| | For the years ended December 31, | | |
|---|---|---|---|
| | 2024 | 2023 | 2022 |
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | | |
| Net loss | $ (40,980) | $ (53,554) | $ (84,619) |
| **Adjustments to reconcile net loss to net cash used in operating activities of continuing operations:** | | | |
| Depreciation and amortization | 3,942 | 2,482 | 1,681 |
| Fair value change of warrants | (210) | 208 | (316) |
| Share-based compensation | 10,856 | 11,968 | 39,310 |
| Foreign currency exchange (gain) loss | — | (10) | (139) |
| Impairment of other receivables | — | 8,848 | — |
| Impairment of prepaid expenses and other current assets | — | 23,262 | 22,921 |
| Provision for dealership settlement | 571 | — | 15,134 |
| Provision for sales incentive | — | 2,701 | 1,638 |
| Loss (gain) on disposal of subsidiaries | 23,037 | (64) | (1,578) |
| Financial expenses | — | 32 | 1,103 |
| Interest expenses of convertible note in interest method | 331 | 493 | 683 |
| Deferred tax liabilities | (931) | (229) | — |
| **Changes in operating assets and liabilities:** | | | |
| Inventories | 35 | (35) | 373 |
| Prepayment for vehicle purchase and other current assets | 25 | 1,653 | 355 |
| Amount due from related parties | — | (1,458) | — |
| Other non-current assets | — | (6) | — |
| Accounts payable | (93) | 106 | (38) |
| Advances from customers | 78 | — | (390) |
| Accrued expenses and other current liabilities | 865 | 2,790 | 1,984 |
| Short-term lease liabilities | (132) | (28) | (98) |
| Amount due to related parties | (13) | (1,237) | — |
| Income tax payable | (401) | (30) | (398) |
| **Net cash used in operating activities** | **(3,020)** | **(2,108)** | **(2,394)** |
| | | | |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | | |
| Purchase of property and equipment, net | (18) | (396) | (59) |
| Cash disposed on disposal of subsidiaries | (24) | (2,740) | (97) |
| Cash acquired on acquisition of a subsidiary | — | 2 | — |
| Proceeds from sales of a subsidiary | 16 | — | — |
| **Net cash used in investing activities** | **(26)** | **(3,134)** | **(156)** |
| | | | |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | | |
| Proceeds from issuance of ordinary shares and warrant | 3,725 | 1,065 | 4,717 |
| Proceeds from convertible note | — | — | 2,000 |
| Repayment of convertible note | — | (50) | — |
| Borrowings from related parties | 286 | — | — |
| Cash paid for offering cost | — | — | (1,976) |
| Capital contribution | 499 | — | 665 |
| **Net cash provided by financing activities** | **4,510** | **1,015** | **5,406** |
| | | | |
| Effect of exchange rate changes on cash and cash equivalents | (1,161) | (790) | (1,017) |
| Net changes in cash and cash equivalents | 303 | (5,017) | 1,839 |
| Cash and cash equivalents at beginning of year | 2,085 | 7,102 | 5,263 |
| **Cash and cash equivalents at end of year** | **$ 2,388** | **$ 2,085** | **$ 7,102** |
| | | | |
| **SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:** | | | |
| Interest expense paid | $ — | $ — | $ (362) |
| Income tax paid | $ — | $ — | $ 26 |
| | | | |
| **NON-CASH ACTIVITIES:** | | | |
| Issuance of Series F preferred shares in connection a disposal of subsidiaries | $ — | $ — | $ (24,593) |
| Issuance of Class A Ordinary Shares to settle Series F preferred shares | $ 246 | $ 3,443 | — |
| Issuance of Series G preferred shares to settle liabilities due to the purchaser of KAG (Note 3) | $ 1,996 | $ — | — |
| Issuance of Series H preferred shares to settle payables for sales incentive | $ 571 | $ — | — |
| Issuance of Class A Ordinary Shares to settle payables for sales incentive | $ 417 | $ 3,914 | $ — |
| Obtaining right-of-use assets in exchange for operating lease liabilities | $ — | $ 328 | $ — |
| Issuance of Class A Ordinary Shares for conversion of convertible notes | $ 2,088 | $ 2,050 | $ — |
| Issuance of Class A Ordinary Shares for acquisition of a subsidiary | $ — | $ 49,100 | $ — |
| Recognition of intangible assets from acquisition of a subsidiary | $ — | $ 13,972 | $ — |
| Receivable due from issuance of ordinary shares and warrants in private placements | $ — | $ 17,900 | $ — |

The accompanying notes are an integral part of these consolidated financial statements.

**KAIXIN HOLDINGS**
**(FORMERLY KNOWN AS KAIXIN AUTO HOLDINGS)**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**(In thousands of US dollars, except share and per share data, or otherwise noted)**

## 1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Kaixin Holdings (formerly known as Kaixin Auto Holdings) ("the Company" or "KAH"), was incorporated in the Cayman Islands in 2016.

On June 25, 2021, KAH completed a business combination with Haitaoche Limited ("Haitaoche", or "HTC"), resulting in KAH acquiring 100% of the share capital of Haitaoche in exchange for an aggregate of 4,935,700 ordinary shares (after giving effects of the Share Consolidation as mentioned below), which was issued to several former shareholders of Haitaoche. The business combination was treated as a reverse acquisition of KAH under ASC 805, using the acquisition method of accounting, and Haitaoche was deemed to be the accounting acquirer.

Following the completion of the reverse acquisition, KAH is the consolidated parent of Haitaoche and the resulting company operates under the KAH corporate name. Haitaoche's historical financial statements became the historical financial statements of the Group. The acquired assets and liabilities of KAH are included in the Group's consolidated balance sheets since June 25, 2021 and the results of its operations and cash flows are included in the Group's consolidated statement of operations and comprehensive loss and cash flows for periods beginning after June 25, 2021.

On September 14, 2023, the Group effected a share consolidation at a ratio of one-for-fifteenth (15) ordinary shares with a par value of US$0.00005 each in the Group's issued and unissued share capital into one ordinary share with a par value of US$0.00075 ("the 2023 Share Consolidation"). Immediately following the Share Consolidation, the authorized share capital of the Group to be US $50,000 divided into (a) 660,461,733 Class A ordinary shares of a par value of US $0.00075 each, (b) 6,000,000 Class B ordinary shares of a par value of US $0.00075 each, (c) 6,000 Series A convertible preferred shares of a par value of US $0.0001 each, (d) 6,000 Series D convertible preferred shares of a par value of US $0.0001 each, (e) 50,005 Series F convertible preferred shares of a par value of US$0.00005 each, (f) 50,000 Series G convertible preferred shares of a par value of US$0.00075 each, (g) 50,000 Series H convertible preferred shares of a par value of US$0.00075 each, (h) 50,000 Series I convertible preferred shares of a par value of US$0.00075 each, and (i) 50,000 Series J convertible preferred shares of a par value of US$0.00075 each" to "US$36,500,000 divided into (a) 48,660,461,733 Class A ordinary shares of a par value of US$0.00075 each, (b) 6,000,000 Class B ordinary shares of a par value of US$0.00075 each, (c) 6,000 Series A convertible preferred shares of a par value of US$0.0001 each, (d) 6,000 Series D convertible preferred shares of a par value of US$0.0001 each, (e) 50,005 Series F convertible preferred shares of a par value of US$0.00005 each, (f) 50,000 Series G convertible preferred shares of a par value of US$0.00075 each, (g) 50,000 Series H convertible preferred shares of a par value of US$0.00075 each, (h) 50,000 Series I convertible preferred shares of a par value of US$0.00075 each, and (i) 50,000 Series J convertible preferred shares of a par value of US$0.00075 each.

On October 25, 2024, the Group effected changes of share capital structure as the following:

(i) an increase of authorized share capital from $500,000 to $36,500,000 by creation of an additional 48,000,000,000 Class A ordinary shares of a par value of US$0.00075 each.

(ii) redesignation of (i) 894,000,000 authorised but unissued Class A ordinary shares of a par value of US$0.00075 each in the authorised share capital of the Company be re-designated and re-classified as 894,000,000 Class B ordinary shares of a par value of US$0.00075 each; and (ii) 71,733 authorised but unissued Class A ordinary shares of a par value of US$0.00075 each in the authorised share capital of the Company be re-designated and re-classified as 71,733 Series K convertible preferred shares of a par value of US$0.00075 each, such that the authorised share capital of the Company shall be changed to $36,500,000 divided into (a) 47,766,390,000 Class A ordinary shares of a par value of US$0.00075 each, (b) 900,000,000 Class B ordinary shares of a par value of US$0.00075 each, (c) 6,000 Series A convertible preferred shares of a par value of US$0.0001 each, (d) 6,000 Series D convertible preferred shares of a par value of US$0.0001 each, (e) 50,005 Series F convertible preferred shares of a par value of US$0.00005 each, (f) 50,000 Series G convertible preferred shares of a par value of US$0.00075 each, (g) 50,000 Series H convertible preferred shares of a par value of US$0.00075 each, (h) 50,000 Series I convertible preferred shares of a par value of US$0.00075 each, (i) 50,000 Series J convertible preferred shares of a par value of US$0.00075 each, and (j) 71,733 Series K convertible preferred shares of a par value of US$0.00075 each.

**KAIXIN HOLDINGS**
**(FORMERLY KNOWN AS KAIXIN AUTO HOLDINGS)**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**(In thousands of US dollars, except share and per share data, or otherwise noted)**

**1 ORGANIZATION AND PRINCIPAL ACTIVITIES (CONTTINUED)**

(iii) share consolidation at a ratio of one-for-sixty (60) ordinary shares with a par value of US$0.00075 each in the Group's issued and unissued share capital into one ordinary share with a par value of US$0.0045 ("the 2024 Share Consolidation"). Immediately following the Share Consolidation, the authorized share capital of the Group to be US$36,500,000 divided into (a) 796,106,500 Class A ordinary shares of a par value of US$0.045 each, (b) 15,000,000 Class B ordinary shares of a par value of US$0.045 each, (c) 6,000 Series A convertible preferred shares of a par value of US$0.0001 each, (d) 6,000 Series D convertible preferred shares of a par value of US$0.0001 each, (e) 50,005 Series F convertible preferred shares of a par value of US$0.00005 each, (f) 50,000 Series G convertible preferred shares of a par value of US$0.00075 each, (g) 50,000 Series H convertible preferred shares of a par value of US$0.00075 each, (h) 50,000 Series I convertible preferred shares of a par value of US$0.00075 each, (i) 50,000 Series J convertible preferred shares of a par value of US$0.00075 each, and (j) 71,733 Series K convertible preferred shares of a par value of US$0.00075 each.

*Acquisition of a subsidiary*

On August 22, 2023, the Group closed the acquisition of 100% equity interest in Morning Star Auto Inc. ("Morning Star") at share consideration of $20,250. The Group issued 1,111,111 ordinary shares (after giving effects of the 2023 Share Consolidation and 2024 Share Consolidation as mentioned above) in the acquisition.

*Setup new subsidiaries*

In January 2024, the Group, through one of its subsidiaries in the PRC, set up one subsidiary, namely, Zhejiang Kaixin Zhihui Auto Co. Ltd.. The Group owned 100% equity interest in the subsidiary.

In September 2023, the Group, through one of its subsidiaries in the PRC, set up one subsidiary, namely, Zhejiang Kaixin Yuanman Business Management Co. Ltd.. The Group owned 100% equity interest in the subsidiary.

In February through March 2023, the Group, through one of its subsidiaries in the PRC, set up three subsidiaries. Namely, Zhejiang Kaixin Daman Automobile Trading Co. Ltd. ("Kaixin Daman"), Zhejiang Kaixin Jingtao Automobile Trading Co. Ltd., and Zhejiang Kaixin Manman Commuting Technology Co. Ltd ("Kaixin Manman"). The Group owned 70% equity interest in these three subsidiaries.

*Disposition of subsidiaries*

During the year ended December 31, 2024, the Group entered into certain share transfer agreements with third parties, pursuant to which the Group transferred equity interest in subsidiaries. The details are as the following:

| Name of Disposed Subsidiaries | Date of Disposal | Consideration | % of Ownership after disposal |
|---|---|---|---|
| Kaixin Manman | May 27, 2024 | 16 | 0 % |
| Wuhan Jieying Chimei Automobile Sales Co., Ltd. ("Wuhan Jieying") | August 22, 2024 | nil | 0 % |
| Chongqing Jieying Shangyue Automobile Sales Co., Ltd. ("Chongqing Jieying") | November 8, 2024 | nil | 0 % |
| Anhui Kaixin New Energy Vehicle Co., Ltd. ("Anhui Kaixin") | December 5, 2024 | nil | 33.298 % |
| Morning Star | December 5, 2024 | nil | 0 % |

In addition, the Group also disposed of Kaixin Daman in July 2024 due to minimal operations.

The management believed that none of the transfers of share interest in subsidiaries or disposition of Kiaixn Daman represent a strategic shift that has (or will have) a major effect on the Group's operations and financial results. The transfers of equity in subsidiaries or the disposition of subsidiary are not accounted as discontinued operations in accordance with ASC 205-20.

**KAIXIN HOLDINGS**
**(FORMERLY KNOWN AS KAIXIN AUTO HOLDINGS)**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**(In thousands of US dollars, except share and per share data, or otherwise noted)**

## 1 ORGANIZATION AND PRINCIPAL ACTIVITIES (CONTTINUED)

*Disposition of subsidiaries (cont.)*

On February 2, 2023, the Group entered into a share transfer agreement with Kairui Consulting Hong Kong Limited ("Karui"), pursuant to which the Group transferred 100% equity interest in Zhejiang Taohaoche Technology Co., Ltd. ("Zhejiang Taohaoche"), a subsidiary engaged in new car trading business, at consideration of $2,700,000. In addition, the Group, Karui and Scytech Limited ("Sytech") entered into a settlement agreement, pursuant to which Kairui would pay $2,700,000 to Scytech Limited to settled the Group's liabilities due to Scytech. The management believed the transfer of share interest in Zhejiang Taohaoche does not represent a strategic shift that has (or will have) a major effect on the Group's operations and financial results. The termination is not accounted as discontinued operations in accordance with ASC 205-20.

In June 2023, the Group disposed of KAG, a Cayman holding company, to a third party. Upon disposal, KAG was a holding company and had net asset deficit of $4,158. Pursuant to the disposal agreement with third party, the Group would make payments, in the amount of net asset deficit of KAG, to the third party in the event that the net assets of KAG was below zero. Accordingly, The Group did not recognize disposal gain or loss from disposal of KAG. As of December 31, 2023, the Group did not make payments of $4,158 to the third party, and recorded the balance in accrued expenses and other current liabilities.

On August 5, 2022, the Group, through Kaixin Auto Group ("KAG"), its former subsidiary in Cayman Island, entered into a shares transfer agreement (the "Agreement") with Stanley Star. Pursuant to the Agreement, the Group sold all the shares it held in Renren Finance Inc and its subsidiaries and VIEs and VIEs' subsidiaries (collectively "Disposal Group") to Stanley Star at a consideration of $1 and additional compensation shall be made if the net liabilities of the Disposal Group were different as of the closing date.

On December 28, 2022, KAG and Stanley Star entered into a supplement agreement to issue $50,000 convertible preferred shares of the Group to Stanley Star as part of consideration to compensate the difference of net asset between the closing date and the agreement date. On March 24, 2023, KAG and Stanley Star entered into an amendment to the supplement agreement that modified specific terms of the $50 million preferred stock issued by the Group to Stanley Star.

Effectively completed on October 27, 2022, the Group disposed all the shares it held in Renren Finance Inc, which holds all the Group's VIEs and VIEs' subsidiaries in China (collectively referred to as the "Disposal group"), to Stanley Star Group Inc. ("Stanley Star" or "the Buyer"), a third-party company incorporated in BVI. (See Note 3)

PRC regulations currently limit direct foreign ownership of business entities providing value-added telecommunications services and internet services in the PRC where certain licenses are required for the provision of such services. To comply with the PRC laws and regulations, the Group used to primarily conduct such kind of business in China through the Group's VIEs, i.e. Anhui Xin Jieying Automobile Sales Co., Ltd ("Anhui Xin Jieying", formerly known as Zhejiang Jieying Automobile Sales Co., Ltd and Shanghai Jieying Automobile Sales Co., Ltd), Shanghai Qianxiang Changda Internet Information Technology Development Co.,Ltd. ("Shanghai Changda"), Ningbo Jiusheng Automobile Sales and Services Co., Ltd. ("Ningbo Jiusheng") and Qingdao Shengmei lianhe Import Automobile Sales Co., Ltd. ("Qingdao Shengmei") and their subsidiaries, based on a series of contractual arrangements by and among Zhejiang Kaixin Auto. Co., Ltd. ("Zhejiang Kaixin"), Shanghai Renren Automotive Technology Group Co., Ltd. ("Shanghai Auto"), Zhejiang Taohaoche Technology Co., Ltd. ("Zhejiang Taohaoche", formerly known as Ningbo Taohaoche Technology Co., Ltd.), the Group's VIEs and their nominee shareholders. The contractual arrangements include Shareholders' Voting Rights Proxy Agreements, Executive Call Option Agreements, Equity Pledge Agreements and Exclusive Business Cooperation Agreements.

With the disposition of Renren Finance Inc, all VIEs were disposed as of October 27, 2022 ("closing date") (see Note 3).

The Company and its consolidated subsidiaries, are collectively referred to as the "Group". The Group is primarily engaged in sales of domestic automobiles and the used car sales business in the People's Republic of China ("PRC").

**KAIXIN HOLDINGS**
**(FORMERLY KNOWN AS KAIXIN AUTO HOLDINGS)**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**(In thousands of US dollars, except share and per share data, or otherwise noted)**

## 1. ORGANIZATION AND PRINCIPAL ACTIVITIES (CONTINUED)

*Disposition of subsidiaries (cont.)*

The major subsidiaries of the Group as of December 31, 2024 are summarized as below:

| Name of Subsidiaries | Later of date of incorporation or acquisition | Place of Incorporation | % of Ownership | | Principal Activities |
|---|---|---|---|---|---|
| ***Major subsidiaries:*** | | | | | |
| Jet Sound Hong Kong Company Limited | May 7, 2011 | Hong Kong | 100 | % | Investment holding |
| Zhejiang Kaixin Auto Co., Ltd | April 4, 2021 | PRC | 100 | % | Used car trading business |

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Basis of presentation and principles of consolidation*

The consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

The consolidated financial statements include the financial statements of the Group and its subsidiaries. All inter-company transactions and balances have been eliminated upon consolidation.

*Non-controlling interests*

Non-controlling interests are presented as a separate component of equity on the consolidated balance sheet. Net loss and other comprehensive loss are attributed to controlling and non-controlling interests, respectively.

*Going concern and liquidity*

For the years ended December 31, 2024, 2023 and 2022, the Group reported a net loss of approximately $41.0 million, $53.6 million, and $84.6 million, respectively, and operating cash outflows approximately $3.0 million, $2.1 million and $2.4 million. In assessing the Group's ability to continue as a going concern, the Group monitors and analyzes its cash and its ability to generate sufficient cash flows in the future to support its operating and capital expenditure commitments.

As of December 31, 2024, the Group had cash of approximately $2.4 million. On the other hand, the Group had current liabilities of approximately $9.0 million. Among the balance of current liabilities, convertible notes of $0.6 million and warrant liabilities of $22 thousand would be settled by ordinary shares, and the balance due to related parties of $0.4 million and other payables of $2.5 million are payable on demand and may be extended. In addition, two major shareholders of the Group have agreed to consider to provide necessary financial support in the form of debt and/or equity to the Group to enable the Group to meet its other liabilities and commitments as they become due for at least twelve months from the issuance date of this consolidated financial statements.

The management believes that the Group will continue as a going concern in the following 12 months from the date the Group's 2024 consolidated financial statements are issued. The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the ordinary course of business. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might result from the outcome of the uncertainties described above.

**KAIXIN HOLDINGS**
**(FORMERLY KNOWN AS KAIXIN AUTO HOLDINGS)**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**(In thousands of US dollars, except share and per share data, or otherwise noted)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Business combinations*

Business combinations are recorded using the acquisition method of accounting. The Group uses a screen to evaluate whether a transaction should be accounted for as an acquisition and/or disposal of a business versus assets. In order for a purchase to be considered an acquisition of a business, and receive business combination accounting treatment, the set of transferred assets and activities must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. If substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets, then the set of transferred assets and activities is not a business.

The purchase price of business acquisition is allocated to the tangible assets, liabilities, identifiable intangible assets acquired and noncontrolling interest, if any, based on their estimated fair values as of the acquisition date. The excess of the purchase price over those fair values is recorded as goodwill. Acquisition-related expenses and restructuring costs are expensed as incurred.

Where the consideration in an acquisition includes contingent consideration and the payment of which depends on the achievement of certain specified conditions post-acquisition, the contingent consideration is recognized and measured at its fair value at the acquisition date and if recorded as a liability, it is subsequently carried at fair value with changes in fair value reflected in earnings.

*Use of estimates*

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the reported amounts of revenues and expenses in the financial statements and accompanying notes. Significant accounting estimates reflected in the Group's consolidated financial statements include, but are not limited to, warrant liabilities, the valuation of prepaid expenses and other current assets, deferred tax valuation allowance, impairment assessment on goodwill and intangible assets, the valuation of preferred shares, the purchase price allocation associated with business combinations.

*Fair value measurement*

Fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Group considers the principal or most advantageous market in which it would transact and it considers assumptions that market participants would use when pricing the asset or liability.

Authoritative literature provides a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The level in the hierarchy within which the fair value measurement in its entirety falls is based upon the lowest level of input that is significant to the fair value measurement as follows:

- Level 1 — inputs are based upon unadjusted quoted prices for identical assets or liabilities traded in active markets.

- Level 2 — inputs are based upon quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

- Level 3 — inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

**KAIXIN HOLDINGS**
**(FORMERLY KNOWN AS KAIXIN AUTO HOLDINGS)**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**(In thousands of US dollars, except share and per share data, or otherwise noted)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Assets measured at fair value on a recurring basis*

Management of the Group considers the carrying amount of cash and cash equivalents, accounts receivable, other receivables, short-term bank loans, accounts payable, amounts due to related parties, other payables and income tax payable based on the short-term maturity of these instruments to approximate their fair values because of their short-term nature. Warrants were measured at fair value using unobservable inputs and categorized in Level 3 of the fair value hierarchy (Note 14). There have been no transfers between Level 1, Level 2, or Level 3 categories during the years ended December 31, 2024, 2023 and 2022.

*Assets measured at fair value on a nonrecurring basis*

The Group measures its property and equipment, and intangible assets at fair value on a nonrecurring basis whenever events or changes in circumstances indicate that the carrying value may no longer be recoverable. The Group measures the purchase price allocation at fair value on a nonrecurring basis as of the acquisition dates.

Goodwill is evaluated for impairment annually or more frequently if events or conditions indicate the carrying value of a reporting unit may be greater than its fair value. Impairment testing compares the carrying amount of the reporting unit with its fair value.

For the year ended December 31, 2024, the Group derecognized the goodwill arising from acquisition of Morning Star with corresponding account charged to “(loss) gain on disposal of subsidiaries”, as the Group transferred its equity interest in the subsidiary.

For the year ended December 31, 2023, the Group performed impairment tests for goodwill caused by the acquisition of a subsidiary using the discounted cash flow method. The fair value of goodwill is a Level 3 valuation based on certain unobservable inputs including projected cash flows, terminal growth rate of 2.9%, and discount rate of 23% that would be utilized by market participants in valuing these assets or prices of similar assets. For the year ended December 31, 2023, no impairment was provided against goodwill.

For the year ended December 31, 2022, the Company did not provide impairment against goodwill as the Company had no balance of goodwill as of December 31, 2022.

*Warrant*

The Group accounts for warrants as either equity-classified or liability-classified instruments based on an assessment of the warrant’s specific terms and applicable authoritative guidance in Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 480, Distinguishing Liabilities from Equity (“ASC 480”) and ASC 815, Derivatives and Hedging (“ASC 815”). The assessment considers whether the warrants are freestanding financial instruments pursuant to ASC 480, meet the definition of a liability pursuant to ASC 480, and whether the warrants meet all of the requirements for equity classification under ASC 815, including whether the warrants are indexed to the Group’s own ordinary shares, among other conditions for equity classification. This assessment, which requires the use of professional judgment, is conducted at the time of warrant issuance and as of each subsequent quarterly period end date while the warrants are outstanding.

For issued or modified warrants that meet all of the criteria for equity classification, the warrants are required to be recorded as a component of additional paid-in capital at the time of issuance. For issued or modified warrants that do not meet all the criteria for equity classification, the warrants are required to be recorded at their initial fair value on the date of issuance, and each balance sheet date thereafter with changes in fair value recognized in the statements of operations in the period of change.

**KAIXIN HOLDINGS**
**(FORMERLY KNOWN AS KAIXIN AUTO HOLDINGS)**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**(In thousands of US dollars, except share and per share data, or otherwise noted)**

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Cash and cash equivalents*

Cash and cash equivalents consist of cash on hand and cash in banks. The Group considers all short-term investments with an original maturity of three months or less when purchased to be cash equivalents.

*Prepayment for vehicle purchase and other assets*

Prepayment for vehicle purchase, other current assets and other non-current assets consist of prepayment to the dealership operators for purchase of vehicles, advances to suppliers, deductible input VAT, and other receivables. The Group reviews suppliers credit history and background information before advancing a payment. The Group maintains an allowance for doubtful accounts based on a variety of factors, including but not limited to the aging of prepayments, concentrations, credit-worthiness, historical and current economic trends and changes in delivery patterns. If the financial condition of its suppliers were to deteriorate, resulting in an impairment of their ability to deliver goods or provide services, the Group would provide allowance for such amount in the period when it is considered impaired. For the years ended December 31, 2024, 2023 and 2022, the Group recorded impairment loss of $nil, $23,262 and $22,921 against prepayment for vehicle purchase and other current assets.

*Inventory*

Inventory was comprised of the purchased new automobiles. Inventory is stated at the lower of cost or net realizable value. Inventory cost is determined by specific identification. Net realizable value is the estimated selling price less costs to complete, dispose and transport the vehicles. Selling prices are derived from historical data and trends, such as sales price and inventories turnover times of similar vehicles, as well as independent, market resources. Each reporting period the Group recognizes any necessary adjustments to reduce the cost of vehicle inventories to its net realizable value through cost of sales in the accompanying consolidated statements of operations.

Vehicle inventories are considered slow moving if they have not been sold within a 90 - day period since procurement. In estimating the level of inventories write-downs for slow moving vehicles, the Group considers historical data and forecasted customer demand, such as sales price and inventories turnover of similar vehicles with similar mileage and condition, as well as independent, market information. This valuation process requires management to make judgments, based on currently available information, and assumptions about future demand and market conditions, which are inherently uncertain. To the extent that there are significant changes to estimated vehicle selling prices or decreases in demand for used vehicles, there could be significant adjustments to reflect inventories at net realizable value. There were no write-downs of inventories recorded for the years ended December 31,2024, 2023 and 2022.

*Property and equipment, net*

Property and equipment are stated at cost less accumulated depreciation and impairment if any. The depreciation is recognized on a straight-line basis over the estimated useful lives of the assets. Cost represents the purchase price of the asset and other costs incurred to bring the asset into its intended use. The cost of repairs and maintenance is expensed as incurred; major replacements and improvements are capitalized. When assets are retired or disposed of, the cost and accumulated depreciation are removed from the accounts, and any resulting gains or losses are included in consolidated statements of operations and comprehensive loss in the year of disposition. Estimated useful lives are as follows:

| | Estimated Useful Life |
|---|---|
| Computer equipment and application software | 2 - 3 Years |
| Furniture and vehicles | 5 Years |

**KAIXIN HOLDINGS**
**(FORMERLY KNOWN AS KAIXIN AUTO HOLDINGS)**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**(In thousands of US dollars, except share and per share data, or otherwise noted)**

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Intangible assets, net*

Intangible asset is stated at cost less accumulated amortization and impairment if any. Intangible asset is amortized in a method which reflects the pattern in which the economic benefits of the intangible asset are expected to be consumed or otherwise used up. When assets are retired or disposed of, the cost and accumulated amortization are removed from the accounts, and any resulting gains or losses are included in income/loss in the year of disposition. Estimated useful lives are as follows:

| | Estimated Useful Life |
|---|---|
| Software | 10 Years |
| Trademark | 10 Years |
| Technology | 4.3 Years - 6.3 Years |

In accordance with ASC Topic 360, the Group reviews intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be fully recoverable. Software and domain name are used for the business of Haitaoche and no impairment indicators was noted. The trademark recognized from the Reverse Acquisition were initial recognized using Relief-From-Royalty (“RFR”) method. The trademark was tested for impairment due to identification of impairment indicator. Technology is recognized on acquisition of Morning Star in August 2023.

The amount of impairment is measured as the difference between the asset’s estimated fair value and its carrying amount. The Group did not record any impairment charge for the years ended December 31, 2024, 2023 and 2022.

*Goodwill*

Goodwill represents the excess of the purchase price over the fair value of identifiable net assets acquired in business combinations.

The Group assesses goodwill for impairment on annual basis as of December 31 or if indicator noted for goodwill impairment. In accordance with ASU 2017-04, Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment (“ASU 2017-04”) issued by the Financial Accounting Standards Board (“FASB”) guidance on testing of goodwill for impairment, the Group will first assess qualitative factors to determine whether it is “more likely than not” that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the quantitative impairment test. If this is the case, the quantitative goodwill impairment test is required. If it is more likely-than-not that the fair value of a reporting unit is greater than its carrying amount, the quantitative goodwill impairment test is not required.

Quantitative goodwill impairment test is used to identify both the existence of impairment and the amount of impairment loss, compares the fair value of a reporting unit with its carrying amount, including goodwill. If the fair value of the reporting unit is greater than its carrying amount, goodwill is not considered impaired. If the fair value of the reporting unit is less than its carrying amount, an impairment loss shall be recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit.

During the year ended December 31, 2023, the Group recognized goodwill of $38,201 arising from business combination of Morning Star (Note 4). The goodwill was derecognized in the year of 2024 when the Group transferred equity interest in Morning Star. As of December 31, 2024 and 2023, no impairment was provided against the goodwill.

**KAIXIN HOLDINGS**
**(FORMERLY KNOWN AS KAIXIN AUTO HOLDINGS)**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**(In thousands of US dollars, except share and per share data, or otherwise noted)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Long-term investment*

As of December 31, 2024, long-term investments represent the Group's investment in one equity method investee over which the Group has significant influence.

In accordance with ASC 323, *Investments - Equity Method and Joint Ventures*, the Group accounts for the investment in privately held companies using equity method, because the Group has significant influence but does not own a majority equity interest or otherwise control over the equity investees.

Under the equity method, the Group initially records its investment at cost and prospectively recognizes its proportionate share of each equity investee's net income or loss into its consolidated statements of operations. When the Group's share of losses in the equity investee equals or exceeds its interest in the equity investee, the Group does not recognize further losses, unless the Group has incurred obligations or made payments or guarantees on behalf of the equity investee.

The Group continually reviews its investment in the equity investee to determine whether a decline in fair value below the carrying value is other-than-temporary. The primary factors the Group considers in its determination include the financial condition, operating performance and the prospects of the equity investee; other company specific information such as recent financing rounds; the geographic region, market and industry in which the equity investee operates; and the length of time that the fair value of the investment is below its carrying value. If the decline in fair value is deemed to be other-than-temporary, the carrying value of the equity investee is written down to fair value.

*Impairment of long-lived assets*

In accordance with ASC Topic 360, the Group reviews long-lived assets or asset group for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets or asset group may not be fully recoverable. If circumstances require a long-lived asset or asset group be tested for possible impairment, the Group first compares undiscounted cash flows expected to be generated by that asset or asset group to its carrying amount. If the carrying amount of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying amount exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary. Any impairment write-downs would be treated as permanent reductions in the carrying amounts of the assets and a charge to operations would be recognized. Management has performed a review of all long-lived assets and did not record impairment loss against other non-current assets for the years ended December 31, 2024, 2023 and 2022.

*Operating lease right-of-use assets*

The Group leases premises for offices under non-cancellable operating leases.

The Company adopted Topic 842 to account for operating leases. The lease liabilities are recognized upon lease commencement for operating leases based on the present value of lease payments over the lease term. The right-of-use assets are initially measured at cost, which comprises the initial amount of the lease liability adjusted for lease payments made at or before the lease commencement date, plus any initial direct costs incurred less any lease incentives received. As the rate implicit in the lease cannot be readily determined, the Group's incremental borrowing rate at the lease commencement date is used in determining the imputed interest and present value of lease payments. The incremental borrowing rate was determined using a portfolio approach based on the rate of interest that the Group would have to borrow an amount equal to the lease payments on a collateralized basis over a similar term. The Group recognizes the single lease cost on a straight-line basis over the remaining lease term for operating leases.

The Group has elected not to recognize right-of-use assets or lease liabilities for leases with an initial term of 12 months or less; expenses for these leases are recognized on a straight-line basis over the lease term.

**KAIXIN HOLDINGS**
**(FORMERLY KNOWN AS KAIXIN AUTO HOLDINGS)**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**(In thousands of US dollars, except share and per share data, or otherwise noted)**

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Convertible notes*

The Group accounts for its convertible notes under ASC 470 Debt, using the effective interest method, as a single debt instrument, from the issuance date to the maturity date. Interest expenses are recognized in the consolidated statement of operation in the period in which they are incurred. If the convertible notes are converted into equity, the Group must extinguish the related debt liability. The Group should recognize any difference between the carrying amount of the liability and the fair value of the equity instruments issued as a gain or loss in the income statement.

*Value added tax*

Value-added tax ("VAT") is reported as a deduction to revenue when incurred. Entities that are VAT general taxpayers are allowed to offset qualified input VAT paid to suppliers against their output VAT liabilities. Net VAT balance between input VAT and output VAT is recorded in accrued expense and other current liabilities on the consolidated balance sheets.

The Group viewed itself as a service provider for VAT purpose, and therefore is only subject to value-added tax on the difference between the original purchase price and the retail price of the used cars.

The Group reports revenue net of PRC's VAT for all the periods presented in the consolidated statements of operations.

*Revenue recognition*

The Group accounts for revenue using Accounting Standards Codification ("ASC") 606, Revenue from Contracts with Customers. The following five steps are applied to achieve core principle of ASC 606:

Step 1: Identify the contract with the customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when the Group satisfies a performance obligation

The Group primarily sells automobiles to car dealers and individual customers through signing written sales contracts. The Group presents the revenue generated from its sales of automobiles on a gross basis as the Group is a principal based on the fact that the Group is primarily responsible for fulling the promise to deliver the specified used cars or new cars to the customers, the Group also has pricing discretion and obtains substantially all of the remaining benefits from the sale goods. Revenue is recognized at a point in time upon delivery, which usually coincide with the timing of the customer acceptance.

The following table identifies the disaggregation of the revenue for the years ended December 31, 2024, 2023 and 2022, respectively:

| | For the years ended December 31, | | |
|---|---|---|---|
| | 2024 | 2023 | 2022 |
| Used-car sales | $ — | $ 1,420 | $ 80,034 |
| New-car wholesales | — | 30,048 | 2,806 |
| Technical services | — | 67 | — |
| **Total revenues** | **$ —** | **$ 31,535** | **$ 82,840** |

**KAIXIN HOLDINGS**
**(FORMERLY KNOWN AS KAIXIN AUTO HOLDINGS)**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**(In thousands of US dollars, except share and per share data, or otherwise noted)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Income taxes*

The Group accounts for income taxes using the asset/liability method prescribed by ASC 740 Income Taxes. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial reporting and tax bases of assets and liabilities using enacted tax rates that will be in effect in the period in which the differences are expected to reverse. The Group records a valuation allowance to offset deferred tax assets if, based on the weight of available evidence, it is more-likely-than-not that some portion, or all, of the deferred tax assets will not be realized. The effect on deferred taxes of a change in tax rates is recognized as income or loss in the period that includes the enactment date.

The provisions of ASC 740-10-25, "Accounting for Uncertainty in Income Taxes," prescribe a more-likely-than-not threshold for consolidated financial statement recognition and measurement of a tax position taken (or expected to be taken) in a tax return. This interpretation also provides guidance on the recognition of income tax assets and liabilities, classification of current and deferred tax assets and liabilities, accounting for interest and penalties associated with tax positions, and related disclosures. The Group's operating subsidiaries in PRC are subject to examination by the relevant tax authorities. According to the PRC Tax Administration and Collection Law, the statute of limitations is three years if the underpayment of taxes is due to computational errors made by the taxpayer or the withholding agent. The statute of limitations is extended to five years under special circumstances, where the underpayment of taxes is more than RMB 100,000 ($13,900). In the case of transfer pricing issues, the statute of limitation is ten years. There is no statute of limitation in the case of tax evasion. Penalties and interest incurred related to underpayment of income tax are classified as income tax expense in the period incurred.

As of December 31, 2024 and 2023, the Group did not have any significant unrecognized uncertain tax positions and the Group does not believe that its unrecognized tax benefits will change over the next twelve months. In addition, the Group did not have any interest or penalties associated with uncertain tax position for the years ended December 31, 2024, 2023 and 2022.

*Foreign currency translation*

The reporting currency of the Group is the U.S. dollar ("USD" or "$"). The functional currency of subsidiaries located in China is the Chinese Renminbi ("RMB"), the functional currency of subsidiaries located in Hong Kong is the Hong Kong dollars ("HK dollar" or "HK$"). For the entities whose functional currency is the RMB and HK$, result of operations and cash flows are translated at average exchange rates during the period, assets and liabilities are translated at the unified exchange rate at the end of the period, and equity is translated at historical exchange rates. As a result, amounts relating to assets and liabilities reported on the statements of cash flows may not necessarily agree with the changes in the corresponding balances on the balance sheets. Translation adjustments are reported as foreign currency translation adjustment and are shown as a separate component of other comprehensive income (loss) in the consolidated statements of comprehensive loss.

Transactions denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing on the transaction dates. Assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing at the balance sheet date. Both exchanges rates were published by the Federal Reserve Board. Any transaction gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are shown as foreign currency exchange (loss) gains in the consolidated statements of operations and comprehensive loss as incurred.

The consolidated balance sheets amount, with the exception of equity, on December 31, 2024 and December 31, 2023 were translated at RMB7.2993 to $1.00 and at RMB7.0999 to $1.00, respectively. Equity accounts were stated at their historical rates. The average translation rates applied to consolidated statements of operations and cash flows for the years ended December 31, 2024, 2023 and 2022 were RMB7.1957 to $1.00, RMB7.0802 to $1.00, and RMB6.7290 to $1.00, respectively.

**KAIXIN HOLDINGS**
**(FORMERLY KNOWN AS KAIXIN AUTO HOLDINGS)**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**(In thousands of US dollars, except share and per share data, or otherwise noted)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Share-based compensation*

Share-based payment transactions with employees, such as share options are measured based on the grant date fair value of the equity instrument. The Group recognizes the compensation costs net of estimated forfeitures using the straight-line method, over the applicable vesting period. The estimate of forfeitures will be adjusted over the requisite service period to the extent that actual forfeitures differ, or are expected to differ, from such estimates. Changes in estimated forfeitures will be recognized through a cumulative catch-up adjustment in the period of change and will also impact the amount of stock compensation expense to be recognized in future periods. Share options granted to employees with market conditions attached are measured at fair value on the grant date and are recognized as the compensation costs over the estimated requisite service period, regardless of whether the market condition has been met.

A change in any of the terms or conditions of share options is accounted for as a modification of stock options. The Group calculates the incremental compensation cost of a modification as the excess of the fair value of the modified option over the fair value of the original option immediately before its terms are modified, measured based on the share price and other pertinent factors at the modification date. For vested options, the Group recognizes incremental compensation cost in the period the modification occurred. For unvested options, the Group recognizes, over the remaining requisite service period, the sum of the incremental compensation cost and the remaining unrecognized compensation cost for the original award on the modification date.

*Loss per share*

Basic loss per share is computed by dividing net loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding for the period. Diluted loss per share is calculated by dividing net loss attributable to ordinary shareholders as adjusted for the effect of dilutive ordinary equivalent shares, if any, by the weighted average number of ordinary and dilutive ordinary equivalent shares outstanding during the period. Potentially dilutive shares are excluded from the computation if their effect is anti-dilutive.

*Comprehensive loss*

Comprehensive loss is comprised of the Group's net loss and other comprehensive income (loss). The components of other comprehensive income (loss) consist solely of foreign currency translation adjustments.

*Commitments and contingencies*

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. If a potential material loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, is disclosed. Legal costs incurred in connection with loss contingencies are expensed as incurred.

**KAIXIN HOLDINGS**
**(FORMERLY KNOWN AS KAIXIN AUTO HOLDINGS)**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**(In thousands of US dollars, except share and per share data, or otherwise noted)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Concentration of credit risk*

Financial instruments that potentially expose the Group to concentrations of credit risk consist primarily of cash and cash equivalent, prepayment for vehicle purchase and other receivable due from noncontrolling shareholders. The Group places its cash and cash equivalent with financial institutions with high-credit ratings and quality.

The Group's operations are carried out in the PRC. Accordingly, our business, financial condition, and results of operations may be influenced by the political, economic, and legal environment in the PRC, and by the general state of the economy of the PRC. Our operations in the PRC are subject to specific considerations and significant risks not typically associated with companies in North America. The Group's results may be adversely affected by changes in governmental policies with respect to laws and regulations, anti-inflationary measures, currency conversion and remittance abroad, and rates and methods of taxation, among other things. Financial instruments which potentially subject us to concentrations of credit risk consist principally of cash and cash equivalent. All of our cash is maintained with state-owned banks, commercial banks or third-party service provider certified by the People's bank of China, such as Alipay, within the PRC. Per PRC regulations, the maximum insured bank deposit amount is RMB500 (approximately $68) for each financial institution. The Group's total unprotected cash held in bank amounted to approximately $2,268 as of December 31, 2024. The Group has not experienced any losses in such accounts and believes the Group is not exposed to any risks on our cash held in bank accounts.

With regard to the prepayment for purchase of used car, the Group regularly monitor and performs inspection and counting on these noncontrolling shareholders' cars inventory to ensure the prepayments are recoverable. Regarding the other receivable due from these noncontrolling shareholders, the Group has arrangement to hold the Group's ordinary shares issued to these parties to ensure the repayment of majority of the balances.

There were no customers that accounted for 10% or more of total revenues for the years ended December 31, 2024, 2023 and 2022. No supplier that accounted for 10% or more of total purchase for the years ended December 31, 2024, 2023 and 2022 or 10% or more of prepaid expenses and other current assets balance as of December 31, 2024 and 2023.

*Segment reporting*

The Group uses the management approach to determine operating segments. The management approach considers the internal organization and reporting used by the Group's chief operating decision maker ("CODM") for making decisions, allocating resources, and assessing performance. The Group's CODM has been identified as the chief executive officer, who reviews consolidated results when making decisions about allocating resources and assessing performance of the Group.

The Group's CODM reviews the consolidated financial results when making decisions about allocating resources and assessing the performance of the Group as a whole and hence, the Group has only one reportable segment. The Group operates and manages its business as a single segment. As the Group's long-lived assets are substantially all located in the PRC and substantially all of the Group's revenue is derived from within the PRC, no geographical segments are presented.

**KAIXIN HOLDINGS**
**(FORMERLY KNOWN AS KAIXIN AUTO HOLDINGS)**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**(In thousands of US dollars, except share and per share data, or otherwise noted)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Recently issued accounting pronouncements*

In December 2023, the FASB issued ASU 2023-09, which is an update to Topic 740, Income Taxes. The amendments in this update related to the rate reconciliation and income taxes paid disclosures improve the transparency of income tax disclosures by requiring (1) adding disclosures of pretax income (or loss) and income tax expense (or benefit) to be consistent with U.S. Securities and Exchange Commission (the "SEC") Regulation S-X 210.4-08(h), Rules of General Application — General Notes to Financial Statements: Income Tax Expense, and (2) removing disclosures that no longer are considered cost beneficial or relevant. For public business entities, the amendments in this Update are effective for annual periods beginning after December 15, 2024. For entities other than public business entities, the amendments are effective for annual periods beginning after December 15, 2025. Early adoption is permitted for annual financial statements that have not yet been issued or made available for issuance. The amendments in this update should be applied on a prospective basis. Retrospective application is permitted. The Group does not plan to early adopt ASU 2023-09 and is evaluating the impact of adoption of ASU 2023-09 on the consolidated financial statements.

In October 2023, the FASB issued ASU 2023-06, Disclosure Improvements — Codification Amendments in Response to SEC's Disclosure Update and Simplification Initiative which amend the disclosure or presentation requirements of codification subtopic 230-10 Statement of Cash Flows — Overall, 250-10 Accounting Changes and Error Corrections — Overall, 260-10 Earnings Per Share — Overall, 270-10 Interim Reporting — Overall, 440-10 Commitments — Overall, 470-10 Debt — Overall, 505-10 Equity — Overall, 815-10 Derivatives and Hedging — Overall, 860-30 Transfers and Servicing — Secured Borrowing and Collateral, 932-235 Extractive Activities — Oil and Gas — Notes to Financial Statements, 946-20 Financial Services — Investment Companies — Investment Company Activities, and 974-10 Real Estate — Real Estate Investment Trusts — Overall. The amendments represent changes to clarify or improve disclosure and presentation requirements of the above subtopics. Many of the amendments allow users to more easily compare entities subject to the SEC's existing disclosures with those entities that were not previously subject to the SEC's requirements. Also, the amendments align the requirements in the codification with the SEC's regulations. For entities subject to existing SEC disclosure requirements or those that must provide financial statements to the SEC for securities purposes without contractual transfer restrictions, the effective date aligns with the date when the SEC removes the related disclosure from Regulation S-X or Regulation S-K. Early adoption is not allowed. For all other entities, the amendments will be effective two years later from the date of the SEC's removal.

The Group does not believe other recently issued but not yet effective accounting standards, if currently adopted, would have a material effect on the unaudited condensed consolidated balance sheets, unaudited condensed consolidated statements of income and comprehensive income and unaudited condensed consolidated statements of cash flows.

**KAIXIN HOLDINGS**
**(FORMERLY KNOWN AS KAIXIN AUTO HOLDINGS)**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**(In thousands of US dollars, except share and per share data, or otherwise noted)**

## 3. DISPOSAL OF SUBSIDIARIES

*Disposal of Renren Finance Inc and its subsidiaries and VIEs and VIEs' subsidiaries*

On August 5, 2022, KAG and Stanley Star entered into a shares transfer agreement (the "Agreement"). Pursuant to the Agreement, the Group sell all the shares it held in Renren Finance Inc and its subsidiaries and VIEs and VIEs' subsidiaries to Stanley Star at a consideration of $1 and additional compensation shall be made if the net liabilities of the Disposal Group were different as of the closing date.

On December 28, 2022, KAG and Stanley Star entered into a supplement agreement to issue $50,000 convertible preferred shares of the Company to Stanley Star as part of consideration to compensate the difference of net asset between the closing date and the agreement date. On March 24, 2023, KAG and Stanley Star entered into an amendment to the supplement agreement that modified specific terms of the $50 million preferred stock issued by the Company to Stanley Star.

On October 27, 2022 the Group calculated a gain regarding the divestiture of Disposal group as follows:

| | As of October 27, 2022 |
|---|---|
| The carrying amount of any non-controlling interest | $ 3,954 |
| Net liabilities | 24,276 |
| | 28,230 |
| Less: fair value of preferred shares issued to Stanley Star | 24,592 |
| **Gain on disposal of subsidiaries** | **$ 3,638** |

The fair value of the preferred shares issued to the Buyer as of the closing date and the fair value was approximately $24.6 million. When the Group deconsolidated subsidiaries, the amount of accumulated other comprehensive loss $2,060 is reclassified and partially offset the gain.

The divestiture of the Disposal Group did not constitute a strategic shift of the Group's operations and did not have major effects on the Group's operations and financial results; therefore, the transactions do not meet the discontinued operations criteria.

The following table summarizes the carrying amounts of the major classes of assets and liabilities of the Disposal Group as of October 27, 2022:

| | As of October 27, 2022 |
|---|---|
| Cash and cash equivalents | $ 97 |
| Prepaid expenses and other current assets | 1,983 |
| Property and equipment, net | 4 |
| Intangible assets, net | 20 |
| **TOTAL ASSETS** | **2,104** |
| | |
| Accounts payable | (257) |
| Advance from customers | (163) |
| Long-term bank loan | (5,476) |
| Income tax payable | (2,225) |
| Amount due to Kaixin | (8,848) |
| VAT payable | (3,340) |
| Accrual expenses and other current liabilities | (6,071) |
| **Total Liabilities** | **(26,380)** |
| | |
| **Net liabilities** | **$ (24,276)** |

**KAIXIN HOLDINGS**
**(FORMERLY KNOWN AS KAIXIN AUTO HOLDINGS)**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**(In thousands of US dollars, except share and per share data, or otherwise noted)**

## 3. DISPOSAL OF SUBSIDIARIES (CONTINUED)

*Disposal of Zhejiang Taohaoche*

On February 2, 2023, the Group entered into a share transfer agreement with Kairui Consulting Hong Kong Limited ("Karui"), pursuant to which the Group transferred 100% equity interest in Zhejiang Taohaoche at consideration of $2,700,000. In addition, the Group, Karui and Scytech Limited ("Sytech") entered into a settlement agreement, pursuant to which Kairui would pay $2,700,000 to Scytech Limited to settle the Group's liabilities due to Scytech. For the year ended December 31, 2023, Kairui made cash consideration to Scytech and the Group settled its liabilities to Scytech. Upon disposal, Zhejiang Taohaoche's net assets and gain on disposal of Zhejiang Taohaoche was comprised of the following:

| | As of February 2, 2023 |
|---|---|
| **Consideration** | **$ 2,700** |
| Cash | $ 2,662 |
| Accrued expenses and other current liabilities | (61) |
| Foreign exchange adjustment | 34 |
| **Net assets** | **$ 2,635** |
| **Gain on disposal of Zhejiang Taohaoche** | **$ 65** |

The transfer of share equity interest in Zhejiang Taohaoche did not constitute a strategic shift of the Group's operations and did not have major effects on the Group's operations and financial results; therefore, the transactions do not meet the discontinued operations criteria.

*Disposal of KAG*

In June 2023, the Group disposed of KAG, a Cayman holding company, to a third party. Upon disposal, KAG was a holding company and had net asset deficit of $4,158. Pursuant to the disposal agreement with third party, the Company would make payments, in the amount of net asset deficit of KAG, to the third party in the event that the net assets of KAG was below zero. Accordingly, The Group did not recognize disposal gain or loss from disposal of KAG. In May 2024, the Group issued 12,800 Series G convertible preferred shares to the third party, at fair value of $1,996, to partially settled the payments.

As of December 31, 2024 and 2023, the Company had outstanding balance of $2,162 and $4,158, respectivley, due to the third party, and recorded the balance in accrued expenses and other current liabilities.

**KAIXIN HOLDINGS**
**(FORMERLY KNOWN AS KAIXIN AUTO HOLDINGS)**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**(In thousands of US dollars, except share and per share data, or otherwise noted)**

## 3. DISPOSAL OF SUBSIDIARIES (CONTINUED)

*Disposal of Kaixin Daman, Kaixin Manman, Wuhan Jieying, Chongqing Jieying and Morning Star*

During the year ended December 31, 2024, the Group entered into certain share transfer agreements with third parties, pursuant to which the Group fully transferred equity interest in Kaixin Manman, Wuhan Jieying, Chongqing Jieying and Morning Star. Due to the net asset deficit on disposal dates, the consideration for the equity transfer were nil, except for disposal of Kaixin Manman from which the Group collected proceeds of $16. In addition, the Group also dissolved Kaixin Daman in July 2024 due to minimal operations.

The following table summarizes the carrying amounts of the major classes of assets and liabilities of the disposed subsidiaries as of disposal dates.

| | As of disposal dates |
|---|---|
| Consideration | $ 16 |
| Non-controlling interest | $ 3,330 |
| Additional paid-in capital | $ 12,187 |
| | |
| Cash | $ 24 |
| Prepayment for vehicle purchase and other current assets, net | 39 |
| Due from related parties | 1,415 |
| Goodwill | 38,201 |
| Accounts payable | (92) |
| Income tax payable | (684) |
| Due to related parties | (802) |
| Accrued expenses and other current liabilities | (675) |
| Foreign exchange adjustment | 1,006 |
| **Net assets** | **$ 38,432** |
| | |
| **Loss on disposal of subsidiaries** | **$ 22,899** |

*Disposal of Anui Kaixin*

On December 5, 2024, the Company transferred 66.702% equity interest in Anhui Kaixin to a third party at no considerations. Upon the transfer of equity interest, the Company owned 33.298% equity interest in Anhui Kaixin and exercised significant influence over the equity investee.

The following table summarizes the carrying amounts of the major classes of assets and liabilities of Anhui Kaixin on December 5, 2024.

| | As of December 5, 2024 |
|---|---|
| Cash | $ 0 |
| Prepayment for vehicle purchase and other current assets, net | 54 |
| Inventories | 34 |
| Due from related parties | 33 |
| Property and equipment | 17 |
| **Net assets** | **$ 138** |
| | |
| **Loss on disposal of subsidiaries** | **$ 138** |

The Group derecognized the net assets of Anhui Kaixin and recorded as loss from disposal of subsidiaries. In the same time, the Company recorded long-term investments of its 33.298% equity interest in Anhui Kaixin at fair value on December 5, 2024 (Note 6).

**KAIXIN HOLDINGS**
**(FORMERLY KNOWN AS KAIXIN AUTO HOLDINGS)**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**(In thousands of US dollars, except share and per share data, or otherwise noted)**

## 4. ACQUISITION OF MORNING STAR

On August 22, 2023, the Company closed acquisition 100% equity interest of Morning Star at the cost of issuance of 111,111 Class A Ordinary Shares (*the First Share Consolidation effected in September 2023 and the Second Share Consolidation effected in October 2024*). The fair value of the share consideration was $49,100 by reference to the closing price on August 22, 2023.

The Company has allocated the purchase price of Morning Star based upon the fair value of the identifiable assets acquired and liabilities assumed on the acquisition date. The Company estimated the fair values of the assets acquired and liabilities assumed at the acquisition date in accordance with the business combination standard issued by FASB. The Company used carrying amount of assets and liabilities as fair value, which approximate the fair value, and used income approach to estimate the fair value of intangible assets which was primarily comprised technologies. Management of the Company is responsible for determining the fair value of assets acquired, liabilities assumed and intangible assets identified as of the acquisition date and considered a number of factors including valuations from an independent appraiser firm. Acquisition-related costs incurred for the acquisitions are not material and have been expensed as incurred in other operating expenses.

The following table summarizes the estimated fair values of the identifiable assets acquired at the acquisition date, which represents the net purchase price allocation at the date of the acquisition of Morining Star based on a valuation performed by an independent valuation firm engaged by the Company and translated the fair value from RMB to USD using the exchange rate on August 22, 2023 at the rate of USD 1.00 to RMB 7.2930. The following is a reconciliation of the fair value of major classes of assets acquired and liabilities assumed which comprised of net tangible assets on August 22, 2023.

| | August 22, 2023 |
|---|---|
| Net tangible assets | $ 420 |
| Technologies (1) | 13,972 |
| Goodwill | 38,201 |
| Deferred tax liabilities | (3,493) |
| **Total purchase consideration** | **$ 49,100** |

(1) The following is a reconciliation of the fair value of major classes of assets acquired and liabilities assumed which comprised of net tangible assets on August 22, 2023.

(2) The technologies are primarily related to design and manufacture of electric vehicles. The useful lives of these technologies of 6.3 years.

**KAIXIN HOLDINGS**
**(FORMERLY KNOWN AS KAIXIN AUTO HOLDINGS)**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**(In thousands of US dollars, except share and per share data, or otherwise noted)**

## 5. INTANGIBLE ASSETS, NET

As of December 31, 2024 and 2023, intangible assets, net consisted of the following:

| | As of December 31, | |
|---|---|---|
| | 2024 | 2023 |
| Trademark identified in reverse acquisition (1) | $ 15,100 | $ 15,100 |
| Technology identified in acquisition of Morning Star (Note 4) (2) | 13,972 | 13,972 |
| Software | 68 | 70 |
| Total | 29,140 | 29,142 |
| Less: Accumulated amortization | (8,427) | (4,704) |
| **Intangible assets, net** | **$ 20,713** | **$ 24,438** |

(1) The trademark was identified in reverse acquisition of KAH with Haitaoche on June 25, 2021. As of December 31, 2023, the trademark had remaining useful life of 6.5 years.

(2) The technology was identified in acquisition of Morning Start on August 23, 2023. As of December 31, 2024, the trademark has remaining useful life 4.9 years.

For the years ended December 31, 2024, 2023 and 2022, amortization expense was $3,723, $2,436 and $1,531, respectively. The following is a schedule, by fiscal years, of amortization amount of intangible asset as of December 31, 2024:

| | |
|---|---|
| 2025 | $ 3,723 |
| 2026 | 3,723 |
| 2027 | 3,723 |
| 2028 | 3,723 |
| Thereafter | 5,821 |
| **Total** | **$ 20,713** |

## 6. LONG-TERM INVESTMENT

As of December 31, 2024 and 2023, long-term investment consisted of the following:

| | As of December 31, | |
|---|---|---|
| | 2024 | 2023 |
| Investment in Anhui Kaixin New Energy Vehicle Co., Ltd. (“Anhui Kaixin”) | $ 393 | $ — |
| Less: share of equity loss | — | — |
| | **$ 393** | **$ —** |

On December 5, 2024, the Company transferred 66.702% equity interest in Anhui Kaixin to a third party. Upon the transfer of equity interest, the Company owned 33.298% equity interest in Anhui Kaixin and exercised significant influence over the equity investee.

The Company used equity method to measure the investment in Anhui Kaixin. For the period from December 5, 2024 through December 31, 2024, Anhui Kaixin incurred minimal net loss and the Company recorded share of equity loss of $nil. The Company assessed indicators reflecting an other-than-temporary decline in fair value below the carrying value and did not provide impairment against the investment in Anhui Kaixin.

**KAIXIN HOLDINGS**
**(FORMERLY KNOWN AS KAIXIN AUTO HOLDINGS)**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**(In thousands of US dollars, except share and per share data, or otherwise noted)**

## 7. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

| | As of December 31, | |
|---|---|---|
| | 2024 | 2023 |
| Due to buyer of KAG arising from disposal of KAG (Note 3) | $ 2,162 | $ 4,158 |
| Loan payable (1) | 205 | 211 |
| Accrued professional fee | 494 | 587 |
| Individual income tax payable | 2,207 | 2,207 |
| Used car services payables | — | 284 |
| Other taxes payable | — | 135 |
| Others | 2,682 | 1,321 |
| **Total** | **$ 7,750** | **$ 8,903** |

(1) Loans payable

As of December 31, 2024 and 2023, the balance of loan payable represented borrowings from Shanghai Wuxia Jindongxue Technology Co., Ltd. The loan was borrowed on Auguust 29, 2024 to support working capital of the Company. The loan was an interest-free and was payable on demand.

## 8. PAYABLE FOR SALES INCENTIVE

In the year of 2022, the Group entered into a share grant agreement with certain dealership operators to incentivize the dealership operators to improve their sales performance. Pursuant to the share grant agreement, the Group agreed to provide sales incentives to the dealership operators based on their sales performance.

For the years ended December 31, 2024, the Group granted 785 Class A Ordinary Shares and 7,366 Series H convertible preferred shares (*after giving effects to the the Second Share Consolidation effected in October 2024. Note 1*), respectively, to these dealership operators. For the years ended December 31, 2023 and 2022, the Group granted 5,699 Class A Ordinary Shares and 6,206 Class A Ordinary Shares (*after giving effects to the First Share Consolidation effected in September 2023 and the Second Share Consolidation effected in October 2024. Note 1*), respectively, to these dealership operators.

The Group recognized share-based compensation expenses of $988, $2,701 and $1,638 for the year ended December 31, 2024, 2023 and 2022, respectively, in the account of selling expenses. The share-based compensation expenses were recognized at fair value on grant dates.

During the year ended December 31, 2023, the Group issued an aggregation of 11,026 shares (*after giving effects to the First Share Consolidation effected in September 2023 and the Second Share Consolidation effected in October 2024. Note 1*) to settle the payables for sales incentive. During the year ended December 31, 2024, the Group issued 1,664 Class A Ordinary Shares and 7,366 Series H convertible preferred shares (*after giving effects to the the Second Share Consolidation effected in October 2024. Note 1*) to settle the payables for sales incentive. As of December 31, 2024 and 2023, the payable for sales incentive was $nil and $417, respectively.

**KAIXIN HOLDINGS**
**(FORMERLY KNOWN AS KAIXIN AUTO HOLDINGS)**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**(In thousands of US dollars, except share and per share data, or otherwise noted)**

## 9. LEASE

The Group leases offices space under one non-cancelable operating lease with lease term of five years. The Group considers those renewal or termination options that are reasonably certain to be exercised in the determination of the lease term and initial measurement of right of use assets and lease liabilities. Lease expense for lease payment is recognized on a straight-line basis over the lease term. Leases with initial term of 12 months or less are not recorded on the balance sheet.

The Group determines whether a contract is or contains a lease at inception of the contract and whether that lease meets the classification criteria of a finance or operating lease. When available, the Group uses the rate implicit in the lease to discount lease payments to present value; however, most of the Group's leases do not provide a readily determinable implicit rate. Therefore, the Group discount lease payments based on an estimate of its incremental borrowing rate.

The Group's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Supplemental balance sheet information related to operating lease was as follows:

| | As of December 31, | |
|---|---|---|
| | 2024 | 2023 |
| Right-of-use assets | $ 255 | $ 389 |
| Lease liabilities current | 141 | 126 |
| Lease liabilities non-current | 90 | 238 |
| **Total operating lease liabilities** | **$ 231** | **$ 364** |

The weighted average remaining lease terms and discount rates for the operating lease as of December 31, 2024 were as follows:

| | |
|---|---|
| **Remaining lease term and discount rate:** | |
| Weighted average remaining lease term (years) | 2.00 |
| Weighted average discount rate | 11.50 % |

For the years ended December 31, 2024, 2023 and 2022, operating lease asset of $nil, $328, and $nil was obtained in exchange for operating lease liabilities, respectively. During the years ended December 31, 2024, 2023 and 2022, the Group incurred total operating lease expenses of $158, $160 and $133, respectively.

As of December 31, 2024, the future minimum rent payable under non-cancelable operating leases were:

| | |
|---|---|
| 2025 | $ 159 |
| 2026 | 94 |
| Total lease payments | 253 |
| Less: imputed interest | (22) |
| **Present value of lease liabilities** | **$ 231** |

**KAIXIN HOLDINGS**
**(FORMERLY KNOWN AS KAIXIN AUTO HOLDINGS)**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**(In thousands of US dollars, except share and per share data, or otherwise noted)**

## 10. RELATED PARTY TRANSACTIONS AND BALANCES

The table below sets forth the major related parties and their relationships with the Group:

| Name | Relationship |
|---|---|
| Mr. Lin Mingjun ("Mr. Lin") | A controlling shareholder and chief executive officer of the Group |
| Mrs. Yang Yi ("Mrs. Yang") | Chief financial officer of the Group |
| Moatable, Inc. | A non-controlling shareholder of the Group |
| Henan Yujie Times Auto Co., Ltd. ("Henan Yujie") | An investee over which Morning Star holds 40% equity interest. Henan Yujie ceased to be a related party of the Group when Morning Star was disposed in December 2024 (Note 3) |
| Huandian Teconology Development Co., Ltd. ("Huandian") | A subsidiary of Henan Yujie. Huandian ceased to be a related party of the Group when Morning Star was disposed in December 2024 (Note 3) |
| Mengzhou Enbowei Auto Technology Co., Ltd. ("Enbowei") | An investee over which the controlling shareholder of Morning Star holds 10% equity interest. Enbowei ceased to be a related party of the Group when Morning Star was disposed in December 2024 (Note 3) |

***Amounts due from related parties***

As of December 31, 2024 and 2023, significant amounts due from related parties consisted of the following:

| | As of December 31, | |
|---|---|---|
| | 2024 | 2023 |
| Huandian Technology | $ — | $ 1,007 |
| Enbowei | — | 369 |
| Others | — | 79 |
| | **$ —** | **$ 1,455** |

(1) The balances due from related parties arose from acquisition of Morning Star (Note 4). As of December 31, 2023, the balances due from related parties represented loans made to these related parties. The balances were interest free and repayable on demand. During the year ended December 31, 2024, the Company transferred equiy in Morning Star to a third party and derecognized balance due from related parties. No balance due from related parties was outstanding as of December 31, 2024.

***Amounts due to related parties***

As of December 31, 2024 and 2023, significant amounts due to related parties consisted of the following:

| | As of December 31, | |
|---|---|---|
| | 2024 | 2023 |
| Moatable, Inc. (1) | $ — | $ 1,278 |
| Henan Yujie (2) | — | 808 |
| Mr. Lin | 171 | 71 |
| Mrs. Yang | 151 | — |
| Others | 33 | 30 |
| | **$ 355** | **$ 2,187** |

(1) The balance mainly represented the advance fund provided by Moatable and its subsidiaries to finance the Group's daily operations. The amount due to Moatable and its subsidiaries were stripped off in conjunction with the disposal of the subsidiaries (Note 3).

(2) The balance was assumed by the Company in its acquisition of Morning Star (Note 4). The outstanding balance mainly represented the advance fund provided by Henan Yujie to finance Morning Star's daily operations. During the year ended December 31, 2024, the Company transferred equiy in Morning Star to a third party and derecognized balance due to Henan Yujie. No balance due from related parties was outstanding as of December 31, 2024.

**KAIXIN HOLDINGS**
**(FORMERLY KNOWN AS KAIXIN AUTO HOLDINGS)**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**(In thousands of US dollars, except share and per share data, or otherwise noted)**

## 11. INCOME TAXES

Cayman Islands

The Group is incorporated in the Cayman Islands. Under the current laws of the Cayman Islands, the Group is not subject to income or capital gains taxes. In addition, dividend payments are not subject to withholdings tax in the Cayman Islands.

Hong Kong

On March 21, 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on March 28, 2018 and was announced on the following day. Under the two-tiered profits tax rates regime, the first 2 million Hong Kong Dollar ("HKD") of profits of the qualifying group entity will be taxed at 8.25%, and profits above HKD 2 million will be taxed at 16.5%. The Group's Hong Kong subsidiaries did not have assessable profits that were derived in Hong Kong for the years ended December 31, 2024, 2023 and 2022. Therefore, no Hong Kong profit tax has been provided for the years ended December 31, 2024, 2023 and 2022.

PRC

The Group's PRC subsidiaries, VIEs and their subsidiaries are subject to the PRC Enterprise Income Tax Law ("EIT Law") and are taxed at the statutory income tax rate of 25%, unless otherwise specified.

The components of the income tax expense are as follows:

| | For the years ended December 31, | | |
|---|---|---|---|
| | 2024 | 2023 | 2022 |
| Current income tax expense | $ — | $ (1) | $ (74) |
| Deferred income tax benefit | 931 | 229 | — |
| Total income tax benefit (expense) | **$ 931** | **$ 228** | **$ (74)** |

The reconciliations of the statutory income tax rate and the Group's effective income tax rate are as follows:

| | For the years ended December 31, | | |
|---|---|---|---|
| | 2024 | 2023 | 2022 |
| Net loss before provision for income taxes | $ 41,911 | $ 53,782 | $ 84,545 |
| PRC statutory tax rate | 25 % | 25 % | 25 % |
| Income tax at statutory tax rate | 10,477 | 13,446 | 21,136 |
| Fair value change on warrants | 53 | (52) | (79) |
| Non-deductible loss and SBC expenses not deductible for tax purposes | (2,818) | (3,075) | (13,783) |
| Effect of income tax rate differences in jurisdictions other than the PRC | (6,378) | (1,636) | (1,721) |
| NOL not applicable for carryforward | 4 | — | (288) |
| Change in valuation allowance | (407) | (8,455) | (5,339) |
| **Income tax benefit (expense)** | **$ 931** | **$ 228** | **$ (74)** |
| Effective tax rates | 2.22 % | 0.42 % | (0.00)% |

**KAIXIN HOLDINGS**
**(FORMERLY KNOWN AS KAIXIN AUTO HOLDINGS)**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**(In thousands of US dollars, except share and per share data, or otherwise noted)**

## 11. INCOME TAXES (CONTINUED)

The tax effect of temporary difference under ASC Topic 740 "Accounting for Income Taxes" that gives rise to deferred tax asset as of December 31, 2024 and 2023 is as follows:

| | As of December 31, | |
|---|---|---|
| | 2024 | 2023 |
| **Deferred tax assets:** | | |
| Write-down of prepaid expenses and other current assets | $ 8,028 | $ 8,157 |
| Net operating loss carry forwards | 1,251 | 1,023 |
| Sub-total | **9,279** | **9,180** |
| **Deferred tax liabilities:** | | |
| Intangible assets acquired in business combination | (2,333) | (3,263) |
| | | |
| Less: valuation allowance | (9,279) | (9,180) |
| **Deferred tax liabilities, net** | **$ (2,333)** | **$ (3,263)** |

Deferred tax assets of approximately $1.3 million and $1.0 million were recognized from net operating loss carry forwards as of December 31, 2024 and 2023, respectively. The Group assessed the available evidence to estimate if sufficient future taxable income would be generated to use the existing deferred tax assets. As of December 31, 2024 and 2023, full valuation allowances were established because the Group believes that it is more likely than not that its deferred tax assets will not be utilized as it does not expect to generate sufficient taxable income in the near future.

The movements of the valuation allowance are as follows:

| | For the years ended December 31, | | |
|---|---|---|---|
| | 2024 | 2023 | 2022 |
| Balance at the beginning of the year | $ 9,180 | $ 1,061 | $ 25,240 |
| Current year addition | 407 | 8,455 | 5,267 |
| Current year reversal | — | — | (7,039) |
| Reduction due to usage of NOL | — | — | (42) |
| Reduction due to statute expiration | — | — | (288) |
| Decrease in disposal of subsidiaries | (239) | — | (22,077) |
| Exchange rate effect | (69) | (336) | — |
| **Balance at the end of the year** | **$ 9,279** | **$ 9,180** | **$ 1,061** |

Since January 1, 2008, the relevant tax authorities have not conducted a tax examination on the Group's PRC entities. In accordance with relevant PRC tax administration laws, tax years from 2019 to present of the Group's PRC subsidiaries remain subject to tax audits as of December 31, 2024 at the tax authority's discretion.

**KAIXIN HOLDINGS**
**(FORMERLY KNOWN AS KAIXIN AUTO HOLDINGS)**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**(In thousands of US dollars, except share and per share data, or otherwise noted)**

## 12. CONVERTIBLE NOTES

The Group issued and sold two Convertible Promissory Notes ("Note A" and "Note B", or collectively as "Notes") to Streererville Capital, LLC (the "Lender") on November 19, 2021 and April 8, 2022, respectively. The principal amount of each Note is $2,180 and contract terms of both Notes are substantially the same.

The purchase price of each Notes was $2,000, calculated at principal of $2,180 less discount of $160 at issuance and the transaction expense of $20 in connection with the purchase and sale of the Securities. The Notes bore an interest at 8% per annum and is repayable in full in 18 months from issuance.

According to the Securities Purchase Agreements of the Notes, the Group has option to repay the Notes in cash until it received the conversion notice from Lender or repayment date. The Lender also has the option to convert the Notes into ordinary shares at any time following the 6-month anniversary of the issuance date unless the outstanding balance was paid in full. The conversion price is $3.00 per ordinary share.

The Group did not elect the fair value option for the convertible note. In addition, the Note did not have any embedded conversion option and redemption feature which shall be bifurcated and separately accounted for as a derivative under ASC 815, nor did it contain a cash conversion feature or beneficial conversion feature. The Group accounted for two Notes as liabilities in its entirety following ASC 470 Debt and recorded interest expenses of $331, $493 and $683 for the years ended December 31, 2024, 2023 and 2022.

During the year ended December 31, 2023, the Group issued 7,360 ordinary shares (*after giving effects to the First Share Consolidation effected in September 2023 and the Second Share Consolidation effected in October 2024. Note 1*), in the amount of $2,050, to settle Note A. During the year ended December 31, 2024, the Group issued 559,710 ordinary shares (*after giving effects to the First Share Consolidation effected in September 2023 and the Second Share Consolidation effected in October 2024. Note 1*), in the amount of $2,088, to settle Note B.

As of December 31, 2024 and 2023, the balances of convertible notes were $635 and $2,392, respectively.

## 13. MEZZANINE EQUITY AND WARRANT LIABILITIES

On December 28, 2020, KAH entered into a definitive securities purchase agreement with U.S. based KX Ventures 4 LLC (the "Investor") and completed the initial closing on December 29, 2020.

Pursuant to the agreement, the Investor will invest $6,000 in newly designated Series A convertible preferred shares (the "Series A Preferred Shares") of KAH. The first instalment of $3,000 closed on December 29, 2020 (the "First Closing"). The Series A Preferred Shares are convertible into 1,000,000 ordinary shares of KAH's at a conversion price of $180 (*after giving effects to the First Share Consolidation effected in September 2023 and the Second Share Consolidation effected in October 2024. Note 1*), subject to customary adjustments. Pursuant to the Purchase Agreement, the Investor will also receive warrants to subscribe for KAH's ordinary shares at an exercise price of $3.00 per share. The preferred shares and ordinary shares underlying the warrants are not subject to stock split.

In connection with the issuance of 3,000 convertible preferred shares at the First Closing, 1,500,000 Series A Warrants, 1,333,333, Series B Warrants and 2,000,000 Series C Warrants (collectively the "Warrants") were issued to the Investor, with each warrant provided the holder the right to subscribe for KAH's ordinary shares at an exercise price of $180 per share (*after giving effects to the First Share Consolidation effected in September 2023 and the Second Share Consolidation effected in October 2024. Note 1*). Series A and Series B Warrants are immediately exercisable, and Series C Warrants are exercisable upon exercise and in proportion to the number of Series B Warrants exercised. Series A, B and C warrants expire on December 29, 2027, August 29, 2024 and June 29, 2028, respectively.

**KAIXIN HOLDINGS**
**(FORMERLY KNOWN AS KAIXIN AUTO HOLDINGS)**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**(In thousands of US dollars, except share and per share data, or otherwise noted)**

## 13. MEZZANINE EQUITY AND WARRANT LIABILITIES (CONTINUED)

The Series A Preferred Shares and Warrants are bundled transactions, which were considered as equity-linked instruments. The management has determined that there was beneficial conversion feature attributable to the preferred shares because the initial effective conversion prices of these preferred shares were lower than the fair value of KAH's ordinary shares at the relevant commitment dates, and the effect of beneficial conversion feature was recognized in additional paid-in capital. The fair value allocated to the Series A Preferred Shares was $1,310 at the date of the First Closing. The Warrants are classified as a liability and the fair value allocated to warrants was $1,690 as of the date of the First Closing.

The Group classified the Series A Preferred Shares as mezzanine equity as they were contingently redeemable upon the occurrence of the redemption event which is outside the Group's control. The Series A Preferred Shares was redeemable if the volume-weighted average price is less than $180 (*after giving effects to the First Share Consolidation effected in September 2023 and the Second Share Consolidation effected in October 2024. Note 1*) on the 54-month anniversary of December 29, 2020 (the "Original Issue Date") and expired in 2025.

The Group accrete changes in the redemption value over the period from the date of issuance to the earliest redemption date (June 1, 2025) of the instrument using the interest method. In August 2021, total Series A preferred Shares of $3,000 were converted into 72,610 ordinary shares of the Group. As of December 31, 2024 and 2023, the Group had no outstanding Series A Preferred Shares.

The Warrants were classified as the warrant liability on the issuance date and was subsequently remeasured at fair value at each reporting date before the warrants are exercised or expired. The changes in fair value of warrant liabilities were charged to the consolidated statements of operations and comprehensive loss. No warrants were exercised as of December 31, 2024. As of December 31, 2024 and 2023, the Group had outstanding warrant liabilities of $22 and $232. As of December 31, 2024 and 2023, the key factors in estimating the fair value of warrant liabilities were as follow:

| | As of December 31, 2024 | | |
|---|---|---|---|
| | Series A Warrant | Series B Warrant | Series C Warrant |
| Risk-free rate of return | 4.45 % | — | 4.48 % |
| Estimated volatility rate | 57.91 % | — | 57.17 % |
| Dividend yield | 0 % | — | 0 % |
| Spot price of underling ordinary share | 1.52 | — | 1.52 |
| Exercise price | $ 180 | $ — | $ 180 |
| Fair value of warrant | $ 9 | $ — | $ 13 |

| | As of December 31, 2023 | | |
|---|---|---|---|
| | Series A Warrant | Series B Warrant | Series C Warrant |
| Risk-free rate of return | 3.95 % | 4.97 % | 3.94 % |
| Estimated volatility rate | 58.44 % | 45.58 % | 57.54 % |
| Dividend yield | 0 % | 0 % | 0 % |
| Spot price of underling ordinary share | 0.025 | — | 0.025 |
| Exercise price | $ 0.05 | $ — | $ 0.05 |
| Fair value of warrant | $ 232 | $ — | $ — |

**KAIXIN HOLDINGS**
**(FORMERLY KNOWN AS KAIXIN AUTO HOLDINGS)**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**(In thousands of US dollars, except share and per share data, or otherwise noted)**

## 14. EQUITY

*Ordinary shares*

On September 14, 2023, the Group effected a share consolidation at a ratio of one-for-fifteenth (15) ordinary shares with a par value of US$0.00005 each in the Group's issued and unissued share capital into one ordinary share with a par value of US$0.00075 ("the First Share Consolidation").

On October 25, 2024, the Group effected a share consolidation at a ratio of one-for-sixty (60) ordinary shares with a par value of US $0.00075 each in the Group's issued and unissued share capital into one ordinary share with a par value of US $0.0045 ("the Second Share Consolidation"). In addition, the Group also effected an increase in authorized share capital from $500,000 to $36,500,000, and a redesignation of ordinary shares into two-class ordinary shares.

Following the First and Second Share Consolidation, increase in authorized share capital and redesination of Class A and Class B Ordinary Shares, the authorized share capital of the Group to be US $36,500,000 divided into 796,106,500 Class A Ordinary Shares and 15,000,000 Class B Ordinary Shares, each at a par value of US$0.0045 per share, and 333,738 preferred shares, including (a) 6,000 Series A convertible preferred shares of a par value of US$0.0001 each, (b) 6,000 Series D convertible preferred shares of a par value of US$0.0001 each, (c) 50,005 Series F convertible preferred shares of a par value of US$0.00005 each, (d) 50,000 Series G convertible preferred shares of a par value of US$0.00075 each, (e) 50,000 Series H convertible preferred shares of a par value of US$0.00075 each, (f) 50,000 Series I convertible preferred shares of a par value of US$0.00075 each, (g) 50,000 Series J convertible preferred shares of a par value of US$0.00075 each, and (h) 71,733 Series K convertible preferred shares of a par value of US$0.00075 each.

The Group believed that it was appropriate to reflect the transactions on a retroactive basis pursuant to ASC 260, *Earnings Per Share.* The Group has retroactively adjusted all share and per share data for all periods presented.

As of December 31, 2024, there were 5,489,162 Class A Ordinary Shares and 1,100,000 Class B Ordinary Shares (*after the First Share Consolidation effected in September 2023 and the Second Share Consolidation effected in October 2024*) issued and outstanding, respectively. As of December 31, 2023, there were 830,109 Class A Ordinary Shares and nil Class B Ordinary Shares (*after the First Share Consolidation effected in September 2023 and the Second Share Consolidation effected in October 2024*) issued and outstanding, respectively.

*Preferred shares*

*Series D Preferred Shares*

On March 31, 2021, KAH closed a securities purchase agreement with Moatable, Inc. (the "Holder") a. Pursuant to the agreement, the Holder invested $6,000 in the Group in exchange for 6,000 shares of newly designated Series D convertible preferred shares (the "Series D Preferred Shares") of KAH. The preferred shares and ordinary shares underlying the warrants are not subject to stock split. Major terms of the Series D Preferred Shares are as follows:

*Conversion Rights:* Series D preferred shares are convertible into 2,000,000 ordinary shares of KAH's at a conversion price of $3.00, subject to customary adjustments. Each Preferred Share shall be convertible, at any time and from time to time from and after April 8, 2021 at the option of the Holder into that number of ordinary shares.

*Redemption Rights:* the redemption was comprised of optional redemption and redemption on triggering events. With respect to optional redemption, KAH may deliver a notice to the Holders of its irrevocable option to redeem some or all of the then outstanding Series D Preferred Shares at any time after March 30, 2022. With respect to redemption on several triggering events, upon the occurrence of a Triggering Event, each Holder shall have the right, exercisable at the sole option of such Holder, to require the Group to redeem all of the Series D Preferred Shares.

The Series D Preferred Shares were considered as permanent equity since they were redeemable upon the occurrence of events that are within the Group's control. The Group has issued 6,000 convertible preferred shares and received $6,000 in April 8, 2021.

**KAIXIN HOLDINGS**
**(FORMERLY KNOWN AS KAIXIN AUTO HOLDINGS)**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**(In thousands of US dollars, except share and per share data, or otherwise noted)**

**14. EQUITY (CONTINUED)**

*Series F Preferred Shares*

On December 28, 2022, KAG closed a securities purchase agreement with Stanley Star Group Inc. (the "Holder"). On March 24, 2023, KAG and Stanley Star entered into an amendment to the supplement agreement that modified specific terms of the $50 million preferred stock issued by the Group to Stanley Star. The Group issued 50,000 convertible preferred shares of the Group to Stanley Star as part of consideration of the divestment of the Disposal group (Note 3). The preferred shares and ordinary shares underlying the warrants are not subject to stock split. Major terms of the Series F Preferred Shares are as follows:

*Conversion Rights:* Series F preferred shares are convertible into 555,555 ordinary shares (*after the First Share Consolidation effected in September 2023 and the Second Share Consolidation effected in October 2024*) of the Group at a conversion price of $1.00, subject to customary adjustments. Each Preferred Share shall be convertible, at any time and from time to time from and after the applicable Issuance Date at the option of the Holder into that number of ordinary shares.

*Redemption Rights:* the redemption was comprised of optional redemption and redemption on triggering events. With respect to optional redemption, the Group may deliver a notice to the Holders of its irrevocable election to redeem some or all of the then outstanding Series F Preferred Shares at any time after January 1, 2023. With respect to redemption on several triggering events, upon the occurrence of a Triggering Event, each Holder shall have the right, exercisable at the sole option of such Holder, to require the Group to redeem all of the Series F Preferred Shares.

The Series F Preferred Shares were considered as permanent equity since they were redeemable upon the occurrence of events that are within the Group's control.

In November 2023 and October 2024, KAH issued 116,667 and 500,000 ordinary shares (*after the First Share Consolidation effected in September 2023 and the Second Share Consolidation effected in October 2024*), respectively, to Stanley Star. As of December 31, 2024, the Company has settled the 7,500 Series F Preferred Shares with 42,500 Series F Preferred Shares outstanding.

*Series G Preferred Shares*

In connection with disposal of KAG in June 2023 (Note 3), on May 20, 204, KAG issued 12,800 Series G convertible preferred shares, at fair value of $1,996, to the purchaser of KAG to partially settle the outstanding liabilities.

*Conversion Rights:* Series G preferred shares are convertible into 213,333 ordinary shares (*after the the Second Share Consolidation effected in October 2024*) of the Group at a conversion price of $1.00, subject to customary adjustments. Each Preferred Share shall be convertible, at any time and from time to time from and after the applicable Issuance Date at the option of the Holder into that number of ordinary shares.

*Redemption Rights:* the redemption was comprised of optional redemption and redemption on triggering events. With respect to optional redemption, the Group may deliver a notice to the Holders of its irrevocable election to redeem some or all of the then outstanding Series G Preferred Shares at any time after May 20, 2024. With respect to redemption on several triggering events, upon the occurrence of a Triggering Event, each Holder shall have the right, exercisable at the sole option of such Holder, to require the Group to redeem all of the Series G Preferred Shares.

The Series G Preferred Shares were considered as permanent equity since they were redeemable upon the occurrence of events that are within the Group's control.

**KAIXIN HOLDINGS**
**(FORMERLY KNOWN AS KAIXIN AUTO HOLDINGS)**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**(In thousands of US dollars, except share and per share data, or otherwise noted)**

**14. EQUITY(CONTINUED)**

*Series H Preferred Shares*

In May 2024, the Company issued 7,366 Series H convertible preferred shares to dealers to settle sales incentive of $571 and $417, respectively, incurred for the year of 2024 and 2023.

*Conversion Rights:* Series H preferred shares are convertible into 123 ordinary shares *(after the the Second Share Consolidation effected in October 2024)* of the Group at a conversion price of $1.00, subject to customary adjustments. Each Preferred Share shall be convertible, at any time and from time to time from and after the applicable Issuance Date at the option of the Holder into that number of ordinary shares.

*Redemption Rights:* the redemption was comprised of optional redemption and redemption on triggering events. With respect to optional redemption, the Group may deliver a notice to the Holders of its irrevocable election to redeem some or all of the then outstanding Series H Preferred Shares at any time after May 20, 2024. With respect to redemption on several triggering events, upon the occurrence of a Triggering Event, each Holder shall have the right, exercisable at the sole option of such Holder, to require the Group to redeem all of the Series H Preferred Shares.

The Series H Preferred Shares were considered as permanent equity since they were redeemable upon the occurrence of events that are within the Group's control.

*Warrants*

*Issuance of ordinary shares and 2023 warrants*

On November 7, 2023, KAH closed a securities purchase agreement with Mr. Long Li, Hermann Limited and Aslan Family Limited (the "Investors"), pursuant to which the Group issued the Investors (i) an aggregate of 175,000 Class A Ordinary Shares (*after the the Second Share Consolidation effected in October 2024*) of the Group, par value of US$0.0045 per share, at a purchase price of US$52.20 per share (the "Purchase Shares"), and (ii) the warrants to purchase up to 175,000 shares of the Class A Ordinary Shares (*after the the Second Share Consolidation effected in October 2024*) of the Group at an exercise price of US$60.00 per warrant (the "2023 Warrants"). Each of the Investors will purchase 58,333 of the Purchase Shares (*after the the Second Share Consolidation effected in October 2024*) and 58,333 of the Warrants (*after the the Second Share Consolidation effected in October 2024*). The 2023 Warrants will be exercisable immediately commencing on the closing date of the Securities Purchase Agreement and will expire on the second anniversary of November 7, 2023. On November 11, 2023, the Group and the Investors entered into an amendment to the Securities Purchase Agreement pursuant to which the Purchase Price of the shares is adjusted from $52.20 per share to $108.00 per share and the exercise price of the Warrants is adjusted from US$60.00 per share to US$108.00 per share.

| | As of November 7, 2023 | |
|---|---|---|
| | 2023 Warrant | |
| Risk-free rate of return | | 4.37 % |
| Estimated volatility rate | | 53.29 % |
| Dividend yield | | 0 % |
| Spot price of underling ordinary share | | 52.80 |
| Exercise price | $ | 108.00 |
| Fair value of warrant | $ | 926 |

**KAIXIN HOLDINGS**
**(FORMERLY KNOWN AS KAIXIN AUTO HOLDINGS)**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**(In thousands of US dollars, except share and per share data, or otherwise noted)**

**14. EQUITY(CONTINUED)**

*Issuance of ordinary shares and 2022 warrants*

In January 2022, Suzhou government and its partners planned to invest RMB100 million (approximately $15.4 million) to the Group to support the electronic vehicles business. The Group received the first instalment of RMB 30 million (approximately $4.6 million) in February 2022. In return, the Group issued 4,896 ordinary shares (*after giving effects to the First Share Consolidation effected in September 2023 and the Second Share Consolidation effected in October 2024. Note 1*) to Derong Group Limited ("Derong"), the entity designed by Suzhou government. In addition, the Group issued 6,500,000 warrant shares ("2022 Warrant) to Discover Flux Ltd, a warrant holder designated by Derong on July 3, 2022. Discover Flux Ltd has right to subscribe for the Group's ordinary shares at an exercise price of $15.00 per share (*after giving effects to the First Share Consolidation effected in September 2023 and the Second Share Consolidation effected in October 2024. Note 1*). The warrant shares were classified as equity and measured at relative fair value of $1,417 using the Black-Scholes pricing model. The portion of the proceeds of $3,298 was allocated to the issued ordinary shares.

The Group paid issuance cost of $1,575 upon receipt of the first instalment of RMB 30 million. The issuance cost was calculated on a fixed percentage of planned investment of RMB 100 million. Accordingly, the Group allocated 30% of the issuance cost, or $472, to the warrant shares and ordinary shares based on their relative fair value. The issuance cost of $472 was reduced against additional paid-in capital. The Group recorded the remaining 70% of the issuance cost, or $1,103 as general and administrative expenses in the consolidated statements of operations and comprehensive loss due to the uncertainty of the remaining investment of RMB 70 million.

In November 2023, the Group issued 6,500,000 ordinary shares to redeem the warrants from Discover Flux Ltd. The fair value of the warrants as of July 3, 2022 were calculated using the Black-Scholes pricing model with the following assumptions:

| | As of July 3, 2022 2022 Warrant |
|---|---|
| Risk-free rate of return | 2.60 % |
| Estimated volatility rate | 57.21 % |
| Dividend yield | 0 % |
| Spot price of underling ordinary share | 1.035 |
| Exercise price | $ 1 |
| Fair value of warrant | $ 2,027 |

*Statutory reserve and restricted net assets*

In accordance with the Regulations on Enterprises with Foreign Investment of China and their articles of association, the Group's subsidiaries and VIE entities located in the PRC, are required to provide for certain statutory reserves. The statutory reserve fund required to reserve 10% of their net profit after income tax, as determined in accordance with the PRC accounting rules and regulations. Appropriation to the statutory reserve by the Group is based on profit arrived at under PRC accounting standards for business enterprises for each year. The profit arrived at must be set off against any accumulated losses sustained by the Group in prior years, before allocation is made to the statutory reserve. Appropriation to the statutory reserve must be made before distribution of dividends to shareholders. The appropriation is required until the statutory reserve reaches 50% of the registered capital. This statutory reserve is not distributable in the form of cash dividends.

Relevant PRC statutory laws and regulations permit the payment of dividends by the Group's PRC subsidiary only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. Furthermore, registered share capital and capital reserve accounts are also restricted from distribution. As a result of these PRC laws and regulations, the Group's PRC subsidiary is restricted in their ability to transfer a portion of their net assets to the Group either in the form of dividends, loans or advances. The Group's restricted net assets, comprising of paid-in-capital and statutory reserve of Group's PRC subsidiary, were $107,222 and $118,909 as of December 31, 2024 and 2023, respectively.

**KAIXIN HOLDINGS**
**(FORMERLY KNOWN AS KAIXIN AUTO HOLDINGS)**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**(In thousands of US dollars, except share and per share data, or otherwise noted)**

## 15. LOSS PER SHARE

The following table sets forth the computation of basic and diluted net loss per ordinary share for the years ended:

| | For the years ended December 31, | | |
|---|---|---|---|
| | 2024 | 2023 | 2022 |
| **Net Loss Attributable to Kaixin's Shareholders** | **$ (40,972)** | **$ (53,563)** | **$ (84,706)** |
| **Loss Per Share** | | | |
| Basic and diluted | $ (26.05) | $ (140.44) | $ (380.86) |
| **Weighted Average Shares Used in Calculating Net Loss Per Share** | | | |
| Basic and diluted | 1,572,546 | 381,393 | 222,408 |

Since the Group suffered a net loss for the years ended December 31, 2024, 2023 and 2022, the potential dilutive securities were not included in the calculation of dilutive net loss per share where their inclusion would be anti-dilutive. And no dilutive security was issued for the years ended December 31, 2024, 2023 and 2022, and there was no difference between the Group's basic and diluted net loss per share for the periods presented. The potential dilutive securities that were not included in the calculation of dilutive loss per share were 185, 185 and 185 Class A Ordinary Shares (*after giving effects to the First Share Consolidation effected in September 2023 and the Second Share Consolidation effected in October 2024. Note 1*), respectively, for the years ended December 31, 2024, 2023 and 2022, as inclusion would have been anti-dilutive.

## 16. SHARE-BASED COMPENSATION

*Restricted shares*

For the years ended December 31, 2024, 2023 and 2022, the board of directors of KAH approved certain incentive plans to gran restricted shares to the management and employees of the Group.

On May 16, 2022, the board of directors of KAH approved the Kaixin 2022 Plan. The maximum number of ordinary shares that may be delivered pursuant to awards granted under the Kaixin 2022 Plan is 43,888 Class A Ordinary Shares (*after giving effects to the First Share Consolidation effected in September 2023 and the Second Share Consolidation effected in October 2024. Note 1*). As of December 31, 2024 and 2023, the Group has granted 43,888 and 43,888 restricted shares (*after giving effects to the First Share Consolidation effected in September 2023 and the Second Share Consolidation effected in October 2024. Note 1*) under the Kaixin 2022 Plan.

On March 13, 2023, the board of directors of KAH approved the Kaixin 2023 Plan. The maximum number of ordinary shares that may be delivered pursuant to awards granted under the Kaixin 2023 Plan is 43,888 Class A Ordinary Shares (*after giving effects to the First Share Consolidation effected in September 2023 and the Second Share Consolidation effected in October 2024. Note 1*). As of December 31, 2024 and 2023, the Group has granted 43,888 restricted shares (*after giving effects to the First Share Consolidation effected in September 2023 and the Second Share Consolidation effected in October 2024. Note 1*) under the Kaixin 2023 Plan.

On January 9, 2024, the board of directors of KAH approved the Kaixin 2024 Plan. On October 15, 2024, the board of directors of KAH approved the amendment of Kaixin 2024 Plan. The maximum number of ordinary shares that may be delivered pursuant to awards granted under the Kaixin 2024 Plan is 17,133,333 Class A Ordinary Shares and 5,016,667 Class B Ordinary Shares (*after giving effects to the Second Share Consolidation effected in October 2024. Note 1*). As of December 31, 2024, the Group has granted 2,355,059 Class A Ordinay Shares and 1,100,000 Class B Ordinay Shares (*after giving effects to the First Share Consolidation effected in September 2023 and the Second Share Consolidation effected in October 2024. Note 1*) under the Kaixin 2024 Plan.

The estimated fair value of restricted shares granted under Kaxin 2022 Plan, Kaixin 2023 Plan and Kaixin 2024 Plan were the closing prices prevailing on each grant date.

**KAIXIN HOLDINGS**
**(FORMERLY KNOWN AS KAIXIN AUTO HOLDINGS)**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**(In thousands of US dollars, except share and per share data, or otherwise noted)**

## 16. SHARE-BASED COMPENSATION (CONTINUED)

*Restricted shares (cont.)*

A summary of the nonvested restricted shares activity as of December 31, 2024 and 2023 is as follows:

| | Number of nonvested restricted shares | Weighted average fair value per ordinary share at the grant dates |
|---|---|---|
| Unvested as of December 31, 2022 | $ 5,588 | $ 1,200.60 |
| Forfeited | — | $ — |
| Granted | 43,888 | $ 232.20 |
| Vested | (46,290) | $ 285.60 |
| Unvested as of December 31, 2023 | $ 3,186 | $ 1,397.40 |
| Forfeited | — | $ — |
| Granted | 3,455,059 | $ 3.15 |
| Vested | (3,455,059) | $ 3.15 |
| Unvested as of December 31, 2024 | $ 3,186 | $ 1,397.40 |

As of December 31, 2024, there was approximately $1,181 of total unrecognized compensation cost related to unvested restricted shares. The unrecognized compensation costs are expected to be recognized over a weighted average period of 3.10 years. For the years ended December 31, 2024, 2023 and 2022, the total fair value of vested shares was $10,856, $11,897 and $40,078.

Total share-based compensation expense of share-based awards granted to employees and directors for the years ended December 31, 2024, 2023 and 2022 were as follows:

| | For the years ended December 31, | | |
|---|---|---|---|
| | 2024 | 2023 | 2022 |
| Selling and marketing | $ — | $ — | $ 239 |
| Research and development | — | — | 44 |
| General and administrative | 10,856 | 11,968 | 39,027 |
| **Total share-based compensation expense** | **$ 10,856** | **$ 11,968** | **$ 39,310** |

## 17. COMMITMENTS AND CONTINGENCIES

From time to time, the Company may be subject to certain legal proceedings, claims and disputes that arise in the ordinary course of business. Although the outcomes of these legal proceedings cannot be predicted, the Company does not believe these actions, in the aggregate, will have a material adverse impact on its financial position, results of income or liquidity.

**KAIXIN HOLDINGS**
**(FORMERLY KNOWN AS KAIXIN AUTO HOLDINGS)**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**(In thousands of US dollars, except share and per share data, or otherwise noted)**

## 19. CONDENSED FINANCIAL INFORMATION OF THE PARENT COMPANY

The Group performed a test on the restricted net assets of consolidated subsidiaries and VIEs in accordance with Securities and Exchange Commission Regulation S-X Rule 4-08 (e) (3), "General Notes to Financial Statements" and concluded that the Group is required to disclose the financial statements for the parent Company.

### CONDENSED PARENT COMPANY BALANCE SHEETS

| | As of December 31, | |
|---|---|---|
| | 2024 | 2023 |
| ASSETS | | |
| Cash and cash equivalents | $ 1,968 | $ 170 |
| Other receivables, net | — | 20,665 |
| Amounts due from related parties | 57,589 | 44,574 |
| **Total assets** | **$ 59,557** | **$ 65,409** |
| | | |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Accrued expenses and other current liabilities | $ 5,138 | $ 4,965 |
| Amounts due to related parties | — | 31 |
| Convertible note | 635 | 2,392 |
| Deficits in investment in subsidiaries | 40,589 | 12,438 |
| Warrant liabilities | 22 | — |
| **Total liabilities** | **46,384** | **19,826** |
| | | |
| **Shareholders' equity** | | |
| Class A Ordinary Shares (par value of $0.045 per shares; 796,106,500 shares authorized, 5,489,162 and 830,109 shares issued and outstanding as of December 31, 2024 and 2023, respectively) | 247 | 37 |
| Class B Ordinary Shares (par value of $0.045 per shares; 15,000,000 shares authorized, 1,100,000 and nil shares issued and outstanding as of December 31, 2024 and 2023, respectively) | 50 | — |
| Series D convertible preferred shares (par value of $0.0001, 6,000 shares and 6,000 shares authorized, issued and outstanding as of December 31, 2024 and 2023, respectively.) | 1 | 1 |
| Series F convertible preferred shares (par value of 0.00005, 50,005 shares authorized, 42,500 and 50,000 shares issued and outstanding as of December 31, 2024 and 2023, respectively) | 1 | 1 |
| Series G convertible preferred shares (par value of 0.00075, 50,000 shares and 50,000 shares authorized, 12,800 and ni shares issued and outstanding as of December 31, 2024 and 2023, respectively) | 1 | — |
| Series H convertible preferred shares (par value of 0.00075, 50,000 shares and 50,000 shares authorized, 7,366 and nil shares issued and outstanding as of December 31, 2024 and 2023, respectively) | 1 | — |
| Additional paid-in capital | 406,344 | 399,117 |
| Subscription receivable | (17,900) | (17,900) |
| Statutory reserve | 8 | 8 |
| Accumulated deficit | (377,543) | (336,571) |
| Accumulated other comprehensive income (loss) | 1,963 | 890 |
| **Total shareholders' equity** | **13,173** | **45,583** |
| **Total liabilities and shareholders' equity** | **$ 59,557** | **$ 65,409** |

**KAIXIN HOLDINGS**
**(FORMERLY KNOWN AS KAIXIN AUTO HOLDINGS)**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**(In thousands of US dollars, except share and per share data, or otherwise noted)**

## CONDENSED PARENT COMPANY STATEMENTS OF OPERATIONS

| | For the years ended December 31, | | |
|---|---|---|---|
| | 2024 | 2023 | 2022 |
| **Operating expenses:** | | | |
| Share of loss of subsidiaries | $ (28,151) | $ (40,402) | $ (78,256) |
| General and administrative expenses | (12,817) | (13,140) | (5,897) |
| Other expenses | (13) | (12) | (465) |
| **Loss Before Income Tax Expenses** | **(40,981)** | **(53,554)** | **(84,619)** |
| Income tax expenses | — | — | — |
| **Net Loss** | **(40,981)** | **(53,554)** | **(84,619)** |

**KAIXIN HOLDINGS**
**(FORMERLY KNOWN AS KAIXIN AUTO HOLDINGS)**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**(In thousands of US dollars, except share and per share data, or otherwise noted)**

## CONDENSED PARENT COMPANY STATEMENTS OF CASH FLOWS

| | For the years ended December 31, | | |
|---|---|---|---|
| | 2024 | 2023 | 2022 |
| Cash flows from operating activities | $ (2,119) | $ (1,016) | $ (2,410) |
| Cash flows from investing activities | — | — | — |
| Cash flows from financing activities | 3,917 | 1,015 | (165) |
| **Net increase (decrease) in cash, cash equivalents and restricted cash** | **1,798** | **(1)** | **(2,575)** |
| Cash, cash equivalents and restricted cash, at beginning of year | 170 | 171 | 2,746 |
| **Cash, cash equivalents and restricted cash, at end of year** | **$ 1,968** | **$ 170** | **$ 171** |

# SECURITIES PURCHASE AGREEMENT

This Securities Purchase Agreement (this "Agreement") is dated May 15, 2024, between Kaixin Holdings (formerly known as Kaixin Auto Holdings), an exempted company incorporated under the laws of the Cayman Islands (the "Company"), and AUTOA2A, LTD., an exempted company incorporated under the laws of the British Virgin Islands (the "Purchaser").

WHEREAS, the board of directors of the Company resolved on May 15, 2024 that the Company shall issue 3,827.301 Series H Convertible Preferred Shares with a total Stated Value of $3,827,301 to the Purchaser as the awards to the dealership operators.

WHEREAS, subject to the terms and conditions set forth in this Agreement and pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended (the "Securities Act"), and Rule 506 promulgated thereunder, the Company desires to issue and sell to the Purchaser, and the Purchaser, severally and not jointly, desires to purchase from the Company, securities of the Company as more fully described in this Agreement.

NOW, THEREFORE, IN CONSIDERATION of the mutual covenants contained in this Agreement, and for other good and valuable consideration the receipt and adequacy of which are hereby acknowledged, the Company and the Purchaser hereby agree as follows:

## ARTICLE I.
## DEFINITIONS

1.1 Definitions. In addition to the terms defined elsewhere in this Agreement: (a) capitalized terms that are not otherwise defined herein have the meanings given to such terms in the Certificate of Designation (as defined herein), and (b) the following terms have the meanings set forth in this Section 1.1:

"Affiliate" means any Person that, directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with a Person, as such terms are used in and construed under Rule 405 under the Securities Act.

"Board of Directors" means the board of directors of the Company.

"Business Day" means any day other than Saturday, Sunday or other day on which commercial banks in The City of New York are authorized or required by law to remain closed; provided, however, for clarification, commercial banks shall not be deemed to be authorized or required by law to remain closed due to "stay at home", "shelter-in-place", "non-essential employee" or any other similar orders or restrictions or the closure of any physical branch locations at the direction of any governmental authority so long as the electronic funds transfer systems (including for wire transfers) of commercial banks in The City of New York generally are open for use by customers on such day.

"Certificate of Designation" means the Certificate of Designation in the form of Exhibit A attached hereto.

"Closing" means the closing of the purchase and sale of the Preferred Shares pursuant to Section 2.1.

"Commission" means the United States Securities and Exchange Commission. "Conversion Price" shall have the meaning ascribed to such term in the Certificate of Designation.

"Conversion Shares" shall have the meaning ascribed to such term in the Certificate of Designation.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"Liens" means a lien, charge, pledge, security interest, encumbrance, right of first refusal, preemptive right or other restriction.

"Ordinary Shares" means the Class A ordinary shares of the Company, par value $0.00075 per share, and any other class of securities into which such securities may hereafter be reclassified or changed.

"Ordinary Shares Equivalents" means any securities of the Company or the Subsidiaries which would entitle the holder thereof to acquire at any time Ordinary Shares, including, without limitation, any debt, preferred stock, right, option, warrant or other instrument that is at any time convertible into or exercisable or exchangeable for, or otherwise entitles the holder thereof to receive, Ordinary Shares.

"Outstanding Preferred Shares" means Series A Convertible Preferred Shares, Series D Convertible Preferred Shares, Series E Convertible Preferred Shares, Series F and Series G Convertible Preferred Shares issued by the Company that are outstanding at the time of liquidation as of the date of this Agreement.

"Person" means an individual or corporation, partnership, trust, incorporated or unincorporated association, joint venture, limited liability company, joint stock company, government (or an agency or subdivision thereof) or other entity of any kind.

"Preferred Shares" means the up to 3,827.301 shares of the Company's Series H Convertible Preferred Shares issued hereunder having the rights, preferences and privileges set forth in the Certificate of Designation.

"Proceeding" means an action, claim, suit, investigation or proceeding (including, without limitation, an informal investigation or partial proceeding, such as a deposition), whether commenced or threatened.

"Required Approvals" shall have the meaning ascribed to such term in Section3.1(e).

"Rule 144" means Rule 144 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended or interpreted from time to time, or any similar rule or

regulation hereafter adopted by the Commission having substantially the same purpose and effect as such Rule.

"Securities" means the Preferred Shares, the Warrants, the Warrant Shares and the Underlying Shares.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"Stated Value" means $1,000 per Preferred Share.

"Subsidiary" means any direct or indirect subsidiary of the Company and shall, where applicable, also include any direct or indirect subsidiary of the Company formed or acquired after the date hereof.

"Trading Day" means a day on which the principal Trading Market is open for trading.

"Trading Market" means any of the following markets or exchanges on which the Ordinary Shares are listed or quoted for trading on the date in question: the NYSE American, the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market or the New York Stock Exchange (or any successors to any of the foregoing).

"Transaction Documents" means this Agreement, the Certificate of Designation, and any other documents or agreements executed in connection with the transactions contemplated hereunder.

"Warrants" means the Ordinary Shares purchase warrants delivered to the Purchasers at the Closings in accordance with Section 2.2(a) hereof, which Warrants shall be exercisable immediately and have a term of exercise equal to two (2) years following the date of initial exercisability, in the form of Exhibit B attached hereto.

"Warrant Shares" means the Ordinary Shares issuable upon exercise of the Warrants.

"Underlying Shares" means the Ordinary Shares issued and issuable upon conversion of the Preferred Shares, upon exercise of the Warrants, and issued and issuable in lieu of the cash payment of dividends on the Preferred Shares in accordance with the terms of the Certificate of Designation.

**ARTICLE II. PURCHASE AND SALE**

2.1 Closings.

On the Closing Date, upon the terms and subject to the conditions set forth herein, the Company agrees to issue to the Purchaser an aggregate of 3,827.301 Series H Convertible Preferred Shares with the aggregate Stated Value of US$3,827,301 and

the Warrants. The Company and the Purchaser shall deliver the other items set forth in Section 2.2 deliverable at the Closing.

2.2 Deliveries.

(a) On or prior to the Closing Date, the Company shall deliver or cause to be delivered to the Purchaser the following:

(i) this Agreement duly executed by the Company;

(ii) the Certificate of Designation executed by the Company; and

(iii) a certificate evidencing an aggregate of 3,827.301 Series H Convertible Preferred Shares.

(iv) Warrants registered in the name of such Purchaser to purchase up to a number of Ordinary Shares equal to 150% of the number of Conversion Shares issuable in full of such Purchaser's Preferred Shares issued at such Closing, ignoring for such purposes any conversion limitations therein, with an exercise price equal to $1.00, subject to adjustment therein;

(b) The Purchaser shall deliver or cause to be delivered to the Company the following:

(i) this Agreement duly executed by the Purchaser on or prior to the Closing Date.

## ARTICLE III.
## REPRESENTATIONS AND WARRANTIES

3.1 Representations and Warranties of the Company. The Company hereby makes the following representations and warranties to the Purchaser:

(a) Organization and Qualification. The Company and each of the Subsidiaries is an entity duly incorporated or otherwise organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization, with the requisite power and authority to own and use its properties and assets and to carry on its business as currently conducted.

(b) Authorization; Enforcement. The Company has the requisite corporate power and authority to enter into and to consummate the transactions contemplated by this Agreement and each of the other Transaction Documents and otherwise to carry out its obligations hereunder and thereunder. The execution and delivery of this Agreement and each of the other Transaction Documents by the Company and the consummation by it of the transactions contemplated hereby and thereby have been duly authorized by all necessary action on the part of the Company and no further action is required by the Company, the Board of Directors or the Company's stockholders in connection herewith or therewith other than in

connection with the Required Approvals. This Agreement and each other Transaction Document to which it is a party has been (or upon delivery will have been) duly executed by the Company and, when delivered in accordance with the terms hereof and thereof, will constitute the valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except (i) as limited by general equitable principles and applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies and (iii) insofar as indemnification and contribution provisions may be limited by applicable law.

(c) No Conflicts. The execution, delivery and performance by the Company of this Agreement and the other Transaction Documents to which it is a party, the issuance and sale of the Securities and the consummation by it of the transactions contemplated hereby and thereby do not and will not (i) conflict with or violate any provision of the Company's or any Subsidiary's certificate or articles of incorporation, bylaws or other organizational or charter documents, or (ii) conflict with, or constitute a default (or an event that with notice or lapse of time or both would become a default) under, result in the creation of any Lien upon any of the properties or assets of the Company or any Subsidiary, or give to others any rights of termination, amendment, anti- dilution or similar adjustments, acceleration or cancellation (with or without notice, lapse of time or both) of, any agreement, credit facility, debt or other instrument (evidencing a Company or Subsidiary debt or otherwise) or other understanding to which the Company or any Subsidiary is a party or by which any property or asset of the Company or any Subsidiary is bound or affected, or (iii) subject to the Required Approvals, conflict with or result in a violation of any law, rule, regulation, order, judgment, injunction, decree or other restriction of any court or governmental authority to which the Company or a Subsidiary is subject (including federal and state securities laws and regulations), or by which any property or asset of the Company or a Subsidiary is bound or affected; except in the case of each of clauses (ii) and (iii), such as could not have or reasonably be expected to result in a material adverse effect.

(d) Filings, Consents and Approvals. The Company is not required to obtain any consent, waiver, authorization or order of, give any notice to, or make any filing or registration with, any court or other federal, state, local or other governmental authority or other Person in connection with the execution, delivery and performance by the Company of the Transaction Documents, other than: (i) the notice and/or application(s) to each applicable Trading Market for the issuance and sale of the Securities and the listing of the Underlying Shares for trading thereon in the time and manner required thereby, and (ii) the filing of Form D with the Commission and such filings as are required to be made under applicable state securities laws (collectively, the "Required Approvals").

(e) Approvals by other Rights Holders. The Company has obtained the requisite approvals, or waivers, as the case may be, from holders of Preferred Shares, as set forth in the respective transactional documents.

(f) Issuance of the Securities. The Securities are duly authorized and, when issued and paid for in accordance with the applicable Transaction Documents, will be duly and validly issued, fully paid and nonassessable, free and clear of all Liens imposed by the

Company other than restrictions on transfer provided for in the Transaction Documents. The Underlying Shares, when issued in accordance with the terms of the Transaction Documents, will be validly issued, fully paid and nonassessable, free and clear of all Liens imposed by the Company other than restrictions on transfer provided for in the Transaction Documents. The Company has reserved from its duly authorized capital stock a sufficient number of Ordinary Shares for issuance of the Underlying Shares

(g) Private Placement. Assuming the accuracy of the Purchaser's representations and warranties set forth in Section 3.2, no registration under the Securities Act is required for the offer and sale of the Securities by the Company to the Purchaser as contemplated hereby. The issuance and sale of the Securities hereunder does not contravene the rules and regulations of the Trading Market.

(h) Investment Company. The Company is not, and immediately after receipt of payment for the Securities, will not be, an "investment company" within the meaning of the Investment Company Act of 1940, as amended. The Company shall conduct its business in a manner so that it will not become an "investment company" subject to registration under the Investment Company Act of 1940, as amended.

(i) No Integrated Offering. Assuming the accuracy of the Purchaser's representations and warranties set forth in Section 3.2, neither the Company, nor any of its Affiliates, nor any Person acting on its or their behalf has, directly or indirectly, made any offers or sales of any security or solicited any offers to buy any security, under circumstances that would cause this offering of the Securities to be integrated with prior offerings by the Company for purposes of (i) the Securities Act which would require the registration of any such securities under the Securities Act, or (ii) any applicable shareholder approval provisions of any Trading Market on which any of the securities of the Company are listed or designated.

(j) No General Solicitation. Neither the Company nor any Person acting on behalf of the Company has offered or sold any of the Securities by any form of general solicitation or general advertising. The Company has offered the Securities for sale only to the Purchaser and certain other "accredited investors" within the meaning of Rule 501 under the Securities Act.

(k) Regulation M Compliance. The Company has not, and to its knowledge no one acting on its behalf has, (i) taken, directly or indirectly, any action designed to cause or to result in the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of any of the Securities, (ii) sold, bid for, purchased, or paid any compensation for soliciting purchases of, any of the Securities, or (iii) paid or agreed to pay to any Person any compensation for soliciting another to purchase any other securities of the Company, other than, in the case of clauses (ii) and (iii), compensation paid to the Company's placement agent in connection with the placement of the Securities.

(l) No Disqualification Events. With respect to the Securities to be offered and sold hereunder in reliance on Rule 506 under the Securities Act, other than the Purchaser, none of the Company, any of its predecessors, any affiliated issuer, any director, executive officer, other officer of the Company participating in the offering hereunder, any beneficial owner of 20% or more of the Company's outstanding voting equity securities, calculated on the basis of voting power, nor any promoter (as that term is defined in Rule 405 under the Securities

Act) connected with the Company in any capacity at the time of sale (each, an "Issuer Covered Person" and, together, "Issuer Covered Persons") is subject to any of the "Bad Actor" disqualifications described in Rule 506(d)(1)(i) to (viii) under the Securities Act (a "Disqualification Event"), except for a Disqualification Event covered by Rule 506(d)(2) or (d)(3). The Company has exercised reasonable care to determine whether any Issuer Covered Person is subject to a Disqualification Event. The Company has complied, to the extent applicable, with its disclosure obligations under Rule 506(e).

(m) Other Covered Persons. The Company is not aware of any person (other than any Issuer Covered Person) that has been or will be paid (directly or indirectly) remuneration for solicitation of purchasers in connection with the sale of any Securities.

(n) Notice of Disqualification Events. The Company will notify the Purchaser in writing, prior to each Closing Date of (i) any Disqualification Event relating to any Issuer Covered Person and (ii) any event that would, with the passage of time, become a Disqualification Event relating to any Issuer Covered Person.

3.2 Representations and Warranties of the Purchaser. The Purchaser hereby represents and warrants as of the date hereof and as of the Closing Date to the Company as follows (unless as of a specific date therein, in which case they shall be accurate as of such date):

(a) Organization; Authority. Such Purchaser is either an individual or an entity duly incorporated or formed, validly existing and in good standing under the laws of the jurisdiction of its incorporation or formation with full right, corporate, partnership, limited liability company or similar power and authority to enter into and to consummate the transactions contemplated by the Transaction Documents and otherwise to carry out its obligations hereunder and thereunder. The execution and delivery of the Transaction Documents and performance by such Purchaser of the transactions contemplated by the Transaction Documents have been duly authorized by all necessary corporate, partnership, limited liability company or similar action, as applicable, on the part of such Purchaser. Each Transaction Document to which it is a party has been duly executed by such Purchaser, and when delivered by such Purchaser in accordance with the terms hereof, will constitute the valid and legally binding obligation of such Purchaser, enforceable against it in accordance with its terms, except (i) as limited by general equitable principles and applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies and (iii) insofar as indemnification and contribution provisions may be limited by applicable law.

(b) Own Account. The Purchaser understands that the Securities are "restricted securities" and have not been registered under the Securities Act or any applicable state securities law and is acquiring the Securities as principal for its own account and not with a view to or for distributing or reselling such Securities or any part thereof in violation of the Securities Act or any applicable state securities law, has no present intention of distributing any of such Securities in violation of the Securities Act or any applicable state securities law and has no direct or indirect arrangement or understandings with any other persons to distribute or regarding the distribution of such Securities in violation of the Securities Act or any applicable state securities law (this representation and warranty not limiting such

Purchaser's right to sell the Securities pursuant to a registration statement or otherwise in compliance with applicable federal and state securities laws). Such Purchaser is acquiring the Securities hereunder in the ordinary course of its business.

(c) Purchaser Status. At the time such Purchaser was offered the Securities, it was, and as of the date hereof it is, and on each date on which it converts any Preferred Shares or it exercises any Warrants, it will be an "accredited investor" as defined in Rule 501(a) under the Securities Act.

(d) Experience of Such Purchaser. The Purchaser, either alone or together with its representatives, has such knowledge, sophistication and experience in business and financial matters so as to be capable of evaluating the merits and risks of the prospective investment in the Securities, and has so evaluated the merits and risks of such investment. The Purchaser is able to bear the economic risk of an investment in the Securities and, at the present time, is able to afford a complete loss of such investment.

(e) General Solicitation. The Purchaser is not, to such Purchaser's knowledge, purchasing the Securities as a result of any advertisement, article, notice or other communication regarding the Securities published in any newspaper, magazine or similar media or broadcast over television or radio or presented at any seminar or, to the knowledge of such Purchaser, any other general solicitation or general advertisement.

(f) Disqualification Event. The Purchaser is not subject to any Disqualification Event.

**ARTICLE IV.**
**OTHER AGREEMENTS OF THE PARTIES**

4.1 Transfer Restrictions.

(a) The Securities may only be disposed of in compliance with state and federal securities laws. In connection with any transfer of Securities other than pursuant to an effective registration statement or Rule 144, to the Company or to an Affiliate of a Purchaser or in connection with a pledge as contemplated in Section 4.1(b), the Company may require the transferor thereof to provide to the Company an opinion of counsel selected by the transferor and reasonably acceptable to the Company, the form and substance of which opinion shall be reasonably satisfactory to the Company, to the effect that such transfer does not require registration of such transferred Securities under the Securities Act. As a condition of transfer, any such transferee shall agree in writing to be bound by the terms of this Agreement and shall have the rights and obligations of a Purchaser under this Agreement.

(b) The Purchaser agree to the imprinting, so long as is required by this Section 4.1, of a legend on any of the Securities in the following form:

[NEITHER] THIS SECURITY [NOR THE SECURITIES INTO WHICH THIS SECURITY IS [EXERCISABLE] [CONVERTIBLE]] HAS [NOT] BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF

1933, AS AMENDED (THE "SECURITIES ACT") OR THE SECURITIES COMMISSION OF ANY STATE, AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS. THIS SECURITY [AND THE SECURITIES ISSUABLE UPON [EXERCISE]/[CONVERSION] OF THIS SECURITY] MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT WITH A REGISTERED BROKER- DEALER OR OTHER LOAN WITH A FINANCIAL INSTITUTION THAT IS AN "ACCREDITED INVESTOR" AS DEFINED IN RULE 501(a) UNDER THE SECURITIES ACT OR OTHER LOAN SECURED BY SUCH SECURITIES.

4.2 Acknowledgment of Dilution. The Company acknowledges that the issuance of the Securities may result in dilution of the outstanding Ordinary Shares, which dilution may be substantial under certain market conditions. The Company further acknowledges that its obligations under the Transaction Documents, including, without limitation, its obligation to issue the Underlying Shares pursuant to the Transaction Documents, are unconditional and absolute and not subject to any right of set off, counterclaim, delay or reduction, regardless of the effect of any such dilution or any claim the Company may have against any Purchaser and regardless of the dilutive effect that such issuance may have on the ownership of the other stockholders of the Company.

4.3 Integration. The Company shall not sell, offer for sale or solicit offers to buy or otherwise negotiate in respect of any security (as defined in Section 2 of the Securities Act) that would be integrated with the offer or sale of the Securities in a manner that would require the registration under the Securities Act of the sale of the Securities or that would be integrated with the offer or sale of the Securities for purposes of the rules and regulations of any Trading Market such that it would require shareholder approval prior to the closing of such other transaction unless shareholder approval is obtained before the closing of such subsequent transaction.

4.4 Indemnification of Purchaser. Subject to the provisions of this Section 4.4, the Company will indemnify and hold the Purchaser and its directors, officers, shareholders, members, partners, employees and agents (and any other Persons with a functionally equivalent role of a Person holding such titles notwithstanding a lack of such title or any other title), each Person who controls such Purchaser (within the meaning of Section 15 of the Securities Act and Section 20 of the Exchange Act), and the directors, officers, shareholders, agents, members, partners or employees (and any other Persons with a functionally equivalent role of a Person holding such titles notwithstanding a lack of such title or any other title) of such controlling persons (each, a "Purchaser Party") harmless from any and all losses, liabilities, obligations, claims, contingencies, damages, costs and expenses, including all judgments, amounts paid in settlements, court costs and reasonable attorneys' fees and costs of investigation that any such Purchaser Party may suffer or incur as a result of or relating to (a) any breach of any of the representations, warranties, covenants or agreements made by the Company in this Agreement or in the other Transaction Documents or (b) any action instituted against the Purchaser Parties in any capacity, or any of them or their respective Affiliates, by any stockholder of the Company who is not an Affiliate of such Purchaser Party, with respect to any of the transactions contemplated by the Transaction Documents (unless

such action is solely based upon a material breach of such Purchaser Party's representations, warranties or covenants under the Transaction Documents or any agreements or understandings such Purchaser Party may have with any such stockholder or any violations by such Purchaser Party of state or federal securities laws or any conduct by such Purchaser Party which is finally judicially determined to constitute fraud, gross negligence or willful misconduct). If any action shall be brought against any Purchaser Party in respect of which indemnity may be sought pursuant to this Agreement, such Purchaser Party shall promptly notify the Company in writing, and the Company shall have the right to assume the defense thereof with counsel of its own choosing reasonably acceptable to the Purchaser Party.

4.5 Conversion and Exercise Procedures. The form of Notice of Conversion included in the Certificate of Designation and the form of Notice of Exercise of the Warrants set forth the totality of the procedures required of the Purchasers in order to convert the Preferred Shares or exercise the Warrants. Without limiting the preceding sentences, no ink-original Notice of Conversion or Notice of Exercise shall be required, nor shall any medallion guarantee (or other type of guarantee or notarization) of any Notice of Conversion or Notice of Exercise form be required in order to convert the Preferred Shares or exercise the Warrants. No additional legal opinion, other information or instructions shall be required of the Purchaser to convert its Preferred Shares or exercise the Warrants. The Company shall honor conversions of the Preferred Shares and exercises of Warrants and shall deliver Underlying Shares in accordance with the terms, conditions and time periods set forth in the Transaction Documents.

## ARTICLE V. MISCELLANEOUS

5.1 Termination. This Agreement may be terminated by the Purchaser by written notice to the Company, if the Closing has not been consummated on or before the Closing Date.

5.2 Entire Agreement. The Transaction Documents, together with the exhibits and schedules thereto, contain the entire understanding of the parties with respect to the subject matter hereof and thereof and supersede all prior agreements and understandings, oral or written, with respect to such matters, which the parties acknowledge have been merged into such documents, exhibits and schedules.

5.3 Notices. Any and all notices or other communications or deliveries required or permitted to be provided hereunder shall be in writing and shall be deemed given and effective on the earliest of: (a) the time of transmission, if such notice or communication is delivered via facsimile at the facsimile number or email attachment at the e-mail address as set forth on the signature pages attached hereto at or prior to 5:30 p.m. (New York City time) on a Trading Day, (b) the next Trading Day after the time of transmission, if such notice or communication is delivered via facsimile or email attachment at the facsimile number or e-mail address as set forth on the signature pages attached hereto on a day that is not a Trading Day or later than 5:30 p.m. (New York City time) on any Trading Day, or (c) upon actual receipt by the party to whom such notice is required to be given. The address for such notices and communications shall be as set forth on the signature pages attached hereto.

5.4 Amendments; Waivers. No provision of this Agreement may be waived, modified, supplemented or amended except in a written instrument signed, in the case of an amendment, by the Company and the Purchaser or, in the case of a waiver, by the party against whom enforcement of any such waived provision is sought. No waiver of any default with respect to any provision, condition or requirement of this Agreement shall be deemed to be a continuing waiver in the future or a waiver of any subsequent default or a waiver of any other provision, condition or requirement hereof, nor shall any delay or omission of any party to exercise any right hereunder in any manner impair the exercise of any such right. Any amendment effected in accordance with this Section 5.4 shall be binding upon each Purchaser and holder of Securities and the Company.

5.5 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their successors and permitted assigns. The Company may not assign this Agreement or any rights or obligations hereunder without the prior written consent of the Purchaser (other than by merger). The Purchaser may assign any or all of its rights under this Agreement to any Person to whom the Purchaser assigns or transfers any Securities, provided that such transferee agrees in writing to be bound, with respect to the transferred Securities, by the provisions of the Transaction Documents that apply to the "Purchaser."

5.6 No Third-Party Beneficiaries. This Agreement is intended for the benefit of the parties hereto and their respective successors and permitted assigns and is not for the benefit of, nor may any provision hereof be enforced by, any other Person, except as otherwise set forth in Section 4.4 and this Section 5.6.

5.7 Governing Law. All questions concerning the construction, validity, enforcement and interpretation of the Transaction Documents shall be governed by and construed and enforced in accordance with the internal laws of the State of New York, without regard to the principles of conflicts of law thereof. Each party agrees that all legal Proceedings concerning the interpretations, enforcement and defense of the transactions contemplated by this Agreement and any other Transaction Documents (whether brought against a party hereto or its respective affiliates, directors, officers, shareholders, partners, members, employees or agents) shall be commenced exclusively in the state and federal courts sitting in the City of New York.

5.8 Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, illegal, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions set forth herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated, and the parties hereto shall use their commercially reasonable efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such term, provision, covenant or restriction. It is hereby stipulated and declared to be the intention of the parties that they would have executed the remaining terms, provisions, covenants and restrictions without including any of such that may be hereafter declared invalid, illegal, void or unenforceable.

5.9 **WAIVER OF JURY TRIAL. IN ANY ACTION, SUIT, OR PROCEEDING IN ANY JURISDICTION BROUGHT BY ANY PARTY AGAINST ANY OTHER PARTY, THE PARTIES EACH KNOWINGLY AND INTENTIONALLY, TO THE GREATEST EXTENT PERMITTED BY APPLICABLE LAW, HEREBY**

**ABSOLUTELY, UNCONDITIONALLY, IRREVOCABLY AND EXPRESSLY WAIVES FOREVER TRIAL BY JURY.**

*(Signature Pages Follow)*

IN WITNESS WHEREOF, the parties hereto have caused this Securities Purchase Agreement to be duly executed by their respective authorized signatories as of the date first indicated above.

**KAIXIN HOLDINGS**

By: _____
Name: Mingjun Lin
Title: Director and CEO

IN WITNESS WHEREOF, the undersigned have caused this Securities Purchase Agreement to be duly executed by their respective authorized signatories as of the date first indicated above.

**AUTOA2A, LTD.**

By: _____
Name: Ping Wang
Title: Director

**EXHIBIT A**

**FORM OF CERTIFICATE OF DESIGNATION**

**EXHIBIT B**

**FORM OF WARRANT**

**Exhibit 4.55**

KAIXIN HOLDINGS

CERTIFICATE OF DESIGNATION
OF
SERIES H CONVERTIBLE PREFERRED SHARES

The undersigned, the chairman of the board of directors (the "Board of Directors") of Kaixin Holdings (formerly known as Kaixin Auto Holdings), incorporated under the laws of the Cayman Islands (the "Company"), does hereby certify that:

FIRST, according to the Fifth Amended and Restated Memorandum of Association of the Company (the "Memorandum and Articles"), the authorized share capital of the Company is US$500,000 divided into (a) 660,461,733 Class A ordinary shares of a par value of US$0.00075 each, (b) 6,000,000 Class B ordinary shares of a par value of US$0.00075 each, (c) 6,000 Series A convertible preferred shares of a par value of US$0.0001 each, (d) 6,000 Series D convertible preferred shares of a par value of US$0.0001 each, (e) 50,005 Series F convertible preferred shares of a par value of US$0.00005 each, (f) 50,000 Series G convertible preferred shares of a par value of US$0.00075 each, (g) 50,000 Series H convertible preferred shares of a par value of US$0.00075 each, (h) 50,000 Series I convertible preferred shares of a par value of US$0.00075 each, and (i) 50,000 Series J convertible preferred shares of a par value of US$0.00075 each.

SECOND, according to the Memorandum and Articles, the Board of Directors may provide, out of the unissued shares, for series of preferred shares, and before any preferred shares of any such series are issued, the Board of Directors shall fix, among other things, the designation of such series, the number of preferred shares to constitute such series, the subscription price thereof, the dividends, if any, payable on such series, voting rights, redemption rights, conversion rights, liquidation preferences and other rights of the holders of such series.

THIRD, the Board of Directors, pursuant to the authority designated to it under the Memorandum and Articles, has authorized, by unanimous written resolutions of the Board of Directors dated May 15, 2024, the adoption of this Certificate of Designation of Series H Convertible Preferred Shares (this "Certificate of Designation") to issue 3,827.301 Series H convertible preferred shares of the Company with preference, priority, special privilege and other rights provided herein.

NOW, THEREFORE, 3,827.301 Series H convertible preferred shares of a par value of US$0.00075 each of the Company shall be issued with the rights, preferences and restrictions as follows:

Section 1. Definitions. For the purposes hereof, the following terms shall have the following meanings:

"Affiliate" means any Person that, directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with a Person, as such terms are used in and construed under Rule 405 of the Securities Act.

"Alternate Consideration" shall have the meaning set forth in Section 7(d).

"Bankruptcy Event" means any of the following events: (a) the Company or any Significant Subsidiary (as such term is defined in Rule 1-02(w) of Regulation S-X) thereof commences a case or other proceeding under any bankruptcy, reorganization, arrangement, adjustment of debt, relief of debtors, dissolution, insolvency or liquidation or similar law of any jurisdiction relating to the Company or any Significant Subsidiary thereof, or (b) the Company or any Significant Subsidiary thereof calls a meeting of its creditors with a view to arranging a composition, adjustment or restructuring of its debts.

"Base Conversion Price" shall have the meaning set forth in Section 7(b).

"Business Day" means any day other than Saturday, Sunday or other day on which commercial banks in The City of New York are authorized or required by law to remain closed; provided, however, for clarification, commercial banks shall not be deemed to be authorized or required by law to remain closed due to "stay at home", "shelter-in-place", "non-essential employee" or any other similar orders or restrictions or the closure of any physical branch locations at the direction of any governmental authority so long as the electronic funds transfer systems (including for wire transfers) of commercial banks in The City of New York generally are open for use by customers on such day.

"Change of Control Transaction" means the occurrence after the date hereof of any of (a) an acquisition after the date hereof by an individual or legal entity or "group" (as described in Rule 13d-5(b)(1) promulgated under the Exchange Act) of effective control (whether through legal or beneficial ownership of capital stock of the Company, by contract or otherwise) of in excess of 50% of the voting securities of the Company (other than by means of conversion or exercise of Preferred Shares and the Securities issued together with the Preferred Shares), (b) the Company merges into or consolidates with any other Person, or any Person merges into or consolidates with the Company and, after giving effect to such transaction, the shareholders of the Company immediately prior to such transaction own less than 50% of the aggregate voting power of the Company or the successor entity of such transaction, (c) the Company sells or transfers all or substantially all of its (and all of its Subsidiaries, taken as a whole) assets to another Person and the shareholders of the Company immediately prior to such transaction own less than 50% of the aggregate

voting power of the acquiring entity immediately after the transaction, or (d) the execution by the Company of an agreement to which the Company is a party or by which it is bound, providing for any of the events set forth in clauses (a) through (c) above.

"Closing" means the closing of the purchase and sale of the Securities pursuant to Section 2.1 of the Purchase Agreement.

"Commission" means the United States Securities and Exchange Commission.

"Conversion Amount" means the sum of the Stated Value at issue.

"Conversion Date" shall have the meaning set forth in Section 6(a).

"Conversion Price" shall have the meaning set forth in Section 6(b).

"Conversion Shares" means the Ordinary Shares issuable upon conversion of the Preferred Shares in accordance with the terms hereof.

"Dilutive Issuance" shall have the meaning set forth in Section 7(b).

"Dilutive Issuance Notice" shall have the meaning set forth in Section 7(b).

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"Fundamental Transaction" shall have the meaning set forth in Section 7(d).

"GAAP" means United States generally accepted accounting principles.

"Holder" means the holder of the then outstanding Series H Preferred Shares (each, a "Holder" and collectively, the "Holders").

"Junior Securities" means the Ordinary Shares, Class B ordinary shares and all other Ordinary Shares Equivalents of the Company other than those securities which are explicitly senior or pari passu to the Preferred Shares in dividend rights or liquidation preference.

"Liquidation" shall have the meaning set forth in Section 5.

"New York Courts" shall have the meaning set forth in Section 11(d).

"Notice of Conversion" shall have the meaning set forth in Section 6(a).

"Optional Shares" means Class A ordinary shares of the Company.

"Ordinary Shares Equivalents" means any securities of the Company or the Subsidiaries which would entitle the holder thereof to acquire at any time Ordinary Shares, including, without limitation, any debt, preferred stock, rights, options, warrants or other instrument that is at any time convertible into or exercisable or exchangeable for, or otherwise entitles the holder thereof to receive, Ordinary Shares.

"Original Issue Date" means, with respect to each Preferred Share, the date of the first issuance of such Preferred Share regardless of the number of transfers of such Preferred Share and regardless of the number of certificates which may be issued to evidence such Preferred Share.

"Outstanding Preferred Shares" means Series A Convertible Preferred Shares, Series D Convertible Preferred Shares, Series E Convertible Preferred Shares issued by the Company, and Series F Convertible Preferred Shares issued by the Company, which are outstanding and superior to the Preferred Shares in dividend rights or liquidation preference.

"Person" means an individual or corporation, partnership, trust, incorporated or unincorporated association, joint venture, limited liability company, joint stock company, government (or an agency or subdivision thereof) or other entity of any kind.

"Preferred Shares" shall have the meaning set forth in Section 2.

"Purchase Agreement" means the Securities Purchase Agreement, dated as of May 20, 2024, among the Company and the original Holder.

"Rule 144" means Rule 144 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same effect as such Rule.

"Securities" means the Preferred Shares the Warrants, the Warrant Shares and the Underlying Shares.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"Share Delivery Date" shall have the meaning set forth in Section 6(c).

"Stated Value" shall have the meaning set forth in Section 2.

"Subsidiary" means any direct or indirect subsidiary of the Company and shall, where applicable, also include any direct or indirect subsidiary of the Company formed or acquired after the date of the Purchase Agreement.

"Successor Entity" shall have the meaning set forth in Section 7(d).

"Trading Day" means a day on which the principal Trading Market is open for business.

"Trading Market" means any of the following markets or exchanges on which the Ordinary Shares is listed or quoted for trading on the date in question: the NYSE American, the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market or the New York Stock Exchange (or any successors to any of the foregoing).

"Transaction Documents" means this Certificate of Designation, the Purchase Agreement, and any other documents or agreements executed in connection with the transactions contemplated pursuant to the Purchase Agreement.

"Underlying Shares" means the Ordinary Shares issued and issuable upon conversion or redemption of the Preferred Shares on the Preferred Shares, upon exercise of the Warrants and issued and issuable in lieu of the cash payment of dividends on the Preferred Shares in accordance with the terms of this Certificate of Designation.

"Warrants" means the Ordinary Shares purchase warrants delivered to the Purchasers at the Closings in accordance with Section 2.2(a) of the Purchase Agreement.

"Warrant Shares" means the Ordinary Shares issuable upon exercise of the Warrants.

Section 2. Designation, Amount and Par Value. The series of preferred shares shall be designated as the Company's Series H Convertible Preferred Shares (the "Preferred Shares") and the number of shares so designated and issued shall be 3,827.301. Each Preferred Share shall have a par value of $0.00075 per share and a stated value equal to $1,000 (the "Stated Value").

Section 3. Dividends in Cash or in Kind. Holders shall be entitled to receive, and the Company shall pay, cumulative dividends at the rate per share (as a percentage of the Stated Value per share) of 5% per annum, payable on a pro-rata basis semi-annually every six months starting from the first six-month semi-anniversary of the applicable Original Issue Date (each such date, a "Dividend Payment Date") in cash, or at the Company's option, in duly authorized, validly issued, fully paid and non-assessable Ordinary Shares as set forth in this Section 3, or a combination thereof. In addition, as a condition to paying dividends in Ordinary Shares, no later than (5) Trading Days prior to the applicable Dividend Payment Date, the Company shall have delivered to each Holder a number of Ordinary Shares that equal to the quotient of (x) the applicable dollar amount of dividends to be paid in Ordinary Shares divided by (y) the Conversion Price.

Section 4. Voting Rights. Except as otherwise provided herein or as otherwise required by law, the Preferred Shares shall have no voting rights. However, as long as any Preferred Shares are outstanding, the Company shall not, without the affirmative vote of the Holders of a majority of the then outstanding Preferred Shares, (a)

alter or change adversely the powers, preferences or rights given to the Preferred Shares or alter or amend this Certificate of Designation, (b) authorize or create any class of shares ranking as to dividends, redemption or distribution of assets upon a Liquidation (as defined in Section 5) senior to, or otherwise pari passu with, the Preferred Shares, (c) amend its memorandum and articles of association or other charter documents in any manner that adversely affects any rights of the Holders, (d) increase the number of shares that are designated as the Preferred Shares, or (e) enter into any agreement with respect to any of the foregoing.

Section 5. Liquidation. Upon any liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary (a "Liquidation"), the Holders shall be entitled to receive out of the assets, whether capital or surplus, of the Company an amount equal to the Stated Value, plus any accrued and unpaid dividends thereon and any other fees or liquidated damages then due and owing thereon under this Certificate of Designation, for each Preferred Shares before any distribution or payment shall be made to the holders of any Junior Securities, and if the assets of the Company shall be insufficient to pay in full such amounts, then the entire assets to be distributed to the Holders shall be ratably distributed among the Holders in accordance with the respective amounts that would be payable on such shares if all amounts payable thereon were paid in full. A Fundamental Transaction shall not be deemed a Liquidation. The Company shall mail written notice of any such Liquidation, not less than 45 days prior to the payment date stated therein, to each Holder.

Section 6. Conversion.

a) Conversions at Option of Holder. Subject to this Section 6(a), each Preferred Share shall be convertible, at any time and from time to time from and after the Original Issue Date at the option of the Holder thereof, into that number of Ordinary Shares determined by dividing the Stated Value of such Preferred Share by the Conversion Price. Holders shall effect conversions by providing the Company with the form of conversion notice attached hereto as Annex A (a "Notice of Conversion"). Each Notice of Conversion shall specify the number of Preferred Shares to be converted (provided that the number of Ordinary Shares issuable upon the conversion of such Preferred Shares shall be no less than 50,000, unless all Preferred Shares held by such Holder are to be converted), the number of Preferred Shares owned prior to the conversion at issue, the number of Preferred Shares owned subsequent to the conversion at issue and the date on which such conversion is to be effected, which date may not be prior to the date the applicable Holder delivers by facsimile such Notice of Conversion to the Company (such date, the "Conversion Date"). If no Conversion Date is specified in a Notice of Conversion, the Conversion Date shall be the date that such Notice of Conversion to the Company is deemed delivered hereunder. No ink-original Notice of Conversion shall be required, nor shall any medallion guarantee (or other type of guarantee or notarization) of any Notice of Conversion form be required. The calculations and entries set forth in the Notice of Conversion shall control in the absence of manifest or mathematical error. To effect conversions of Preferred Shares, a Holder shall not be required to surrender the certificate(s) representing the Preferred Shares to the Company unless all of the Preferred Shares represented thereby are so converted, in which case such Holder shall deliver the certificate representing such Preferred Shares

promptly following the Conversion Date at issue. Preferred Shares converted into Ordinary Shares or redeemed in accordance with the terms hereof shall be canceled and shall not be reissued.

b) Conversion Price. The conversion price for the Preferred Shares shall equal $1.00, subject to adjustment herein (the "Conversion Price").

c) Mechanics of Conversion.

i. Delivery of Conversion Shares Upon Conversion. Not later than two (2) Trading Days after each Conversion Date (the "Share Delivery Date"), the Company shall deliver, or cause to be delivered, to the converting Holder the number of Conversion Shares being acquired upon the conversion of the Preferred Shares.

ii. Failure to Deliver Conversion Shares. If, in the case of any Notice of Conversion, such Conversion Shares are not delivered to, or as directed by the applicable Holder by the Share Delivery Date, the Holder shall be entitled to elect by written notice to the Company at any time on or before its receipt of such Conversion Shares, to rescind such Conversion, in which event the Company shall promptly return to the Holder any original Preferred Share certificate delivered to the Company and the Holder shall promptly return to the Company the Conversion Shares issued to such Holder pursuant to the rescinded Notice of Conversion.

iii. Obligation Absolute; Partial Liquidated Damages. The Company's obligation to issue and deliver the Conversion Shares upon conversion of Preferred Shares in accordance with the terms hereof are absolute and unconditional, irrespective of any action or inaction by a Holder to enforce the same, any waiver or consent with respect to any provision hereof, the recovery of any judgment against any Person or any action to enforce the same, or any setoff, counterclaim, recoupment, limitation or termination, or any breach or alleged breach by such Holder or any other Person of any obligation to the Company or any violation or alleged violation of law by such Holder or any other person, and irrespective of any other circumstance which might otherwise limit such obligation of the Company to such Holder in connection with the issuance of such Conversion Shares; provided, however, that such delivery shall not operate as a waiver by the Company of any such action that the Company may have against such Holder. In the event a Holder shall elect to convert any or all of the Stated Value of its Preferred Shares, the Company may not refuse conversion based on any claim that such Holder or anyone associated or affiliated with such Holder has been engaged in any violation of law, agreement or for any other reason, unless an injunction from a court, on notice to Holder, restraining and/or enjoining conversion of all or part of the Preferred Shares of such Holder shall have been sought and obtained. In the absence of such injunction, the Company shall issue Conversion Shares and, if applicable, cash, upon a properly noticed conversion.

iv. Reservation of Shares Issuable Upon Conversion. The Company covenants that it will at all times reserve and keep available out of its authorized and unissued Ordinary Shares for the sole purpose of issuance upon conversion of the Preferred Shares, each as herein provided, free from preemptive rights or any other actual contingent purchase rights of Persons other than the Holder (and the other holders of the Preferred Shares), not less than such aggregate number of Ordinary Shares as shall (subject to the terms and conditions set forth in the Purchase Agreement) be issuable (taking into account the adjustments and restrictions of Section 7) upon the conversion of the then outstanding Preferred Shares hereunder. The Company covenants that all Ordinary Shares that shall be so issuable shall, upon issue, be duly authorized, validly issued, fully paid and nonassessable.

v. Fractional Shares. No fractional shares or scrip representing fractional shares shall be issued upon the conversion of the Preferred Shares. As to any fraction of a share which the Holder would otherwise be entitled to purchase upon such conversion, the Company shall at its election, either pay a cash adjustment in respect of such final fraction in an amount equal to such fraction multiplied by the Conversion Price or round up to the next whole share. Notwithstanding anything to the contrary contained herein, but consistent with the provisions of this subsection with respect to fractional Conversion Shares, nothing shall prevent any Holder from converting fractional Preferred Shares.

vi. Transfer Taxes and Expenses. The issuance of Conversion Shares on conversion of the Preferred Shares shall be made without charge to any Holder for any documentary stamp or similar taxes that may be payable in respect of the issue or delivery of such Conversion Shares, provided that the Company shall not be required to pay any tax that may be payable in respect of any transfer involved in the issuance and delivery of any such Conversion Shares upon conversion in a name other than that of the Holders of such Preferred Shares and the Company shall not be required to issue or deliver such Conversion Shares unless or until the Person or Persons requesting the issuance thereof shall have paid to the Company the amount of such tax or shall have established to the satisfaction of the Company that such tax has been paid. The Company shall pay all transfer agent fees required for same-day processing of any Notice of Conversion and all fees to the Depository Trust Company (or another established clearing corporation performing similar functions) required for same-day electronic delivery of the Conversion Shares.

Section 7. Certain Adjustments.

a) Stock Splits. If the Company, at any time while any Preferred Shares are outstanding: (i) pays a stock dividend or otherwise makes a distribution or distributions payable in Ordinary Shares on Ordinary Shares or any other Ordinary Shares Equivalents (which, for avoidance of doubt, shall not include any Ordinary Shares issued by the Company upon conversion of, or payment of a dividend on, the Preferred Shares), (ii) subdivides outstanding Ordinary Shares into a larger number of shares, or (iii) issues, in

the event of a reclassification of the Ordinary Shares, any shares of capital stock of the Company, then the Conversion Price shall be multiplied by a fraction of which the numerator shall be the number of Ordinary Shares (excluding any treasury shares of the Company) outstanding immediately before such event, and of which the denominator shall be the number of Ordinary Shares outstanding immediately after such event. Any adjustment made pursuant to this Section 7(a) shall become effective immediately after the record date for the determination of shareholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or re-classification.

b) Pro Rata Distributions. During such time as any Preferred Shares are outstanding, if the Company declares or makes any dividend or other distribution of its assets (or rights to acquire its assets) to holders of Ordinary Shares, by way of return of capital or otherwise (including, without limitation, any distribution of cash, stock or other securities, property or options by way of a dividend, spin off, reclassification, corporate rearrangement, scheme of arrangement or other similar transaction) (a "Distribution"), at any time after the issuance of the Preferred Shares, then, in each such case, the Holder shall be entitled to participate in such Distribution to the same extent that the Holder would have participated therein if the Holder had held the number of Ordinary Shares acquirable upon complete conversion of the Preferred Shares (without regard to any limitations on conversion hereof, including without limitation, the Beneficial Ownership Limitation) immediately before the date of which a record is taken for such Distribution, or, if no such record is taken, the date as of which the record holders of Ordinary Shares are to be determined for the participation in such Distribution.

c) Fundamental Transaction. If, at any time while any Preferred Shares are outstanding, (i) the Company, directly or indirectly, in one or more related transactions effects any merger or consolidation of the Company into another Person, (ii) the Company (and all of its Subsidiaries, taken as a whole), directly or indirectly, effects any sale, lease, license, assignment, transfer, conveyance or other disposition of all or substantially all of its assets in one or a series of related transactions, (iii) any, direct or indirect, purchase offer, tender offer or exchange offer (whether by the Company or another Person) is completed pursuant to which holders of Ordinary Shares are permitted to sell, tender or exchange their shares for other securities, cash or property and has been accepted by the holders of 50% or more of the outstanding Ordinary Shares, (iv) the Company, directly or indirectly, in one or more related transactions effects any reclassification, reorganization or recapitalization of the Ordinary Shares or any compulsory share exchange pursuant to which the Ordinary Shares is effectively converted into or exchanged for other securities, cash or property, or (v) the Company, directly or indirectly, in one or more related transactions consummates a stock or share purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement) with another Person whereby such other Person acquires more than 50% of the outstanding Ordinary Shares (not including any Ordinary Shares held by the other Person or other Persons making or party to, or associated or affiliated with the other Persons making or party to, such stock or share purchase agreement or other business combination), in each case of (i)-(v) above, (each a "Fundamental Transaction"), then, upon any subsequent conversion of the Preferred Shares, the Holder

shall have the right to receive, for each Conversion Share that would have been issuable upon such conversion immediately prior to the occurrence of such Fundamental Transaction, the number of Ordinary Shares of the successor or acquiring Company or of the Company, if it is the surviving Company, and any additional consideration (the "Alternate Consideration") receivable as a result of such Fundamental Transaction by a holder of the number of Ordinary Shares for which the Preferred Shares are convertible immediately prior to such Fundamental Transaction. For purposes of any such conversion, the determination of the Conversion Price shall be appropriately adjusted to apply to such Alternate Consideration based on the amount of Alternate Consideration issuable in respect of one share of Ordinary Shares in such Fundamental Transaction, and the Company shall apportion the Conversion Price among the Alternate Consideration in a reasonable manner reflecting the relative value of any different components of the Alternate Consideration. If holders of Ordinary Shares are given any choice as to the securities, cash or property to be received in a Fundamental Transaction, then the Holder shall be given the same choice as to the Alternate Consideration it receives upon any conversion of the Preferred Shares following such Fundamental Transaction. To the extent necessary to effectuate the foregoing provisions, any successor to the Company or surviving entity in such Fundamental Transaction shall file a new Certificate of Designation with the same terms and conditions and issue to the Holders new preferred shares consistent with the foregoing provisions and evidencing the Holders' right to convert such preferred shares into Alternate Consideration. The Company shall cause any successor entity in a Fundamental Transaction in which the Company is not the survivor (the "Successor Entity") to assume in writing all of the obligations of the Company under this Certificate of Designation and the other Transaction Documents (as defined in the Purchase Agreement) in accordance with the provisions of this Section 7(d) pursuant to written agreements in form and substance reasonably satisfactory to the Holder and approved by the Holder (without unreasonable delay) prior to such Fundamental Transaction and shall, at the option of the holder of the Preferred Shares, deliver to the Holder in exchange for the Preferred Shares a security of the Successor Entity evidenced by a written instrument substantially similar in form and substance to the Preferred Shares which are convertible for a corresponding number of shares of capital stock of such Successor Entity (or its parent entity) equivalent to the Ordinary Shares acquirable and receivable upon conversion of the Preferred Shares (without regard to any limitations on the conversion of the Preferred Shares) prior to such Fundamental Transaction, and with a conversion price which applies the conversion price hereunder to such shares of capital stock (but taking into account the relative value of the Ordinary Shares pursuant to such Fundamental Transaction and the value of such shares of capital stock, such number of shares of capital stock and such conversion price being for the purpose of protecting the economic value of the Preferred Shares immediately prior to the consummation of such Fundamental Transaction), and which is reasonably satisfactory in form and substance to the Holder. Upon the occurrence of any such Fundamental Transaction, the Successor Entity shall succeed to, and be substituted for (so that from and after the date of such Fundamental Transaction, the provisions of this Certificate of Designation and the other Transaction Documents referring to the "Company" shall refer instead to the Successor Entity), and may exercise every right and power of the Company and shall assume all of the obligations of the Company under this Certificate of Designation and the other Transaction Documents with the same effect as if such Successor Entity had been named as the Company herein.

d) Calculations. All calculations under this Section 7 shall be made to the nearest cent or the nearest 1/100th of a share, as the case may be. For purposes of this Section 7, the number of Ordinary Shares deemed to be issued and outstanding as of a given date shall be the sum of the number of Ordinary Shares (excluding any treasury shares of the Company) issued and outstanding.

e) Notice to the Holders.

i. Adjustment to Conversion Price. Whenever the Conversion Price is adjusted pursuant to any provision of this Section 7, the Company shall promptly deliver to each Holder by facsimile or email a notice setting forth the Conversion Price after such adjustment and setting forth a brief statement of the facts requiring such adjustment.

ii. Notice to Allow Conversion by Holder. If (A) the Company shall declare a dividend (or any other distribution in whatever form) on the Ordinary Shares, (B) the Company shall declare a special nonrecurring cash dividend on or a redemption of the Ordinary Shares, (C) the Company shall authorize the granting to all holders of the Ordinary Shares of rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any rights, (D) the approval of any shareholders of the Company shall be required in connection with any reclassification of the Ordinary Shares, any consolidation or merger to which the Company is a party, any sale or transfer of all or substantially all of the assets of the Company (and all of its Subsidiaries, taken as a whole), or any compulsory share exchange whereby the Ordinary Shares is converted into other securities, cash or property or (E) the Company shall authorize the voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Company, then, in each case, the Company shall cause to be filed at each office or agency maintained for the purpose of conversion of the Preferred Shares, and shall cause to be delivered by facsimile or email to each Holder at its last facsimile number or email address as it shall appear upon the stock books of the Company, at least twenty (20) calendar days prior to the applicable record or effective date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, redemption, rights or warrants, or if a record is not to be taken, the date as of which the holders of the Ordinary Shares of record to be entitled to such dividend, distributions, redemption, rights or warrants are to be determined or (y) the date on which such reclassification, consolidation, merger, sale, transfer or share exchange is expected to become effective or close, and the date as of which it is expected that holders of the Ordinary Shares of record shall be entitled to exchange their Ordinary Shares for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer or share exchange, provided that the failure to deliver such notice or any defect therein or in the delivery thereof shall not affect the validity of the corporate action required to be specified in such notice. To the extent that any notice provided hereunder constitutes, or contains, material, non-public information regarding the Company or any of the Subsidiaries, the Company shall simultaneously file such

notice with the Commission pursuant to a Current Report on Form 6-K. The Holder shall remain entitled to convert the Conversion Amount of the Preferred Shares (or any part hereof) during the 20-day period commencing on the date of such notice through the effective date of the event triggering such notice except as may otherwise be expressly set forth herein.

Section 8. [Reserved]

Section 9. [Reserved]

Section 10. [Reserved]

Section 11. Miscellaneous

a) Notices. Any and all notices or other communications or deliveries to be provided by the Holders hereunder including, without limitation, any Notice of Conversion, shall be in writing and delivered personally, by facsimile or e-mail attachment, or sent by a nationally recognized overnight courier service, addressed to the Company, at the address set forth above Attention: Investor Relations, e-mail address ir@kaixin.com, or such other facsimile number, e-mail address or address as the Company may specify for such purposes by notice to the Holders delivered in accordance with this Section 9. Any and all notices or other communications or deliveries to be provided by the Company hereunder shall be in writing and delivered personally, by facsimile or e-mail attachment, or sent by a nationally recognized overnight courier service addressed to each Holder at the facsimile number, e-mail address or address of such Holder appearing on the books of the Company, or if no such facsimile number, e-mail address or address appears on the books of the Company, at the principal place of business of such Holder, as set forth in the Purchase Agreement. Any notice or other communication or deliveries hereunder shall be deemed given and effective on the earliest of (i) the time of transmission, if such notice or communication is delivered via facsimile at the facsimile number or e-mail attachment at the e-mail address set forth in this Section prior to 5:30 p.m. (New York City time) on any date, (ii) the next Trading Day after the time of transmission, if such notice or communication is delivered via facsimile at the facsimile number or e-mail attachment at the e-mail address set forth in this Section on a day that is not a Trading Day or later than 5:30 p.m. (New York City time) on any Trading Day, (iii) the second Trading Day following the date of mailing, if sent by U.S. nationally recognized overnight courier service, or (iv) upon actual receipt by the party to whom such notice is required to be given.

b) Absolute Obligation. Except as expressly provided herein, no provision of this Certificate of Designation shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay liquidated damages on the Preferred Shares at the time, place, and rate, and in the coin or currency, herein prescribed.

c) Lost or Mutilated Preferred Share Certificate. If a Holder's Preferred Share certificate shall be mutilated, lost, stolen or destroyed, the Company shall execute and deliver, in exchange and substitution for and upon cancellation of a mutilated

certificate, or in lieu of or in substitution for a lost, stolen or destroyed certificate, a new certificate for the Preferred Shares so mutilated, lost, stolen or destroyed, but only upon receipt of evidence of such loss, theft or destruction of such certificate, and of the ownership hereof reasonably satisfactory to the Company (which shall not include the posting of any bond).

d) Governing Law. All questions concerning the construction, validity, enforcement and interpretation of this Certificate of Designation shall be governed by and construed and enforced in accordance with the internal laws of the State of New York, without regard to the principles of conflict of laws thereof. All legal proceedings concerning the interpretation, enforcement and defense of the transactions contemplated by any of the Transaction Documents (whether brought against a party hereto or its respective Affiliates, directors, officers, shareholders, employees or agents) shall be commenced in the state and federal courts sitting in the City of New York, Borough of Manhattan (the "New York Courts"). The Company and each Holder hereby irrevocably submits to the exclusive jurisdiction of the New York Courts for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein (including with respect to the enforcement of any of the Transaction Documents), and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of such New York Courts, or such New York Courts are improper or inconvenient venue for such proceeding.

e) Waiver. Any waiver by the Company or a Holder of a breach of any provision of this Certificate of Designation shall not operate as or be construed to be a waiver of any other breach of such provision or of any breach of any other provision of this Certificate of Designation or a waiver by any other Holders. The failure of the Company or a Holder to insist upon strict adherence to any term of this Certificate of Designation on one or more occasions shall not be considered a waiver or deprive that party (or any other Holder) of the right thereafter to insist upon strict adherence to that term or any other term of this Certificate of Designation on any other occasion. Any waiver by the Company or a Holder must be in writing.

f) Severability. If any provision of this Certificate of Designation is invalid, illegal or unenforceable, the balance of this Certificate of Designation shall remain in effect, and if any provision is inapplicable to any Person or circumstance, it shall nevertheless remain applicable to all other Persons and circumstances. If it shall be found that any interest or other amount deemed interest due hereunder violates the applicable law governing usury, the applicable rate of interest due hereunder shall automatically be lowered to equal the maximum rate of interest permitted under applicable law.

g) Next Business Day. Whenever any payment or other obligation hereunder shall be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day.

h) Headings. The headings contained herein are for convenience only, do not constitute a part of this Certificate of Designation and shall not be deemed to limit or affect any of the provisions hereof.

**********

IN WITNESS WHEREOF, the undersigned executed this Certificate on May 15, 2024.

_____

Name: Mingjun Lin
Title: Chairman of the Board of Directors

ANNEX A

NOTICE OF CONVERSION

(TO BE EXECUTED BY THE REGISTERED HOLDER IN ORDER TO CONVERT PREFERRED SHARES)

The undersigned hereby elects to convert the number of Series H Convertible Preferred Shares indicated below into Ordinary Shares, par value $0.00075 per share (the "Ordinary Shares"), of Kaixin Holdings (formerly known as Kaixin Auto Holdings), a Cayman Islands Company (the "Company"), according to the conditions hereof, as of the date written below. If Ordinary Shares are to be issued in the name of a Person other than the undersigned, the undersigned will pay all transfer taxes payable with respect thereto and is delivering herewith such certificates and opinions as may be required by the Company in accordance with the Purchase Agreement. No fee will be charged to the Holders for any conversion, except for any such transfer taxes.

Conversion calculations:

Date to Effect Conversion: _____

Number of Preferred Shares owned prior to Conversion: _____

Number of Preferred Shares to be Converted: _____

Stated Value of Preferred Shares to be Converted: _____

Number of Ordinary Shares to be Issued: _____

Applicable Conversion Price: _____

Number of Preferred Shares subsequent to Conversion: _____

Address for Delivery: _____
or
DWAC Instructions:
Broker no: _____
Account no: _____

[HOLDER]
By: _____
Name:
Title:

NEITHER THIS SECURITY NOR THE SECURITIES FOR WHICH THIS SECURITY IS EXERCISABLE HAVE BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS. THIS SECURITY AND THE SECURITIES ISSUABLE UPON EXERCISE OF THIS SECURITY MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN SECURED BY SUCH SECURITIES.

**ORDINARY SHARES PURCHASE WARRANT**

**KAIXIN HOLDINGS**

Warrant Shares: 5,740,952 Initial Exercise Date: May 15, 2024

THIS ORDINARY SHARES PURCHASE WARRANT (the "Warrant") certifies that, for value received, AUTOA2A, LTD. or its assigns (the "Holder") is entitled, upon the terms and subject to the limitations on exercise and the conditions hereinafter set forth, at any time on or after the date hereof (the "Initial Exercise Date") and on or prior to 4:00 p.m. (US Central time) on May 15, 2026 (the "Termination Date") but not thereafter, to subscribe for and purchase from Kaixin Holdings, an exempted company incorporated under the laws of the Cayman Islands (the "Company"), up to 5,740,952 Ordinary Shares (as subject to adjustment hereunder, the "Warrant Shares"). The purchase price of one Ordinary Share under this Warrant shall be equal to the Exercise Price, as defined in Section 2(b).

Section 1. Definitions. In addition to the terms defined elsewhere herein, the following terms have the meanings set forth in this Section 1:

"Action" means any suit, inquiry, notice of violation, proceeding or investigation pending or, to the knowledge of the Company, threatened against or affecting the Company, any subsidiary or any of their respective properties before or by any court, arbitrator, governmental or administrative agency or regulatory authority (federal, state, county, local or foreign).

"Board of Directors" means the board of directors of the Company.

"Business Day" means any day other than Saturday, Sunday or other day on which commercial banks in The United States are authorized or required by law to remain closed; provided, however, for clarification, commercial banks shall not be deemed to be authorized or required by law to remain closed due to "stay at home", "shelter-in-place", "non-essential employee" or any other similar orders or restrictions or the closure of any physical branch locations at the direction of any governmental authority so long as the electronic funds transfer systems (including for wire transfers) of commercial banks in The United States are generally are open for use by customers on such day.

"Commission" means the United States Securities and Exchange Commission.

"Exempt Issuance" means the issuance of (a) Ordinary Shares or options to employees, officers, directors or consultants of the Company pursuant to any stock or option plan duly adopted for such purpose, by a majority of the non-employee members of the Board of Directors or a majority of the members of a committee of non-employee directors established for such purpose for services rendered to the Company, (b) securities upon the exercise or exchange of or conversion of any Securities issued hereunder and/or other securities exercisable or exchangeable for or convertible into Ordinary Shares issued and outstanding on the date of this Warrant certificate, (c) securities issued pursuant to acquisitions or strategic transactions approved by a majority of the disinterested directors of the Company, provided that such securities are issued as "restricted securities" (as defined in Rule 144) and carry no registration rights that require or permit the filing of any registration statement in connection therewith during the six-month period after such transactions, and provided that any such issuance shall only be to a Person (or to the equityholders of a Person) which is, itself or through its subsidiaries, an operating company or an owner of an asset in a business synergistic with the business of the Company and shall provide to the Company additional benefits in addition to the investment of funds, (d) in any 12-month period, up to 2,000,000 Ordinary Shares (subject to adjustment for reverse and forward stock splits and the like) for an effective per share purchase price not less than the then Exercise Price.

"Ordinary Shares" means the Class A ordinary shares of the Company, par value $0.00075 per share, and any other class of securities into which such securities may hereafter be reclassified or changed.

"Ordinary Shares Equivalents" means any securities of the Company or the Subsidiaries which would entitle the holder thereof to acquire at any time Ordinary Shares, including, without limitation, any debt, preferred stock, right, option, warrant or other instrument that is at any time convertible into or exercisable or exchangeable for, or otherwise entitles the holder thereof to receive, Ordinary Shares.

"Person" means an individual or corporation, partnership, trust, incorporated or unincorporated association, joint venture, limited liability company, joint stock company, government (or an agency or subdivision thereof) or other entity of any kind.

"Proceeding" means an action, claim, suit, investigation or proceeding (including, without limitation, an informal investigation or partial proceeding, such as a deposition), whether commenced or threatened.

"Rule 144" means Rule 144 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended or interpreted from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same purpose and effect as such Rule.

"Securities" means the Warrant, the Warrant Shares and the Ordinary Shares.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"Trading Day" means a day on which the principal Trading Market is open for trading.

"Trading Market" means any of the following markets or exchanges on which the Ordinary Shares is listed or quoted for trading on the date in question: the NYSE American, the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market or the New York Stock Exchange (or any successors to any of the foregoing).

"Variable Rate Transaction" means a transaction in which the Company (i) issues or sells any debt or equity securities that are convertible into, exchangeable or exercisable for, or include the right to receive, additional Ordinary Shares either (A) at a conversion price, exercise price or exchange rate or other price that is based upon, and/or varies with, the trading prices of or quotations for the Ordinary Shares at any time after the initial issuance of such debt or equity securities or (B) with a conversion, exercise or exchange price that is subject to being reset at some future date after the initial issuance of such debt or equity security or upon the occurrence of specified or Board of Directors contingent events directly or indirectly related to the business of the Company or the market for the Ordinary Shares or (ii) enters into, or effects a transaction under, any agreement, including, but not limited to, an equity line of credit, whereby the Company may issue securities at a future determined price.

"Warrant Shares" means the Ordinary Shares issuable upon exercise of the Warrant.

Section 2. Exercise.

a) Exercise of Warrant. Exercise of the purchase rights represented by this Warrant may be made, in whole or in part, at any time or times on or after the Initial Exercise Date and on or before the Termination Date by delivery to the Company of a duly executed facsimile copy or PDF copy submitted by e-mail (or e-mail attachment) of the Notice of Exercise in the form annexed hereto (the "Notice of Exercise"). Within two (2) Trading Days following the date of exercise as aforesaid, the Holder shall deliver the aggregate Exercise Price for the shares specified in the applicable Notice of Exercise by wire transfer or cashier's check drawn on a United States bank unless the cashless exercise procedure specified in Section 2(c) below is specified in the applicable Notice of Exercise. No ink-original Notice of Exercise shall be required, nor shall any medallion guarantee (or other type of guarantee or notarization) of any Notice of Exercise be required. Notwithstanding anything herein to the contrary, the Holder shall not be required to physically surrender this Warrant to the Company until the Holder has purchased all of the Warrant Shares available hereunder and the Warrant has been exercised in full, in which case, the Holder shall surrender this Warrant to the Company for cancellation within three (3) Trading Days of the date on which the final Notice of Exercise is delivered to the Company. Partial exercises of this Warrant resulting in purchases of a portion of the total number of Warrant Shares available hereunder shall have the effect of lowering the outstanding number of Warrant Shares purchasable hereunder in an amount equal to the applicable number of Warrant Shares purchased. The Holder and the Company shall maintain records showing the number of Warrant Shares purchased and the date of such

purchases. The Company shall deliver any objection to any Notice of Exercise within one (1) Business Day of receipt of such notice. **The Holder and any assignee, by acceptance of this Warrant, acknowledge and agree that, by reason of the provisions of this paragraph, following the purchase of a portion of the Warrant Shares hereunder, the number of Warrant Shares available for purchase hereunder at any given time may be less than the amount stated on the face hereof.**

b) Exercise Price. The exercise price per Ordinary Share under this Warrant shall be **$1.00**, subject to adjustment hereunder (the "Exercise Price").

c) Cashless Exercise. If, but at any time after the six-month anniversary of the execution date of the Warrant, there is no effective registration statement registering, or no current prospectus available for, the resale of the Warrant Shares by the Holder, then this Warrant may also be exercised, in whole or in part, at such time by means of a "cashless exercise" in which the Holder shall be entitled to receive a number of Warrant Shares equal to the quotient obtained by dividing [(A-B) (X)] by (A), where:

(A) = as applicable: (i) the VWAP on the Trading Day immediately preceding the date of the applicable Notice of Exercise if such Notice of Exercise is (1) both executed and delivered pursuant to Section 2(a) hereof on a day that is not a Trading Day or (2) both executed and delivered pursuant to Section 2(a) hereof on a Trading Day prior to the opening of "regular trading hours" (as defined in Rule 600(b)(68) of Regulation NMS promulgated under the federal securities laws) on such Trading Day, (ii) at the option of the Holder, either (y) the VWAP on the Trading Day immediately preceding the date of the applicable Notice of Exercise or (z) the Bid Price of the Ordinary Shares on the principal Trading Market as reported by Bloomberg L.P. ("Bloomberg") as of the time of the Holder's execution of the applicable Notice of Exercise if such Notice of Exercise is executed during "regular trading hours" on a Trading Day and is delivered within two (2) hours thereafter (including until two (2) hours after the close of "regular trading hours" on a Trading Day) pursuant to Section 2(a) hereof or (iii) the VWAP on the date of the applicable Notice of Exercise if the date of such Notice of Exercise is a Trading Day and such Notice of Exercise is both executed and delivered pursuant to Section 2(a) hereof after the close of "regular trading hours" on such Trading Day;

(B) = the Exercise Price of this Warrant, as adjusted hereunder; and

(X) = the number of Warrant Shares that would be issuable upon exercise of this Warrant in accordance with the terms of this Warrant if such exercise were by means of a cash exercise rather than a cashless exercise.

If Warrant Shares are issued in such a cashless exercise, the parties acknowledge and agree that in accordance with Section 3(a)(9) of the Securities Act, the Warrant Shares shall take on the characteristics of the Warrant being exercised, and the holding period of the Warrant Shares being

issued may be tacked on to the holding period of this Warrant. The Company agrees not to take any position contrary to this Section 2(c).

"Bid Price" means, for any date, the price determined by the first of the following clauses that applies: (a) if the Ordinary Shares are then listed or quoted on a Trading Market, the bid price of the Ordinary Shares for the time in question (or the nearest preceding date) on the Trading Market on which the Ordinary Shares are then listed or quoted as reported by Bloomberg (based on a Trading Day from 9:30 a.m. (New York City time) to 4:02 p.m. (New York City time)), (b) if OTCQB or OTCQX is not a Trading Market, the volume weighted average price of the Ordinary Shares for such date (or the nearest preceding date) on OTCQB or OTCQX as applicable, (c) if the Ordinary Shares are not then listed or quoted for trading on OTCQB or OTCQX and if prices for the Ordinary Shares are then reported on The Pink Open Market (or a similar organization or agency succeeding to its functions of reporting prices), the most recent bid price per share of the Ordinary Shares so reported, or (d) in all other cases, the fair market value of an Ordinary Share as determined by an independent appraiser selected in good faith by the Purchasers of a majority in interest of the Securities then outstanding and reasonably acceptable to the Company, the fees and expenses of which shall be paid by the Company.

"VWAP" means, for any date, the price determined by the first of the following clauses that applies: (a) if the Ordinary Shares are then listed or quoted on a Trading Market, the daily volume weighted average price of the Ordinary Shares for such date (or the nearest preceding date) on the Trading Market on which the Ordinary Shares are then listed or quoted as reported by Bloomberg (based on a Trading Day from 9:30 a.m. (New York City time) to 4:02 p.m. (New York City time)), (b) if OTCQB or OTCQX is not a Trading Market, the volume weighted average price of the Ordinary Shares for such date (or the nearest preceding date) on OTCQB or OTCQX as applicable, (c) if the Ordinary Shares are not then listed or quoted for trading on OTCQB or OTCQX and if prices for the Ordinary Shares are then reported in The Pink Open Market (or a similar organization or agency succeeding to its functions of reporting prices), the most recent bid price per share of the Ordinary Shares so reported, or (d) in all other cases, the fair market value of

an Ordinary Share as determined by an independent appraiser selected in good faith by the Purchasers of a majority in interest of the Securities then outstanding and reasonably acceptable to the Company, the fees and expenses of which shall be paid by the Company.

Notwithstanding anything herein to the contrary, on the Termination Date, this Warrant shall be automatically exercised via cashless exercise pursuant to this Section 2(c).

d) Mechanics of Exercise.

i. Delivery of Warrant Shares Upon Exercise. Subject to the delivery of the aggregate Exercise Price to the Company in accordance with Section 2(a), the Company shall cause the Warrant Shares purchased hereunder to be transmitted by its transfer agent to the Holder by crediting the account of the Holder's or its designee's balance account with The Depository Trust Company through its Direct Registration System ("DRS") if the Company is then a participant in such system and either (A) there is an effective registration statement permitting the issuance of the Warrant Shares to or resale of the Warrant Shares by the Holder or (B) the Warrant Shares are eligible for resale by the Holder without volume or manner-of-sale limitations pursuant to Rule 144 (assuming cashless exercise of the Warrant), and otherwise by physical delivery of a certificate, registered in the Company's share register in the name of the Holder or its designee, for the number of Warrant Shares to which the Holder is entitled pursuant to such exercise to the address specified by the Holder in the Notice of Exercise by the date that is the earliest of (i) two (2) Trading Days after the delivery to the Company of the Notice of Exercise and (ii) one (1) Trading Day after delivery of the aggregate Exercise Price to the Company (such date, the "Warrant Share Delivery Date"). If the Company fails for any reason to deliver to the Holder the Warrant Shares subject to a Notice of Exercise by the Warrant Share Delivery Date, the Company shall pay to the Holder, in cash, as liquidated damages and not as a penalty, for each $1,000 of Warrant Shares subject to such exercise (based on the VWAP of the Ordinary Shares on the date of the applicable Notice of Exercise), $10 per Trading Day for each Trading Day after the 2nd Trading Day following such Warrant Share Delivery Date until such Warrant Shares are delivered or Holder rescinds such exercise. The Company agrees to maintain a transfer agent that is a participant in the FAST program so long as this Warrant remains outstanding and exercisable.

ii. Delivery of New Warrants Upon Exercise. If this Warrant shall have been exercised in part, the Company shall, at the request of a Holder and upon surrender of this Warrant certificate, at the time of delivery of the Warrant Shares, deliver to the Holder a new Warrant

evidencing the rights of the Holder to purchase the unpurchased Warrant Shares called for by this Warrant, which new Warrant shall in all other respects be identical with this Warrant.

iii. Rescission Rights. If the Company fails to cause its transfer agent to transmit to the Holder the Warrant Shares pursuant to Section 2(d)(i) by the Warrant Share Delivery Date, then the Holder will have the right to rescind such exercise.

iv. No Fractional Shares or Scrip. No fractional shares or scrip representing fractional shares shall be issued upon the exercise of this Warrant. As to any fraction of a share which the Holder would otherwise be entitled to purchase upon such exercise, the Company shall, at its election, either pay a cash adjustment in respect of such final fraction in an amount equal to such fraction multiplied by the Exercise Price or round up to the next whole share.

v. Charges, Taxes and Expenses. Issuance of Warrant Shares shall be made without charge to the Holder for any issue or transfer tax or other incidental expense in respect of the issuance of such Warrant Shares, all of which taxes and expenses shall be paid by the Company, and such Warrant Shares shall be issued in the name of the Holder or in such name or names as may be directed by the Holder; provided, however, that, in the event that Warrant Shares are to be issued in a name other than the name of the Holder, this Warrant when surrendered for exercise shall be accompanied by the Assignment Form attached hereto duly executed by the Holder and the Company may require, as a condition thereto, the payment of a sum sufficient to reimburse it for any transfer tax incidental thereto. The Company shall pay all transfer agent fees required for same-day processing of any Notice of Exercise and all fees to the Depository Trust Company (or another established clearing corporation performing similar functions) required for same-day electronic delivery of the Warrant Shares.

vi. Closing of Books. The Company will not close its register of members or records in any manner which prevents the timely exercise of this Warrant, pursuant to the terms hereof.

e) Holder's Exercise Limitations. The Company shall not effect any exercise of this Warrant, and a Holder shall not have the right to exercise any portion of this Warrant, pursuant to Section 2 or otherwise, to the extent that after giving effect to such issuance after exercise as set forth on the applicable Notice of Exercise, the Holder (together with the Holder's Affiliates, and any other Persons acting as a group together with the Holder or any of the Holder's Affiliates (such Persons, "Attribution Parties")), would beneficially own in excess of the Beneficial Ownership Limitation (as defined below). For purposes of the foregoing sentence, the number of Ordinary Shares beneficially owned by the Holder and its Affiliates and Attribution Parties shall include the number of Ordinary Shares issuable upon exercise of this Warrant with respect to which such determination is being made, but

shall exclude the number of Ordinary Shares which would be issuable upon (i) exercise of the remaining, nonexercised portion of this Warrant beneficially owned by the Holder or any of its Affiliates or Attribution Parties and (ii) exercise or conversion of the unexercised or nonconverted portion of any other securities of the Company (including, without limitation, any other Ordinary Shares Equivalents) subject to a limitation on conversion or exercise analogous to the limitation contained herein beneficially owned by the Holder or any of its Affiliates or Attribution Parties. Except as set forth in the preceding sentence, for purposes of this Section 2(e), beneficial ownership shall be calculated in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder, it being acknowledged by the Holder that the Company is not representing to the Holder that such calculation is in compliance with Section 13(d) of the Exchange Act and the Holder is solely responsible for any schedules required to be filed in accordance therewith. To the extent that the limitation contained in this Section 2(e) applies, the determination of whether this Warrant is exercisable (in relation to other securities owned by the Holder together with any Affiliates and Attribution Parties) and of which portion of this Warrant is exercisable shall be in the sole discretion of the Holder, and the submission of a Notice of Exercise shall be deemed to be the Holder's determination of whether this Warrant is exercisable (in relation to other securities owned by the Holder together with any Affiliates and Attribution Parties) and of which portion of this Warrant is exercisable, in each case subject to the Beneficial Ownership Limitation, and the Company shall have no obligation to verify or confirm the accuracy of such determination. In addition, a determination as to any group status as contemplated above shall be determined in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder. For purposes of this Section 2(e), in determining the number of outstanding Ordinary Shares, a Holder may rely on the number of outstanding Ordinary Shares as reflected in (A) the Company's most recent periodic or annual report filed with the Commission, as the case may be, (B) a more recent public announcement by the Company or (C) a more recent written notice by the Company or its transfer agent setting forth the number of Ordinary Shares outstanding. Upon the written or oral request of a Holder, the Company shall within one Trading Day confirm orally and in writing to the Holder the number of Ordinary Shares then outstanding. In any case, the number of outstanding Ordinary Shares shall be determined after giving effect to the conversion or exercise of securities of the Company, including this Warrant, by the Holder or its Affiliates or Attribution Parties since the date as of which such number of outstanding Ordinary Shares was reported. The "Beneficial Ownership Limitation" shall be 4.99% of the number of shares of the Ordinary Shares outstanding immediately after giving effect to the issuance of Ordinary Shares issuable upon exercise of this Warrant. The Holder, upon notice to the Company, may increase or decrease the Beneficial Ownership Limitation provisions of this Section 2(e), provided that the Beneficial Ownership Limitation in no event exceeds 9.99% of the number of shares of the Ordinary Shares outstanding immediately after giving effect to the issuance of Ordinary Shares upon exercise of this Warrant held by the Holder and the provisions of this Section 2(e) shall continue to apply. Any increase in the Beneficial Ownership Limitation will not be effective until the 61st day after such notice is delivered to the Company.

The provisions of this paragraph shall be construed and implemented in a manner otherwise than in strict conformity with the terms of this Section 2(e) to correct this paragraph (or any portion hereof) which may be defective or inconsistent with the intended

Beneficial Ownership Limitation herein contained or to make changes or supplements necessary or desirable to properly give effect to such limitation. The limitations contained in this paragraph shall apply to a successor holder of this Warrant.

Section 3. Certain Adjustments.

a) Stock Dividends and Splits. If the Company, at any time while this Warrant is outstanding: (i) pays a stock dividend or otherwise makes a distribution or distributions on its Ordinary Shares or any other equity or equity equivalent securities payable in Ordinary Shares (which, for avoidance of doubt, shall not include any Ordinary Shares issued by the Company upon exercise of this Warrant), (ii) subdivides outstanding Ordinary Shares into a larger number of shares, or (iii) issues by reclassification of shares of the Ordinary Shares any shares of capital stock of the Company, then in each case the Exercise Price shall be multiplied by a fraction of which the numerator shall be the number of Ordinary Shares (excluding treasury shares, if any) outstanding immediately before such event and of which the denominator shall be the number of Ordinary Shares outstanding immediately after such event, and the number of shares issuable upon exercise of this Warrant shall be proportionately adjusted such that the aggregate Exercise Price of this Warrant shall remain unchanged. Any adjustment made pursuant to this Section 3(a) shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or re-classification.

b) Subsequent Equity Sales. If the Company or any Subsidiary thereof, as applicable, at any time while this Warrant is outstanding, shall sell, enter into an agreement to sell, or grant any option to purchase, or sell or grant any right to reprice, or otherwise dispose of or issue (or announce any offer, sale, grant or any option to purchase or other disposition) any Ordinary Shares or Ordinary Shares Equivalents, at an effective price per share less than the Exercise Price then in effect (such lower price, the "Base Share Price" and such issuances collectively, a "Dilutive Issuance") (it being understood and agreed that if the holder of the Ordinary Shares or Ordinary Shares Equivalents so issued shall at any time, whether by operation of purchase price adjustments, reset provisions, floating conversion, exercise or exchange prices or otherwise, or due to warrants, options or rights per share which are issued in connection with such issuance, be entitled to receive Ordinary Shares at an effective price per share that is less than the Exercise Price, such issuance shall be deemed to have occurred for less than the Exercise Price on such date of the Dilutive Issuance at such effective price), then simultaneously with the consummation (or, if earlier, the announcement) of each Dilutive Issuance the Exercise Price shall be reduced and only reduced to equal the Base Share Price and the number of Warrant Shares issuable hereunder shall be increased such that the aggregate Exercise Price payable hereunder, after taking into account the decrease in the Exercise Price, shall be equal to the aggregate Exercise Price prior to such adjustment. Notwithstanding the foregoing, no adjustments shall be made, paid or issued under this Section 3(b) in respect of an Exempt Issuance. The Company shall notify the Holder, in writing, no later than the Trading Day following the issuance or deemed issuance of any Ordinary Shares or Ordinary Shares Equivalents subject to this Section 3(b), indicating therein the applicable issuance price, or applicable reset price, exchange price, conversion price and other pricing terms (such notice, the "Dilutive Issuance Notice"). For purposes of clarification, whether or not the Company

provides a Dilutive Issuance Notice pursuant to this Section 3(b), upon the occurrence of any Dilutive Issuance, the Holder is entitled to receive a number of Warrant Shares based upon the Base Share Price regardless of whether the Holder accurately refers to the Base Share Price in the Notice of Exercise. If the Company enters into a Variable Rate Transaction, the Company shall be deemed to have issued Ordinary Shares or Ordinary Shares Equivalents at the lowest possible price, conversion price or exercise price at which such securities may be issued, converted or exercised.

c) Subsequent Rights Offerings. In addition to any adjustments pursuant to Section 3(a) above, if at any time the Company grants, issues or sells any Ordinary Shares Equivalents or rights to purchase stock, warrants, securities or other property pro rata to the record holders of any class of Ordinary Shares (the "Purchase Rights"), then the Holder will be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights which the Holder could have acquired if the Holder had held the number of Ordinary Shares acquirable upon complete exercise of this Warrant (without regard to any limitations on exercise hereof, including without limitation, the Beneficial Ownership Limitation) immediately before the date on which a record is taken for the grant, issuance or sale of such Purchase Rights, or, if no such record is taken, the date as of which the record holders of Ordinary Shares are to be determined for the grant, issue or sale of such Purchase Rights (provided, however, that, to the extent that the Holder's right to participate in any such Purchase Right would result in the Holder exceeding the Beneficial Ownership Limitation, then the Holder shall not be entitled to participate in such Purchase Right to such extent (or beneficial ownership of such Ordinary Shares as a result of such Purchase Right to such extent) and such Purchase Right to such extent shall be held in abeyance for the Holder until such time, if ever, as its right thereto would not result in the Holder exceeding the Beneficial Ownership Limitation).

d) Pro Rata Distributions. During such time as this Warrant is outstanding, if the Company shall declare or make any dividend or other distribution of its assets (or rights to acquire its assets) to holders of Ordinary Shares, by way of return of capital or otherwise (including, without limitation, any distribution of cash, stock or other securities, property or options by way of a dividend, spin off, reclassification, corporate rearrangement, scheme of arrangement or other similar transaction) (a "Distribution"), at any time after the issuance of this Warrant, then, in each such case, the Holder shall be entitled to participate in such Distribution to the same extent that the Holder would have participated therein if the Holder had held the number of Ordinary Shares acquirable upon complete exercise of this Warrant (without regard to any limitations on exercise hereof, including without limitation, the Beneficial Ownership Limitation) immediately before the date of which a record is taken for such Distribution, or, if no such record is taken, the date as of which the record holders of Ordinary Shares are to be determined for the participation in such Distribution (provided, however, that, to the extent that the Holder's right to participate in any such Distribution would result in the Holder exceeding the Beneficial Ownership Limitation, then the Holder shall not be entitled to participate in such Distribution to such extent (or in the beneficial ownership of any Ordinary Shares as a result of such Distribution to such extent) and the portion of such Distribution shall be held in abeyance for the benefit of the Holder until such time, if ever, as its right thereto would not result in the Holder exceeding the Beneficial Ownership Limitation).

e) Fundamental Transaction. If, at any time while this Warrant is outstanding,

(i) the Company, directly or indirectly, in one or more related transactions effects any merger or consolidation of the Company with or into another Person, other than an acquisition or merger in which the Company is the surviving entity and there is no change of control of the Company, (ii) the Company (or any Subsidiary), directly or indirectly, effects any sale, lease, license, assignment, transfer, conveyance or other disposition of all or substantially all of its assets in one or a series of related transactions, (iii) any, direct or indirect, purchase offer, tender offer or exchange offer (whether by the Company or another Person) is completed pursuant to which holders of Ordinary Shares are permitted to sell, tender or exchange their shares for other securities, cash or property and has been accepted by the holders of 50% or more of the outstanding Ordinary Shares, (iv) the Company, directly or indirectly, in one or more related transactions effects any reclassification, reorganization or recapitalization of the Ordinary Shares or any compulsory share exchange pursuant to which all Ordinary Shares are effectively converted into or exchanged for other securities, cash or property, or (v) the Company, directly or indirectly, in one or more related transactions consummates a stock or share purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off, merger or scheme of arrangement) with another Person or group of Persons whereby such other Person or group acquires more than 50% of the outstanding Ordinary Shares (not including any Ordinary Shares held by the other Person or other Persons making or party to, or associated or affiliated with the other Persons making or party to, such stock or share purchase agreement or other business combination) (each a "Fundamental Transaction"), then, upon any subsequent exercise of this Warrant, the Holder shall have the right to receive, for each Warrant Share that would have been issuable upon such exercise immediately prior to the occurrence of such Fundamental Transaction, at the option of the Holder (without regard to any limitation in Section 2(e) or Section 2(f) on the exercise of this Warrant), the number of Ordinary Shares of the successor or acquiring corporation or of the Company, if it is the surviving corporation, and any additional consideration (the "Alternate Consideration") receivable as a result of such Fundamental Transaction by a holder of the number of Ordinary Shares for which this Warrant is exercisable immediately prior to such Fundamental Transaction (without regard to any limitation in Section 2(e) on the exercise of this Warrant). For purposes of any such exercise, the determination of the Exercise Price shall be appropriately adjusted to apply to such Alternate Consideration based on the amount of Alternate Consideration issuable in respect of one share of Ordinary Shares in such Fundamental Transaction, and the Company shall apportion the Exercise Price among the Alternate Consideration in a reasonable manner reflecting the relative value of any different components of the Alternate Consideration. If holders of Ordinary Shares are given any choice as to the securities, cash or property to be received in a Fundamental Transaction, then the Holder shall be given the same choice as to the Alternate Consideration it receives upon any exercise of this Warrant following such Fundamental Transaction. The Company shall cause any successor entity in a Fundamental Transaction in which the Company is not the survivor (the "Successor Entity") to assume in writing all of the obligations of the Company under this Warrant in accordance with the provisions of this Section 3(e) pursuant to written agreements in form and substance reasonably satisfactory to the Holder and shall, at the option of the Holder, deliver to the Holder in exchange for this Warrant a security of the Successor Entity evidenced by a written instrument substantially similar in form and substance to this Warrant which is exercisable for a corresponding number of shares of capital stock of such Successor Entity (or its parent entity) equivalent to the Ordinary Shares acquirable and receivable upon

exercise of this Warrant (without regard to any limitations on the exercise of this Warrant) prior to such Fundamental Transaction, and with an exercise price which applies the exercise price hereunder to such shares of capital stock (but taking into account the relative value of the Ordinary Shares pursuant to such Fundamental Transaction and the value of such shares of capital stock, such number of shares of capital stock and such exercise price being for the purpose of protecting the economic value of this Warrant immediately prior to the consummation of such Fundamental Transaction), and which is reasonably satisfactory in form and substance to the Holder. Upon the occurrence of any such Fundamental Transaction, the Successor Entity shall succeed to, and be substituted for (so that from and after the date of such Fundamental Transaction, the provisions of this Warrant referring to the "Company" shall refer instead to the Successor Entity), and may exercise every right and power of the Company and shall assume all of the obligations of the Company under this Warrant with the same effect as if such Successor Entity had been named as the Company herein.

f) Calculations. All calculations under this Section 3 shall be made to the nearest cent or the nearest 1/100th of a share, as the case may be. For purposes of this Section 3, the number of Ordinary Shares deemed to be issued and outstanding as of a given date shall be the sum of the number of Ordinary Shares (excluding treasury shares, if any) issued and outstanding.

g) Notice to Holder.

i. Adjustment to Exercise Price. Whenever the Exercise Price is adjusted pursuant to any provision of this Section 3, the Company shall promptly deliver to the Holder by facsimile or email a notice setting forth the Exercise Price after such adjustment and any resulting adjustment to the number of Warrant Shares and setting forth a brief statement of the facts requiring such adjustment.

ii. Notice to Allow Exercise by Holder. If (A) the Company shall declare a dividend (or any other distribution in whatever form) on the Ordinary Shares, (B) the Company shall declare a special nonrecurring cash dividend on or a redemption of the Ordinary Shares, (C) the Company shall authorize the granting to all holders of the Ordinary Shares rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any rights, (D) the approval of any stockholders of the Company shall be required in connection with any reclassification of the Ordinary Shares, any consolidation or merger to which the Company (or any of its Subsidiaries) is a party, any sale or transfer of all or substantially all of its assets, or any compulsory share exchange whereby the Ordinary Shares are converted into other securities, cash or property, or (E) the Company shall authorize the voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Company, then, in each case, the Company shall cause to be delivered by facsimile or email to the Holder at its last facsimile number or email address as it shall appear upon the Warrant Register of the Company, at least 20 calendar days prior to the applicable record or effective date hereinafter specified, a notice stating

(x) the date on which a record is to be taken for the purpose of such dividend,

distribution, redemption, rights or warrants, or if a record is not to be taken, the date as of which the holders of the Ordinary Shares of record to be entitled to such dividend, distributions, redemption, rights or warrants are to be determined or (y) the date on which such reclassification, consolidation, merger, sale, transfer or share exchange is expected to become effective or close, and the date as of which it is expected that holders of the Ordinary Shares of record shall be entitled to exchange their shares of the Ordinary Shares for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer or share exchange; provided that the failure to deliver such notice or any defect therein or in the delivery thereof shall not affect the validity of the corporate action required to be specified in such notice. To the extent that any notice provided in this Warrant constitutes, or contains, material, non-public information regarding the Company or any of the Subsidiaries, the Company shall simultaneously file such notice with the Commission pursuant to a Current Report on Form 6-K. The Holder shall remain entitled to exercise this Warrant during the period commencing on the date of such notice to the effective date of the event triggering such notice except as may otherwise be expressly set forth herein.

Section 4. Transfer of Warrant.

a) Transferability. Subject to compliance with any applicable securities laws and the conditions set forth in Section 4(d) hereof, this Warrant and all rights hereunder (including, without limitation, any registration rights) are transferable, in whole or in part, upon surrender of this Warrant at the principal office of the Company or its designated agent, together with a written assignment of this Warrant substantially in the form attached hereto duly executed by the Holder or its agent or attorney and funds sufficient to pay any transfer taxes payable upon the making of such transfer. Upon such surrender and, if required, such payment, the Company shall execute and deliver a new Warrant in the name of the assignee or assignees, as applicable, and in the denomination or denominations specified in such instrument of assignment, and shall issue to the assignor a new Warrant evidencing the portion of this Warrant not so assigned, and this Warrant shall promptly be cancelled. Notwithstanding anything herein to the contrary, the Holder shall not be required to physically surrender this Warrant to the Company unless the Holder has assigned this Warrant in full, in which case, the Holder shall surrender this Warrant to the Company within three (3) Trading Days of the date on which the Holder delivers an assignment form to the Company assigning this Warrant in full. The Warrant, if properly assigned in accordance herewith, may be exercised by a new holder for the purchase of Warrant Shares without having a new Warrant issued.

b) New Warrants. This Warrant may be divided or combined with other warrants upon presentation hereof at the aforesaid office of the Company, together with a written notice specifying the names and denominations in which new warrants are to be issued, signed by the Holder or its agent or attorney. Subject to compliance with Section 4(a), as to any transfer which may be involved in such division or combination, the Company shall execute and deliver a new warrant or warrants in exchange for the Warrant or warrants to be divided or combined in accordance with such notice. All warrants issued on transfers or exchanges shall be dated the Initial Exercise Date and shall be identical with

this Warrant except as to the number of Warrant Shares issuable pursuant thereto.

c) Warrant Register. The Company shall register this Warrant, upon records to be maintained by the Company for that purpose (the "Warrant Register"), in the name of the record Holder hereof from time to time. The Company may deem and treat the registered Holder of this Warrant as the absolute owner hereof for the purpose of any exercise hereof or any distribution to the Holder, and for all other purposes, absent actual notice to the contrary.

d) Transfer Restrictions. If, at the time of the surrender of this Warrant in connection with any transfer of this Warrant, the transfer of this Warrant shall not be either (i) registered pursuant to an effective registration statement under the Securities Act and under applicable state securities or blue sky laws or (ii) eligible for resale without volume or manner-of-sale restrictions or current public information requirements pursuant to Rule 144, the Company may require, as a condition of allowing such transfer, that the Holder or transferee of this Warrant, as the case may be, comply with the provisions on Successors and Assigns in Section 5 (l).

e) Representation by the Holder. The Holder, by the acceptance hereof, represents and warrants that it is acquiring this Warrant and, upon any exercise hereof, will acquire the Warrant Shares issuable upon such exercise, for its own account and not with a view to or for distributing or reselling such Warrant Shares or any part thereof in violation of the Securities Act or any applicable state securities law, except pursuant to sales registered or exempted under the Securities Act.

Section 5. Miscellaneous.

a) No Rights as Shareholder Until Exercise; No Settlement in Cash. This Warrant does not entitle the Holder to any voting rights, dividends or other rights as a shareholder of the Company prior to the exercise hereof as set forth in Section 2(d)(i) and until the Holder is registered on the Company's register of members as a shareholder, except as expressly set forth in Section 3. Without limiting any rights of a Holder to receive Warrant Shares on a "cashless exercise" pursuant to Section 2(c) or to receive cash payments pursuant to Section 2(d)(i) and Section 2(d)(iv) herein, in no event shall the Company be required to net cash settle an exercise of this Warrant.

b) Loss, Theft, Destruction or Mutilation of Warrant. The Company covenants that upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant or any stock certificate relating to the Warrant Shares, and in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to it (which, in the case of the Warrant, shall not include the posting of any bond), and upon surrender and cancellation of such Warrant or stock certificate, if mutilated, the Company will make and deliver a new Warrant or stock certificate of like tenor and dated as of such cancellation, in lieu of such Warrant or stock certificate.

c) Saturdays, Sundays, Holidays, etc. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall not be a Business Day, then such action may be taken or such right may be exercised on the next succeeding Business Day.

d) Authorized Shares.

The Company covenants that, during the period the Warrant is outstanding, it will reserve from its authorized and unissued share capital a sufficient number of Ordinary Shares to provide for the issuance of the Warrant Shares upon the exercise of any purchase rights under this Warrant. The Company further covenants that its issuance of this Warrant shall constitute full authority to its officers who are charged with the duty of issuing the necessary Warrant Shares upon the exercise of the purchase rights under this Warrant. The Company will take all such reasonable action as may be necessary to assure that such Warrant Shares may be issued as provided herein without violation of any applicable law or regulation, or of any requirements of the Trading Market upon which the Ordinary Shares may be listed. The Company covenants that all Warrant Shares which may be issued upon the exercise of the purchase rights represented by this Warrant will, upon exercise of the purchase rights represented by this Warrant and payment for such Warrant Shares in accordance herewith, be duly authorized, validly issued, fully paid and nonassessable and free from all taxes, liens and charges created by the Company in respect of the issue thereof (other than taxes in respect of any transfer occurring contemporaneously with such issue).

Except and to the extent as waived or consented to by the Holder, the Company shall not by any action, including, without limitation, amending its certificate of incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such actions as may be necessary or appropriate to protect the rights of Holder as set forth in this Warrant against impairment. Without limiting the generality of the foregoing, the Company will

(i) not increase the par value of any Warrant Shares above the amount payable therefor upon such exercise immediately prior to such increase in par value, (ii) take all such action as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable Warrant Shares upon the exercise of this Warrant and (iii) use commercially reasonable efforts to obtain all such authorizations, exemptions or consents from any public regulatory body having jurisdiction thereof, as may be, necessary to enable the Company to perform its obligations under this Warrant.

Before taking any action which would result in an adjustment in the number of Warrant Shares for which this Warrant is exercisable or in the Exercise Price, the Company shall obtain all such authorizations or exemptions thereof, or consents thereto, as may be necessary from any public regulatory body or bodies having jurisdiction thereof.

e) Jurisdiction. All questions concerning the construction, validity, enforcement and interpretation of the Warrant shall be governed by and construed and enforced in accordance with the laws of the Cayman Islands, without regard to the principles of conflicts of law thereof. Each party agrees that all legal Proceedings

concerning the interpretations, enforcement and defense of the transactions contemplated by this Warrant (whether brought against a party hereto or its respective affiliates, directors, officers, shareholders, partners, members, employees or agents) shall be commenced exclusively in courts sitting in the Cayman Islands. Each party hereby irrevocably submits to the exclusive jurisdiction of the courts sitting in the Cayman Islands for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any Action or Proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such Action or Proceeding is improper or is an inconvenient venue for such Proceeding. Each party hereby irrevocably waives personal service of process and consents to process being served in any such Action or Proceeding by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Warrant and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by law. If any party shall commence an Action or Proceeding to enforce any provisions of the Warrant, then, in addition to the obligations of the Company under Section 5(k), the prevailing party in such Action or Proceeding shall be reimbursed by the non-prevailing party for its reasonable attorneys' fees and other costs and expenses incurred with the investigation, preparation and prosecution of such Action or Proceeding.

f) Restrictions. The Holder acknowledges that the Warrant Shares acquired upon the exercise of this Warrant, if not registered, and the Holder does not utilize cashless exercise, will have restrictions upon resale imposed by state and federal securities laws.

g) Nonwaiver and Expenses. No course of dealing or any delay or failure to exercise any right hereunder on the part of Holder shall operate as a waiver of such right or otherwise prejudice the Holder's rights, powers or remedies. Without limiting any other provision of this Warrant, if the Company willfully and knowingly fails to comply with any provision of this Warrant, which results in any material damages to the Holder, the Company shall pay to the Holder such amounts as shall be sufficient to cover any costs and expenses including, but not limited to, reasonable attorneys' fees, including those of appellate proceedings, incurred by the Holder in collecting any amounts due pursuant hereto or in otherwise enforcing any of its rights, powers or remedies hereunder.

h) Notices. Any notice, request or other document required or permitted to be given or delivered to the Holder by the Company shall be delivered in writing and may be delivered via email, facsimile, or mail.

i) Limitation of Liability. No provision hereof, in the absence of any affirmative action by the Holder to exercise this Warrant to purchase Warrant Shares, and no enumeration herein of the rights or privileges of the Holder, shall give rise to any liability of the Holder for the purchase price of any Ordinary Shares or as a stockholder of the Company, whether such liability is asserted by the Company or by creditors of the Company.

j) Remedies. The Holder, in addition to being entitled to exercise all rights granted by law, including recovery of damages, will be entitled to specific performance of its rights under this Warrant. The Company agrees that monetary damages would not be adequate compensation for any loss incurred by reason of a breach by it of the provisions

of this Warrant and hereby agrees to waive and not to assert the defense in any action for specific performance that a remedy at law would be adequate.

k) Indemnification of Holders. Subject to the provisions of this Section 5(k), the Company will indemnify and hold each Holder and its directors, officers, shareholders, members, partners, employees and agents (and any other Persons with a functionally equivalent role of a Person holding such titles notwithstanding a lack of such title or any other title), each Person who controls such Holder (within the meaning of Section 15 of the Securities Act and Section 20 of the Exchange Act), and the directors, officers, shareholders, agents, members, partners or employees (and any other Persons with a functionally equivalent role of a Person holding such titles notwithstanding a lack of such title or any other title) of such controlling persons (each, a "Holder Party") harmless from any and all losses, liabilities, obligations, claims, contingencies, damages, costs and expenses, including all judgments, amounts paid in settlements, court costs and reasonable attorneys' fees and costs of investigation that any such Holder Party may suffer or incur as a result of or relating to (a) any breach of any of the representations, warranties, covenants or agreements made by the Company in this Warrant, or (b) any action instituted against the Holder Parties in any capacity, or any of them or their respective affiliates, by any stockholder of the Company who is not an affiliate of such Holder Party, with respect to any of the transactions contemplated by the Warrant (unless such action is solely based upon a material breach of such Holder Party's representations, warranties or covenants under the Warrant or any agreements or understandings such Holder Party may have with any such stockholder or any violations by such Holder Party of state or federal securities laws or any conduct by such Holder Party which is finally judicially determined to constitute fraud, gross negligence or willful misconduct). If any action shall be brought against any Holder Party in respect of which indemnity may be sought pursuant to this Warrant, such Holder Party shall promptly notify the Company in writing, and the Company shall have the right to assume the defense thereof with counsel of its own choosing reasonably acceptable to the Holder Party. The Company will not be liable to any Holder Party under this Warrant (y) for any settlement by a Holder Party effected without the Company's prior written consent, which shall not be unreasonably withheld or delayed; or (z) to the extent, but only to the extent that a loss, claim, damage or liability is attributable to any Holder Party's breach of any of the representations, warranties, covenants or agreements made by such Holder Party in this Warrant. The indemnity agreements contained herein shall be in addition to any cause of action or similar right of any Holder Party against the Company or others and any liabilities the Company may be subject to pursuant to law.

l) Successors and Assigns. Subject to applicable securities laws, this Warrant and the rights and obligations evidenced hereby shall inure to the benefit of and be binding upon the successors and permitted assigns of the Company and the successors and permitted assigns of Holder. The provisions of this Warrant are intended to be for the benefit of any Holder from time to time of this Warrant and shall be enforceable by the Holder or holder of Warrant Shares.

m) Amendment. This Warrant may be modified or amended or the provisions hereof waived with the written consent of the Company and the Holder.

n) Severability. Wherever possible, each provision of this Warrant shall be

interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Warrant shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provisions or the remaining provisions of this Warrant.

o) Headings. The headings used in this Warrant are for the convenience of reference only and shall not, for any purpose, be deemed a part of this Warrant.

**********

*(Signature Page Follows)*

IN WITNESS WHEREOF, the Company has caused this Warrant to be executed by its officer thereunto duly authorized as of the date first above indicated.

**KAIXIN HOLDINGS**

By: _____
Name: Mingjun Lin
Title: Chief Executive Officer

[Signature Page to Warrant]

**NOTICE OF EXERCISE**

TO: KAIXIN AUTO HOLDINGS

(1) The undersigned hereby elects to purchase _____ Warrant Shares of the Company pursuant to the terms of the attached Warrant (only if exercised in full), and tenders herewith payment of the exercise price in full, together with all applicable transfer taxes, if any.

(2) Payment shall take the form of (check applicable box):

[ ] in lawful money of the United States; or

[ ] if permitted the cancellation of such number of Warrant Shares as is necessary, in accordance with the formula set forth in subsection 2(c), to exercise this Warrant with respect to the maximum number of Warrant Shares purchasable pursuant to the cashless exercise procedure set forth in subsection 2(c).

(3) Please issue said Warrant Shares in the name of the undersigned or in such other name as is specified below:

_____

The Warrant Shares shall be delivered to the following DRS Account Number:

_____
_____
_____

(4) Accredited Investor. The undersigned is an "accredited investor" as defined in Regulation D promulgated under the Securities Act of 1933, as amended.

[SIGNATURE OF HOLDER]

Name of Investing Entity: _____
*Signature of Authorized Signatory of Investing Entity*: _____
Name of Authorized Signatory: _____
Title of Authorized Signatory: _____
Date: _____

**EXHIBIT B**

ASSIGNMENT FORM

*(To assign the foregoing Warrant, execute this form and supply required information. Do not use this form to purchase shares.)*

FOR VALUE RECEIVED, the foregoing Warrant and all rights evidenced thereby are hereby assigned to

Name: _____
(Please Print)

Address: _____
(Please Print)

Phone Number: _____

Email Address: _____

Dated: _____, _____

Holder's Signature: _____

Holder's Address: _____

**Exhibit 8.1**

**Principal Subsidiaries of the Registrant**

| Principal Subsidiaries | Place of Incorporation |
|---|---|
| Jet Sound Hong Kong Company Ltd. | Hong Kong |
| Zhejiang Kaixin Auto Co., Ltd. Beijing Branch | PRC |
| Zhejiang Kaixin Auto Co., Ltd. Shanghai Songjiang Branch | PRC |
| Zhejiang Kaixin Jingtao Auto Retail Co., Ltd. | PRC |
| Zhejiang Kaixin Auto Co., Ltd. | PRC |
| Zhejiang Wuxian Auto Technology Co., Ltd. | PRC |
| Zhejiang Kaixin Wisdom Auto Co., Ltd. | PRC |

**KAIXIN HOLDINGS**

**POLICY GOVERNING MATERIAL, NON-PUBLIC INFORMATION AND PREVENTION OF INSIDER TRADING**

## I. OVERVIEW

This Statement of Policy Governing Material, Non-Public Information and the Prevention of Insider Trading (this "**Statement**") of the Company consists of three sections: Section I provides an overview; Section II sets forth the Company's policies prohibiting insider trading; and Section III explains the scope of insider trading.

The ordinary shares of Kaixin Holdings (the "**Company**") are currently trading on the Nasdaq Stock Market LLC (the "**Nasdaq**"). "Insider trading" occurs when you purchase or sell securities while in possession of inside information relating to such securities. As explained in Section III below, "inside information" is information which is considered to be both "material" and "non-public." Preventing insider trading is necessary to comply with the United States securities law and to preserve the reputation and integrity of the Company as well as that of all persons affiliated with it.

The Company considers strict compliance with the policies (the "Policy") as set forth in this statement to be a matter of utmost importance. Violation of this Policy could cause extreme embarrassment and result in possible legal liability to you and the Company. Knowing or willful violations of this Statement or its spirit will be grounds for immediate dismissal from the Company. Violation of the Policy might expose the violator to severe criminal penalties and civil liabilities. The monetary damages flowing from a violation could be three times the profit realized by the violator, as well as the attorney's fees of the persons being harmed.

This Statement applies to all the officers, directors, employees and consultants of the Company and its subsidiaries or any consolidated entities or any other person or entity (a) over which an individual mentioned above exercises influence upon or exert control of its investment decisions; or (b) which effects a transaction in the Company's securities, which securities are in fact beneficially owned by any of the individuals mentioned above ("**Insider(s)**"). Every Insider must review this Statement, and execute and return the Certificate of Compliance attached hereto to the Compliance Officer within seven (7) days after you receive this Statement.

Questions regarding the Statement should be directed to the Compliance Officer.

## II. POLICIES PROHIBITING INSIDER TRADING

For purposes of this Statement, while the terms "purchase" and "sell" of securities exclude the acceptance of options granted by the Company thereof and the exercise of options that does not involve the sale of securities, the cashless exercise of options does involve the sale of securities and therefore is subject to the policies as set forth below.

**A. No Trading with Material Insider Information – no Insider shall purchase or sell any securities of the Company or enter into a binding security trading plan in compliance with Rule 10b5-1 under the U.S. Securities Exchange Act of 1934, as amended and pursuant to the guidelines included in Exhibit A (*Rule 10b5-1 Trading Plan Guidelines*) (a "Trading Plan") while in possession of material, non-public information relating to the Company, its ordinary shares or other securities (the "Material Insider Information") or during certain periods.**

If you possess Material Insider Information, you must wait for the later of (i) forty-eight (48) hours after public disclosure of the Material Insider Information by the Company; or (ii) one full Trading Day on the Nasdaq following such public disclosure before trading the Company's ordinary shares or other securities. The term "**Trading Day**" is defined as a day on which the Nasdaq is open for trading. Nasdaq's regular trading hours are from 9:30 a.m. to 4:00 p.m., New York City time, Monday through Friday.

In addition, no Insider shall purchase or sell any securities of the Company or enter into a Trading Plan, regardless of whether such Insider possesses any Material Insider Information, (1) during any period commencing on the 1st day of each fiscal quarter and ending at the close of trading on the second Trading Day following the date of the Company's public disclosure of its financial results for that fiscal quarter; or (2) without the prior clearance by the Compliance Officer, during any period designated as a "limited trading period." The Compliance Officer may declare limited trading periods at times that he deems appropriate, and need not provide any reason for making a declaration.

Furthermore, beginning on the 1st day of each fiscal year, no Insider shall purchase or sell any security of the Company or enter into a Trading Plan until the close of trading on the second Trading Day following the date of the Company's public disclosure of its financial results for the fiscal year ended on December 31 of the prior year.

Please see Section III below for an explanation of the Material Insider Information.

**B. No Trading Outside of the Trading Window for Insiders – assuming none of the "no trading" restrictions set forth in Section II.A above applies, insiders may only purchase or sell any securities of the Company or enter into a Trading Plan during the "Trading Window."**

Generally, there will be four Trading Windows per year, each commencing with the close of trading on the second Trading Day following the date upon which the Company's financial results for the prior fiscal quarter is released to the public and closing on the last Trading Day of each fiscal quarter.

Furthermore, all transactions in the Company's securities (including without limitation, acquisitions and dispositions of the ordinary shares and the sale of ordinary shares issued upon exercise of stock options and the execution of a Trading Plan, but excluding the acceptance of options granted by the Company and the exercise of options that does not involve the sale of securities) by officers, directors and key employees designated by the Company from time to time must be pre-approved by the Compliance Officer.

If the Company's public disclosure of its financial results for a fiscal quarter or fiscal year is released on a Trading Day more than four hours before the Nasdaq closes, then such date of disclosure shall be considered the first Trading Day following such public disclosure.

***Please note that trading in Company's securities during the Trading Window is not a "safe harbor," and all Insiders should strictly comply with all other policies set forth in this Statement. When in doubt, please do not trade and check with the Compliance Officer first.***

**C. No Tipping**

No Insider shall directly or indirectly disclose any Material Insider Information to anyone who trades in securities (i.e. "**tipping**").

**D. Confidentiality**

No Insider shall communicate any Material Insider Information to anyone outside the Company under any circumstances unless approved by the Compliance Officer in advance, or to anyone within the Company other than on a need-to-know basis.

**E. No Comment**

No Insider shall discuss any internal matters or developments of the Company with anyone outside of the Company, except as required in the performance of regular corporate duties. Unless you are expressly authorized to the contrary, if you receive any inquiries about the Company or its securities by the financial press, investment analysts or others, or any requests for comments or interviews, you should decline to comment and direct the inquiry or request to the Compliance Officer.

**F. Corrective Action**

If any potentially Material Insider Information is inadvertently disclosed, any Insider should notify the Compliance Officer immediately so that the Company can determine whether or not corrective actions, such as general disclosure to the public, is warranted.

## III. EXPLANATION OF INSIDER TRADING

As noted above, "insider trading" refers to the purchase or sale of securities while in possession of "material" and "non-public" information relating to such securities. "Securities" include not only stocks, bonds, notes and debentures, but also options, warrants and similar instruments. "Purchase" and "sale" are defined broadly under the federal securities law. "Purchase" includes not only the actual purchase of securities, but any contract to purchase or otherwise acquire securities. "Sale" includes not only the actual sale of securities, but any contract to sell or otherwise dispose of securities. These definitions extend to a broad range of transactions including conventional cash-for-stock transactions, the grant and exercise of stock options and acquisitions and exercises of warrants or puts, calls or other options related to the securities. It is generally understood that insider trading includes the following:

- Trading by Insiders while in possession of material, non-public information;
- Trading by persons other than Insiders while in possession of material, non-public information where the information either was given in breach of an Insider's fiduciary duty to keep it confidential or was misappropriated;

or

- Communicating or tipping material, non-public information to others, including recommending the purchase or sale of the securities while in possession of such information.

As noted above, for the purposes of this Statement, the terms "purchase" and "sell" of securities exclude the acceptance of options granted by the Company thereof and the exercise of options that does not involve the sale of securities. Among other things, the cashless exercise of options does involve the sale of securities and therefore is subject to the policies as set forth in this Statement.

**A. What Facts are Material?**

The materiality of a fact depends upon the circumstances. A fact is considered to be "material" if it could reasonably be expected to affect the decision of a reasonable investor to buy, sell or hold the Company's securities or where the fact is likely to have a significant effect on the market price of the Company's securities. Material Insider Information can be positive or negative and can relate to virtually any aspect of a company's business or to any type of securities, debt or equity.

Examples of Material Insider Information including, but are not limited to information concerning:

- dividends;
- corporate earnings or earnings forecasts;
- changes in financial condition or asset value;
- negotiations for the mergers or acquisitions or dispositions of significant subsidiaries or assets;
- significant new contracts or the loss of a significant contract;
- significant new products or services;
- significant marketing plans or changes in such plans;
- capital investment plans or changes in such plans;
- material litigations, administrative actions or governmental investigations or inquiries about the Company or any of its affiliated companies, officers or directors;
- significant borrowings or financings;
- defaults on borrowings;
- new equity or debt offerings;
- significant personnel changes;
- changes in accounting methods and write-offs; and
- any substantial change in industry circumstances or competitive conditions which could significantly affect the Company's earnings or prospects for expansion.

A good general rule of thumb: ***when in doubt, do not trade.*** One convenient rule of thumb in making this determination is to ask yourself, "Would the person on the other side of this transaction still want to complete the trade at this price if he or she knew what I know about the Company?" If the answer is "no," you probably possess material, non-public information.

**B. What is Non-public?**

Information is "non-public" if it has not been disclosed in a manner that allows it to be widely disseminated. In order

for information to be considered public, it must be widely disseminated in a manner making it generally available to investors and confirmed by a reasonably reliable source. Wide dissemination generally occurs through a press release or in the Company's filing with the United States Security and Exchange Commission (the "**SEC**"), or through such media as Dow Jones, Reuters Economic Services, The Wall Street Journal, Bloomberg, Associated Press, or United Press International. Reasonable confirmation generally includes confirmation by officers, directors and key employees who have been authorized by the Company to speak on its behalf. The circulation of rumors, even if accurate and reported in the media, does not constitute effective public dissemination.

In addition, even after a public announcement, a reasonable period of time must lapse in order for the market to react to the information. Generally, one should allow approximately forty eight (48) hours following publication as a reasonable waiting period before such information is deemed to be public.

**C. Who is an Insider?**

Insiders include all officers, directors, employees, consultants and advisors (e.g. accountants, attorneys, investment bankers and consultants) of the Company and its subsidiaries or consolidated entities or any other person or entity (a) over which an individual mentioned above exercises influence or exert control of its investment decisions; or (b) which effects a transaction in the Company's securities, which securities are in fact beneficially owned by any of the individuals mentioned above. Insiders have independent fiduciary duties to their company and its shareholders not to trade on material non-public information relating to the Company's securities. In addition, family members and friends of Insiders as well as professional advisors of the Company (such as accountants, attorneys, investment bankers and consultants) who receive material, non-public information about the Company may also fall under the definition of Insiders of the Company.

It should be noted that trading by members of an Insider's family members can be the responsibility of such Insider under certain circumstances and could give rise to legal and Company- imposed sanctions.

**D. Trading by Persons Other than Insiders**

Insiders are also prohibited from disclosing material non-public information, or making a recommendation or expressing an opinion regarding the Company's securities based on such information, to others who might use the information to trade in the Company's securities. Both the Insider who communicated the material non-public information and the person who receives and uses such information (the "**Tippee**") may be liable under the United States securities laws.

Persons other than Insiders also can be liable for insider trading, including Tippees who trade on material, non-public information tipped to them or individuals who trade on material, non-public information which has been misappropriated. Tippees inherit an Insider's duties and are liable for trading on material, non-public information illegally tipped to them by an Insider. Similarly, just as Insiders are liable for the insider trading of their Tippees, so are Tippees who pass the information along to others who trade. In other words, a Tippee's liability for insider trading is no different from that of an Insider. Tippees can obtain material, non-public information by receiving overt tips from others or through, among other things, conversations at social, business, or other gatherings.

**E. Penalties for Engaging in Insider Trading**

Penalties for trading on or tipping material, non-public information can extend significantly beyond any profits made or losses avoided, both for individuals engaging in such unlawful conduct and their employers. The SEC and the United States Department of Justice have made the civil and criminal prosecution of insider trading violations a top priority. Enforcement remedies available to the government or private plaintiffs under the federal securities laws including but not limited to:

- SEC administrative sanctions;
- securities industry self-regulatory organization sanctions;
- civil injunctions;
- damage awards to private plaintiffs;
- disgorgement of all profits;
- civil fines for the violator of up to three times the amount of profit gained or loss avoided;
- civil fines for the employer or other controlling person of a violator (i.e., where the violator is an employee

or other controlled person) of up to the greater of US$1,000,000 or three times the amount of profit gained or loss avoided by the violator;

- criminal fines for individual violators of up to US$1,000,000 (US$2,500,000 for an entity); and
- jail sentences of up to 10 years.

In addition, insider trading could result in serious sanctions by the Company, including immediate dismissal. Insider trading violations are not limited to violations of the federal securities laws, other federal and state civil or criminal laws, such as the laws prohibiting mail and wire fraud and the United States Racketeer Influenced and Corrupt Organizations Act (RICO), may also be violated upon the occurrence of insider trading.

***Effective as of March 10, 2025***

**Exhibit A**

**Rule 10b5-1 Trading Plan Guidelines**

(1) The following guidelines apply for any Trading Plan relating to the securities of the Company. All Trading Plans entered into by any Insider (as defined below) and any amendment, suspension or termination must comply with Rule 10b5-1 of the Exchange Act, the Statement and must meet the following conditions. Capitalized terms not defined herein shall have the meanings given to them under the Statement.

**Overview of 10b5-1 Plans**

(2) Under Rule 10b5-1, an insider who regularly possesses material nonpublic information ("MNPI") but who nonetheless wish to buy or sell the issuer's securities may establish an affirmative defense to an illegal insider trading charge by adopting a written plan to buy or sell at a time when they are not in possession of MNPI, i.e., a Trading Plan. A Trading Plan typically takes the form of a contract between the insider and his or her broker.

**Participants**

(3) Company directors, officers and employees (each, an "Insider," and collectively, "Insiders") are eligible to adopt a Trading Plan.

**Plan and Approval**

(4) The Trading Plan must be in writing and signed by the Insider, and the Insider must provide a copy to the Compliance Officer. The Company will keep a copy of each Trading Plan in its files. The form of each Trading Plan and any subsequent amendment must be consistent with these guidelines. Each Trading Plan must be approved in writing by the Compliance Officer prior to the adoption, amendment, suspension or termination of such plan. A Trading Plan must not permit an Insider to exercise any subsequent influence over how, when or whether to effect purchases or sales. Sales under a Trading Plan must be via a selected broker. The Insider must act in good faith with respect to a Trading Plan when the plan is adopted and for the duration of the Plan and must not enter into a Trading Plan as part of a plan or scheme to evade the prohibitions of Rule 10b-5. In addition, each Trading Plan must include a representation by the Insider certifying that (a) such person is not in possession of MNPI about the Company or its securities, and (b) the Trading Plan is being adopted in good faith and not as part of a plan to evade the prohibitions of Rule 10b-5.

**Timing and Term of Plan; Cooling-Off Period**

(5) Each Trading Plan must be adopted (a) during an open Trading Window under the Statement, and (b) when the Insider does not otherwise possess MNPI about the Company. Each Trading Plan must provide for delayed effectiveness after adoption or amendment (a "Cooling-Off Period"). For Insiders who are directors or officers, each Trading Plan must specify that trades may not execute under the Trading Plan until the later of (a) 90 days after the date of adoption or amendment of the Trading Plan; and (b) two (2) business days following the Company's filing of a quarterly or annual report covering the financial reporting period in which the Trading Plan was adopted or amended, but in no event later than 120 days after the date of adoption or amendment of the Trading Plan. For all other Insiders, each Trading Plan must specify that trades may not execute under the Trading Plan for a period of at least 30 days after the date of adoption or amendment of the Trading Plan.

**Plan Specifications**

(6) A Trading Plan must be entered into at a time when the Insider has no MNPI about the issuer or its securities (even if no trades will occur until after the release of MNPI). The plan must: (a) specify the amount, price (which may include a limit price) and specific dates of purchases or sales; (b) include a formula or similar method for determining amount, price and date; or (c) give the broker the exclusive right to determine whether, how and when to make purchases and sales, as long as the broker does so without being aware of MNPI at the time the trades are made.

(7) Under the first two alternatives, the Trading Plan cannot give the broker any discretion as to trade dates. As a result, a plan that requests the broker to sell 1,000 shares per week would have to meet the requirements under the third alternative. On the other hand, under the second alternative, the date may be specified by indicating that trades should be made on any date on which the limit price is hit. The affirmative defense is only available if the trade is in fact made pursuant to the preset terms of the Trading Plan (unless the terms are revised at a time when the insider is not aware of any MNPI and could therefore enter into a new plan). Trades are deemed not to have been made pursuant to the plan if the Insider later enters into or alters a corresponding or hedging transaction or position with respect to the securities covered by the plan (although hedging transactions could be part of the plan itself).

**Amendment, Suspension and Termination**

(8) Amendments, suspensions, and terminations of Trading Plans must be approved in advance in writing by the Compliance

Officer. In addition, an Insider may voluntarily amend a Trading Plan only (a) during an open Trading Window under the Statement and (b) when such Insider does not otherwise possess MNPI. Insiders may make amendments to a Trading Plan without triggering a Cooling-Off Period so long as the amendment does not change the pricing provisions of the Trading Plan, the amount of securities covered under the Trading Plan or the timing of trades under the Trading Plan, or where a broker executing trades on behalf of the Insiders is substituted by a different broker (so long as the purchase or sales instructions remain the same).

**Mandatory Suspension**

(9) Each Trading Plan must provide for suspension of trades under such plan if legal, regulatory or contractual restrictions are imposed on the Insiders, or if these guidelines are amended, or other events occur, that would prohibit sales under such Trading Plan.

**Sales to Cover**

(10) An Insider may have only one Trading Plan in effect at any time, except that a written, irrevocable election (an "Election") by such Insider to sell a portion of the securities of the Company as necessary to satisfy statutory tax withholding obligations arising solely from the vesting of compensatory awards (not including options) ("Sales to Cover") is permitted even if not included in the directions in the Insider's Trading Plan, provided that (a) the Election is made during an open Trading Window under the Statement, (b) at the time of the Election, the Insider is not aware of any MNPI, (c) the Sales to Cover are made in good faith and not as part of a plan or scheme to evade the prohibitions of Rule 10b-5, (d) the Insider does not have, and will not attempt to exercise, authority, influence or control over any such Sales to Cover, and (e) the Election contains appropriate representations as to clauses (b)-(d).

**No Overlapping Plans**

(11) An Insider may adopt a new Trading Plan to replace an existing Trading Plan before the scheduled termination date of such existing Trading Plan, so long as the first scheduled trade under the new Trading Plan does not occur until after all trades under the existing Trading Plan are completed or expire without execution (subject to any Cooling-Off Periods).

(12) However, where the first trade under a later-commencing plan is scheduled during what would have been the Cooling-off Period for that plan assuming the termination date of the earlier-commencing plan were deemed to be the date of adoption of the later-commencing plan, then Rule 10b5-1 would not be available for the later-commencing plan. For example, an Insider who is not an officer or director has in place an existing Trading Plan with a scheduled date for the latest authorized trade of May 31, 2023. On May 1, 2023, that Insider adopts a later-commencing plan, intended to qualify for the affirmative defense under Rule 10b5-1, with a scheduled date for the first authorized trade of June 1, 2023. If that Insider terminates the earlier-commencing plan on May 15, the later-commencing plan will not receive the benefit of the affirmative defense, because June 1 is within 30 days of May 15, the date of termination of the earlier-commencing plan, and thus June 1 is during the "effective cooling-off period." However, if the later-commencing plan were scheduled to begin trading on July 1, 2023, it could still receive the benefit of the affirmative defense because July 1, 2023 is more than 30 days after May 15 and thus is outside the "effective cooling-off period."

(13) A series of separate contracts with different brokers to execute trades under a Trading Plan may be treated as a single plan, provided the contracts as a whole meet the conditions under Rule 10b5-1, and provided further that any amendment of one contract is treated as an amendment of all of the contracts under the plan.

**Limitation on Single-Trade Arrangements**

(14) In any 12-month period, an Insider is limited to one "single-trade plan" — one designed to effect the open market purchase or sale of the total amount of the securities subject to the plan as a single transaction. The following do not constitute single-trade plans: (a) a Trading Plan that gives discretion to an agent over whether to execute the Trading Plan as a single transaction or that provides the agent's future acts depend on facts not known at the time the Trading Plan's adoption and might reasonably result in multiple transactions and (b) Sales to Cover.

**No Hedging**

(15) As described in the Statement, individuals subject to the Statement are prohibited from engaging in any hedging or similar transactions designed to decrease the risks associated with holding securities of the Company. Further to this end, an Insider adopting a Trading Plan may not have entered into or altered a corresponding or hedging transaction or position with respect to the securities subject to the Trading Plan and must agree not to enter into any such transaction while the Trading Plan is in effect.

**Exhibit B**

**CERTIFICATE OF COMPLIANCE**

By my signature below, I hereby acknowledge and certify that:

- I have received, carefully reviewed and fully understand the attached Policy for the Governance of Material, Non-public Information and Prevention of Insider Trading (the "**Policy**").

- I hereby agree to abide by all of the terms of the Policy both during and after my employment with the Company, and not to engage in the misuse of material non-public information and insider trading in securities.

Signature: _____

Printed Name: _____

Date: _____

**Exhibit 12.1**

**Certification by the Chief Executive Officer**
**Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Mingjun Lin, certify that:

1. I have reviewed this annual report on Form 20-F of Kaixin Holdings;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) [intentionally omitted]

   (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: March 31, 2025

By: /s/ Mingjun Lin
Name: Mingjun Lin

**Exhibit 12.2**

**Certification by the Chief Financial Officer**
**Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Yi Yang, certify that:

1. I have reviewed this annual report on Form 20-F of Kaixin Holdings;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) [intentionally omitted]

   (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: March 31, 2025

By: /s/ Yi Yang
Name: Yi Yang

**Exhibit 13.1**

**Certification by the Chief Executive Officer**
**Pursuant to Section 906 of the Saranes-Oxley Act of 2002**

In connection with the Annual Report of Kaixin Holdings (the "Company") on Form 20-F for the year ended December 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mingjun Lin, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 31, 2025

By: /s/ Mingjun Lin
Name: Mingjun Lin
Title: Chief Executive Officer

**Exhibit 13.2**

**Certification by the Chief Financial Officer**
**Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of Kaixin Holdings (the "Company") on Form 20-F for the year ended December 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Yi Yang, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 31, 2025

By: /s/ Yi Yang
Name: Yi Yang
Title: Chief Financial Officer

**Exhibit 15.1**

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in the Registration Statements of Kaixin Holdings on Form F-3 (File No. 333-272954, File No. 333-258450) and Form S-8 (File No.333-233442, File No. 333-256490, File No. 259239, File No.333-265295, File No.333-270487, File No.333-276443, and File No. 333-282625) of our report dated March 31, 2025, with respect to our audits of the consolidated financial statements of Kaixin Holdings as of December 31, 2024 and for the year ended December 31, 2024, which report is included in this Annual Report on Form 20-F of Kaixin Holdings for the year ended December 31, 2024.

We also consent to the reference to us under the heading “Experts” in such Registration Statement.

/s/ Onestop Assurance PAC

Singapore
March 31, 2025