

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended September 30, 2024

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

For the transition period from _____ to _____

Commission file number: **001-38426**

SENMIAO TECHNOLOGY LIMITED

(Exact name of registrant as specified in its charter)

Nevada

35-2600898

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

**16F, Shihao Square , Middle Jiannan Blvd .,
High-Tech Zone Chengdu,
Sichuan , People's Republic of China**

(Address of principal executive offices)

610000

(Zip Code)

Registrant's telephone number, including area code: **+86 28 61554399**

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

Title of each class:

Common Stock, par value \$0.0001 per share

Trading Symbol

AIHS

Name of each exchange on which registered:

The Nasdaq Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: **None**

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 and post such files). Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, 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.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b 2 of the Exchange Act). Yes No

As of November 11, 2024, there were 10,518,040 shares of issuer's common stock, par value \$0.0001 per share, issued and outstanding.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (the "Report"), including, without limitation, statements under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations," includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These forward-looking statements can be identified by the use of forward-looking terminology, including the words "believes," "estimates," "anticipates," "expects," "intends," "plans," "may," "will," "potential," "projects," "predicts," "continues," or "should," or, in each case, their negative or other variations or comparable terminology. There can be no assurance that actual results will not materially differ from expectations. Such statements include, but are not limited to, any statements relating to our ability to consummate any acquisition or other business combination and any other statements that are not statements of current or historical facts. These statements are based on management's current expectations, but actual results may differ materially due to various factors, including, but not limited to:

- our goals and strategies, including our ability to maintain our automobile transaction and related services business in China;
- our management's ability to properly develop and achieve any future business growth and any improvements in our financial condition and results of operations;
- the regulations and the impact by public health epidemics in China on the industries we operate in and our business, results of operations and financial condition;
- the growth or lack of growth in China of disposable household income and the availability and cost of credit available to finance car purchases;
- the growth or lack of growth of China's online ride-hailing, automobile financing and leasing industries;
- changes in online ride-hailing, transportation networks, and other fundamental changes in transportation pattern in China;
- our expectations regarding demand for and market acceptance of our products and services;
- our expectations regarding our customer base;
- our ability to maintain positive relationships with our business partners;
- competition in the online ride-hailing, automobile financing and leasing industries in China;
- macro-economic and political conditions affecting the global economy generally and the market in China specifically; and
- relevant Chinese government policies and regulations relating to the industries in which we operate.

You should read this Report and the documents that we refer to in this Report with the understanding that our actual future results may be materially different from and worse than what we expect. Other sections of this Report and our other reports filed with the Securities and Exchange Commission (the "SEC") include additional factors which 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. We qualify all of our forward-looking statements by these cautionary statements.

You should not rely upon forward-looking statements as predictions of future events. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

This Report also contains statistical data and estimates that we obtained from industry publications and reports generated by third-parties. Although we have not independently verified the data, we believe that the publications and reports are reliable. The market data contained in this Report involves a number of assumptions, estimates and limitations. The ride-hailing and automobile financing markets in China may not grow at the rates projected by market data, or at all. The failure of these markets to grow at the projected rates may have a material adverse effect on our business and the market price of our common stock. If any one or more of the assumptions underlying the market data turns out to be incorrect, actual results may differ from the projections based on these assumptions. In addition, projections, assumptions and estimates of our future performance and the future performance of the industries in which we operate are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described herein or our other reports filed with the SEC. You should not place undue reliance on these forward-looking statements.

PART I – FINANCIAL INFORMATION

Item 1. Unaudited Condensed Consolidated Financial Statements

SENMIAO TECHNOLOGY LIMITED
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(Expressed in U.S. dollar, except for the number of shares)

	<u>September 30, 2024</u>	<u>March 31, 2024</u>
	<u>(Unaudited)</u>	
ASSETS		
Current assets		
Cash and cash equivalents	\$ 792,025	\$ 737,719
Restricted cash	—	2,337
Accounts receivable, net	22,184	19,883
Finance lease receivables, current	186,529	144,166
Prepayments, other receivables and other current assets, net	736,146	678,369
Prepayment - a related party	36,223	—
Due from related parties, net, current	249,750	648,594

Current assets - discontinued operations		420,092
Total current assets	2,022,857	2,651,160
Property and equipment, net	2,182,075	2,675,257
Property and equipment, net - discontinued operations	—	1,267
Total Property and equipment, net	2,182,075	2,676,524
Other assets		
Operating lease right-of-use assets, net	—	60,862
Operating lease right-of-use assets, net, a related party	28,118	47,128
Financing lease right-of-use assets, net	243,766	355,383
Intangible assets, net	412,500	450,029
Finance lease receivable, non-current	72,727	92,524
Due from a related party, net, non-current	2,976,118	2,747,313
Other non-current assets	658,345	639,863
Other assets - discontinued operations	—	140,698
Total other assets	4,391,574	4,533,800
Total assets	\$ 8,596,506	\$ 9,861,484
LIABILITIES, MEZZANINE EQUITY AND EQUITY		
Current liabilities		
Accounts payable	\$ 143,364	\$ 96,404
Advances from customers	113,479	122,461
Income tax payable	20,597	20,019
Accrued expenses and other liabilities	3,588,480	2,976,539
Due to related parties	213,811	170,986
Operating lease liabilities, current	—	14,007
Operating lease liabilities - a related party	31,793	51,741
Financing lease liabilities, current	406,102	279,768
Derivative liabilities	304,247	288,833
Current liabilities - discontinued operations	587,749	1,322,452
Total current liabilities	5,409,622	5,343,210
Other liabilities		
Operating lease liabilities, non-current	—	20,430
Financing lease liabilities, non-current	—	126,637
Other liabilities - discontinued operations	—	82,839
Total other liabilities	—	229,906
Total liabilities	5,409,622	5,573,116
Commitments and contingencies (note 17)		
Mezzanine Equity		
Series A convertible preferred stock (par value \$ 1,000 per share, 5,000 shares authorized; 991 shares issued and outstanding at September 30, 2024 and March 31, 2024)	234,364	234,364
Stockholders' (deficit) equity		
Common stock (par value \$ 0.0001 per share, 500,000,000 shares authorized; 10,518,040 shares issued and outstanding at September 30, 2024 and March 31, 2024)	1,051	1,051
Additional paid-in capital	43,950,123	43,950,123
Accumulated deficit	(42,769,137)	(41,384,268)
Accumulated other comprehensive loss	(1,641,269)	(1,672,005)
Total Semmiao Technology Limited stockholders' (deficit) equity	(459,232)	894,901
Non-controlling interests	3,411,752	3,159,103
Total equity	2,952,520	4,054,004
Total liabilities, mezzanine equity and equity	\$ 8,596,506	\$ 9,861,484

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements

SENMIAO TECHNOLOGY LIMITED
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Expressed in U.S. dollar, except for the number of shares)

	For the Three Months Ended September 30, 2024,		For the Six Months Ended September 30, 2024	
	2024 (Unaudited)	2023 (Unaudited)	2024 (Unaudited)	2023 (Unaudited)
Revenues				
Revenues	\$ 742,258	\$ 1,174,739	\$ 1,616,024	\$ 2,350,099
Revenues, a related party	3,622	8,399	8,865	22,147
Total revenues	745,880	1,183,138	1,624,889	2,372,246

Cost of revenues				
Cost of revenues	(631,647)	(820,717)	(1,256,059)	(1,526,589)
Cost of revenues, a related party	(17,334)	(182,165)	(18,961)	(392,344)
Total cost of revenues	(648,981)	(1,002,882)	(1,275,020)	(1,918,933)
Gross profit	96,899	180,256	349,869	453,313
Operating expenses				
Selling, general and administrative expenses	(530,651)	(799,188)	(1,384,149)	(1,687,632)
Provision for credit losses	(181,995)	(553,323)	(355,436)	(680,396)
Total operating expenses	(712,646)	(1,352,511)	(1,739,585)	(2,368,028)
Loss from operations	(615,747)	(1,172,255)	(1,389,716)	(1,914,715)
Other income (expense)				
Other income, net	388,405	37,782	439,864	115,803
Interest expense	—	—	—	(525)
Interest expense on finance leases	(4,270)	(7,594)	(9,358)	(16,316)
Change in fair value of derivative liabilities	(7,127)	59,666	(15,414)	363,839
Total other income, net	377,008	89,854	415,092	462,801
Loss before income tax expense	(238,739)	(1,082,401)	(974,624)	(1,451,914)
Income tax expense	—	—	—	—
Net Loss from continuing operations	(238,739)	(1,082,401)	(974,624)	(1,451,914)
Net loss from discontinued operations	(186,714)	(125,051)	(213,647)	(176,885)
Net loss	(425,453)	(1,207,452)	(1,188,271)	(1,628,799)
Net loss (income) attributable to non-controlling interests	(285,996)	281,495	(196,598)	275,014
Net loss attributable to the Company's stockholders	\$ (711,449)	\$ (925,957)	\$ (1,384,869)	\$ (1,353,785)
Net loss	\$ (425,453)	\$ (1,207,452)	\$ (1,188,271)	\$ (1,628,799)
Other comprehensive income (loss)				
Foreign currency translation adjustment	119,823	(37,597)	86,787	(490,922)
Comprehensive loss	(305,630)	(1,245,049)	(1,101,484)	(2,119,721)
less: Total comprehensive income (loss) attributable to non-controlling interests	312,763	(283,338)	252,649	(234,045)
Total comprehensive loss attributable to stockholders	\$ (618,393)	\$ (961,711)	\$ (1,354,133)	\$ (1,885,676)
Weighted average number of common stock				
Basic and diluted	10,521,222	7,794,320	10,521,222	7,969,856
Net loss per share - basic and diluted	(0.07)	(0.12)	(0.13)	(0.17)
Loss per share - basic and diluted				
Continuing operations	\$ (0.05)	\$ (0.10)	\$ (0.11)	\$ (0.15)
Discontinued operations	\$ (0.02)	\$ (0.02)	\$ (0.02)	\$ (0.02)

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements

SENMIAO TECHNOLOGY LIMITED
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the Six Months Ended September 30, 2024 and 2023
(Expressed in U.S. dollar, except for the number of shares)

	For the Six Months Ended September 30, 2023								
	Common stock		Additional paid-in capital			Accumulated deficit	other comprehensive loss	Non-controlling interest	Total equity
	Shares	Par value							
BALANCE, March 31, 2023	7,743,040	\$ 773	\$43,355,834	\$ (37,715,294)	\$ (427,828)	\$ (1,247,099)	\$ 3,833,466	\$ 8,227,680	
Net income (loss)	—	—	—	—	—	—	6,481	(421,347)	
Conversion of preferred stock into common stock	250,000	25	26,914	—	—	—	—	26,939	
Foreign currency translation adjustments	—	—	—	—	—	(496,137)	42,812	(453,325)	
BALANCE, June 30, 2023 (Unaudited)	7,993,040	\$ 798	\$43,382,748	\$ (38,143,122)	\$ (1,743,236)	\$ 3,882,759	\$ 7,379,947		
Net loss	—	—	—	(925,957)	—	—	(281,495)	1,207,452)	
Conversion of preferred stock into common stock	75,000	8	8,075	—	—	—	—	8,083	
Foreign currency translation adjustments	—	—	—	—	(35,754)	(1,843)	(37,597)		

BALANCE, September 30, 2023 (Unaudited)	8,068,040	\$ 806	\$43,390,823	\$ (39,069,079)	\$ (1,778,990)	\$ 3,599,421	\$ 6,142,981
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	For the Six Months Ended September 30, 2024						
	Common stock		Additional paid-in capital	Accumulated deficit	other comprehensive loss	Non-controlling interest	Total equity
	Shares	Par value					
BALANCE, March 31, 2024	10,518,040	\$ 1,051	\$43,950,123	\$ (41,384,268)	\$ (1,672,005)	\$ 3,159,103	\$ 4,054,004
Net loss	—	—	—	(673,420)	—	(89,398)	(762,818)
Foreign currency translation adjustments	—	—	—	—	(62,320)	29,284	(33,036)
BALANCE, June 30, 2024 (Unaudited)	10,518,040	\$ 1,051	\$43,950,123	\$ (42,057,688)	\$ (1,734,325)	\$ 3,098,989	\$ 3,258,150
Net income (loss)	—	—	—	(711,449)	—	285,996	(425,453)
Foreign currency translation adjustments	—	—	—	—	93,056	26,767	119,823
BALANCE, September 30, 2024 (Unaudited)	10,518,040	\$ 1,051	\$43,950,123	\$ (42,769,137)	\$ (1,641,269)	\$ 3,411,752	\$ 2,952,520

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements

SENMIAO TECHNOLOGY LIMITED
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in U.S. dollar, except for the number of shares)

	For the Six Months Ended June 30,	
	2024 (Unaudited)	2023 (Unaudited)
Cash Flows from Operating Activities:		
Net loss	\$ (1,188,271)	\$ (1,628,799)
Net loss from discontinued operations	(213,647)	(176,885)
Net loss from continuing operations	(974,624)	(1,451,914)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	463,441	455,058
Amortization of right-of-use assets	152,228	214,120
Amortization of intangible assets	37,528	40,470
Provision for credit losses	355,436	680,396
Gain on disposal of equipment	(5,730)	(27,125)
Change in fair value of derivative liabilities	15,414	(363,839)
Gain from deconsolidation	(397,775)	—
Loss from lease modification	20,437	—
Change in operating assets and liabilities		
Accounts receivable	(1,684)	(2,484)
Accounts receivable, a related party	—	(2,125)
Inventories	—	64,539
Finance lease receivables	67,704	97,917
Prepayments, other receivables and other current assets	(37,613)	(118,981)
Prepayment - a related party	(35,294)	(149,845)
Due from a related party	69,422	—
Accounts payable	43,045	183,040
Advances from customers	(12,198)	11,936
Accrued expenses and other liabilities	530,011	787,383
Due to a related party	4,541	—
Operating lease liabilities	(7,569)	(44,293)
Operating lease liabilities - related parties	(20,893)	(33,427)
Net Cash Provided by Operating Activities from continuing operations	265,827	340,826
Net Cash Used in Operating Activities from discontinued operations	(73,478)	(252,697)
Net Cash Provided by Operating Activities	192,349	88,129
Cash Flows from Investing Activities:		
Purchases of property and equipment	(1,189)	(357,909)
Cash received from disposal of property and equipment	16,317	81,251
Loan to a related party	(137,897)	—
Cash released upon disposal of a subsidiary	(148,481)	—
Net Cash Used in Investing Activities from continuing operations	(271,250)	(276,658)
Net Cash Provided by Investing Activities from discontinued operations	49	—
Net Cash Used in Investing Activities	(271,201)	(276,658)
Cash Flows from Financing Activities:		
Borrowings from a related party	33,582	—
Repayments from a related party	13,884	—
Repayment of current borrowings from a financial institution	—	(8,490)
Repayments to related parties and affiliates	—	(129,252)
Principal payments of finance lease liabilities	(11,733)	(136,416)
Net Cash Provided by (Used in) Financing Activities from continuing operations	35,733	(274,158)
Net Cash Provided by (Used in) Financing Activities from discontinued operations	(82,026)	251,232
Net Cash Used in Financing Activities	(46,293)	(22,926)

Effect of exchange rate changes on cash, cash equivalents and restricted cash	122,534	(91,521)
Net decrease in cash, cash equivalents and restricted cash	(2,611)	(302,976)
Cash, cash equivalents and restricted cash, beginning of the period	794,636	1,610,090
Cash, cash equivalents and restricted cash, end of the period	792,025	1,307,114
Less: Cash and cash equivalents from discontinued operations	—	(177,584)
Cash, Cash equivalents and Restricted Cash from continuing operations, end of Period	<u>792,025</u>	<u>1,129,530</u>
Supplemental Cash Flow Information		
Cash paid for interest expense	\$ —	\$ 525
Cash paid for income tax	\$ —	\$ —
Non-cash Transaction in Investing and Financing Activities		
Recognition of right-of-use assets and lease liabilities, related parties	\$ —	\$ 351,067
Termination of right-of use assets and lease liabilities	<u>\$ 48,639</u>	<u>\$ —</u>

The following tables provides a reconciliation of cash and cash equivalent reported within the unaudited condensed consolidated balance sheets that sum to the total of the same amounts shown in the unaudited condensed consolidated statements of cash flows:

	<u>September 30, 2024 (Unaudited)</u>	<u>September 30, 2023 (Unaudited)</u>
Cash and cash equivalent from continuing operations, end of the period	\$ 792,025	\$ 1,127,615
Cash and cash equivalent from discontinued operations, end of the period	\$ —	\$ 177,584
	<u>September 30, 2024 (Unaudited)</u>	<u>September 30, 2023 (Unaudited)</u>
Cash and cash equivalent from continuing operations, beginning of the period	\$ 737,719	\$ 1,485,100
Cash and cash equivalent from discontinued operations, beginning of the period	\$ 54,580	\$ 124,990

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements

SENMIAO TECHNOLOGY LIMITED
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

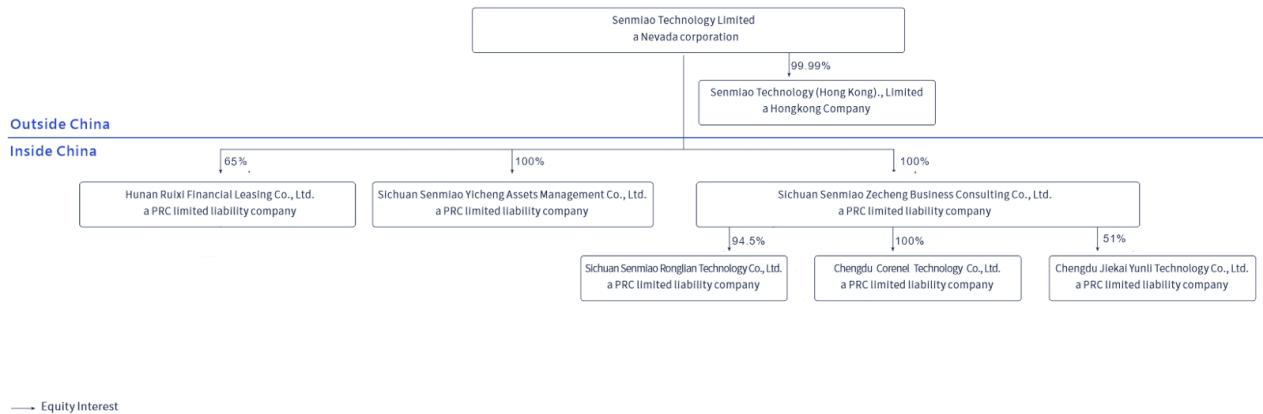
1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Senmiao Technology Limited (the "Company") is a U.S. holding company incorporated in the State of Nevada on June 8, 2017. The Company operates its business in one segment: automobile transaction and related services focusing on the online ride-hailing industry in the People's Republic of China ("PRC" or "China") through the Company's wholly owned subsidiary, Chengdu Corenel Technology Co., Ltd., a PRC limited liability company ("Corenel"), and its majority owned subsidiaries, Chengdu Jiekai Yunli Technology Co., Ltd. ("Jiekai"), and Hunan Ruixi Financial Leasing Co., Ltd., a PRC limited liability company ("Hunan Ruixi"), and its equity investee company (an entity 35% owned by Hunan Ruixi), Sichuan Jinkailong Automobile Leasing Co., Ltd., a PRC limited liability company ("Jinkailong").

Hunan Ruixi holds a business license for automobile sales and financial leasing and has been engaged in automobile financial leasing services and automobile sales since March 2019 and January 2019, respectively. The Company also has been engaged in operating leasing services through Hunan Ruixi, Jiekai and its equity investee company, Jinkailong since March 2019. Jinkailong used to facilitate automobile sales and financing transactions for its clients, who are primarily ride-hailing drivers and provides them operating lease and relevant after-transaction services.

The Company also used to operate online ride-hailing platform services through its own platform (known as Xixingtianxia) from October 2020 to August 2024, through Hunan Xixingtianxia Technology Co., Ltd., a PRC limited liability company ("XXTX"), which was a wholly owned subsidiary of Sichuan Senmiao Zecheng Business Consulting Co., Ltd. ("Senmiao Consulting"), a PRC limited liability company and wholly-owned subsidiary of the Company. The Company's ride hailing platform enabled qualified ride-hailing drivers to provide transportation services in Chengdu, Changsha and other 20 cities in China. On August 8, 2024, Senmiao Consulting entered into a certain Acquisition Agreement with Debt Assumption Takeover (the "Acquisition Agreement") with Jiangsu Yuelaiyuexing Technology Co., Ltd. (the "Purchaser"), and other parties thereto, in connection with the acquisition (the "Acquisition") by the Purchaser of 100 % of the Company's equity interest in XXTX and its subsidiaries. On August 20, 2024, the Acquisition was completed and Senmiao Consulting disposed its 100 % equity interest in XXTX and its subsidiaries (refer to Note 4). After the disposition, the Company operates its business in one segment.

The following diagram illustrates the Company's corporate structure as of the filing date of these unaudited condensed consolidated financial statements:



Former Voting Agreements with Jinkailong's Other Shareholders

Hunan Ruixi entered into two voting agreements signed in August 2018 and February 2020, respectively, as amended (the "Voting Agreements"), with Jinkailong and other Jinkailong's shareholders holding an aggregate of 65 % equity interests. Pursuant to the Voting Agreements, all other Jinkailong's shareholders will vote in concert with Hunan Ruixi on all fundamental corporate transactions in the event of a disagreement for periods of 20 years and 18 years , respectively, ending on August 25, 2038.

SENMIAO TECHNOLOGY LIMITED
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

On March 31, 2022, Hunan Ruixi entered into an Agreement for the Termination of the Agreement for Concerted Action by Shareholders of Jinkailong (the “Termination Agreement”), pursuant to which the Voting Agreements mentioned above was terminated as of the date of the Termination Agreement. The termination will not impair the past and future legitimate rights and interests of all parties in Jinkailong. Starting from April 1, 2022, the parties no longer maintain a concerted action relationship with respect to the decision required to take concerted action at its shareholders meetings as stipulated in the Voting Agreements. Each party shall independently express opinions and exercise various rights such as voting rights and perform relevant obligations in accordance with the provisions of laws, regulations, normative documents and the Jinkailong’s articles of association.

As a result of the Termination Agreement, the Company no longer has a controlling financial interest in Jinkailong and has determined that Jinkailong was deconsolidated from the Company's Unaudited condensed consolidated financial statements effective as of March 31, 2022. However, as Hunan Ruixi still holds 35% equity interests in Jinkailong, Jinkailong is the equity investee company of the Company since then.

As of September 30, 2024, the Company has outstanding balance due from Jinkailong amounted to \$ 3,147,117, net of allowance for credit losses, of which, \$ 2,976,118 is to be repaid over a period from October 2025 to December 2026, classified as due from a related party, net, non-current. As of March 31, 2024, the Company has outstanding balance due from Jinkailong amounted to \$ 3,245,907, net of allowance for credit losses, of which, \$ 2,747,313 is to be repaid over a period from April 2025 to December 2026, classified as due from a related party, net, non-current. (refer to Note 15).

As of September 30, 2024 and March 31, 2024, allowance for credit losses due from Jinkailong amounted to \$ 3,554,026 and \$ 3,099,701 , respectively. During the three and six months ended September 30, 2024, the Company recorded provision for credit losses against the balance due from Jinkailong of \$ 181,995 and \$ 355,436 , respectively.

During the three and six months ended September 30, 2023, the Company recorded provision for credit losses against the balance due from Jinkailong of \$ 553,323 and \$ 680,396, respectively.

2. GOING CONCERN

In assessing the Company's liquidity, the Company monitors and analyzes its cash on-hand and its operating and capital expenditure commitments. The Company's liquidity needs are to meet its working capital requirements, operating expenses and capital expenditure obligations. Debt financing from financial institutions and equity financings have been utilized to finance the working capital requirements of the Company.

The Company's business is capital intensive. The Company's management has considered whether there is substantial doubt about its ability to continue as a going concern due to (1) the net loss of approximately \$ 1.2 million for the six months ended September 30, 2024; (2) accumulated deficit of approximately \$ 42.8 million as of September 30, 2024; (3) the working capital deficit of approximately \$ 3.4 million as of September 30, 2024; and (4) one purchase commitment of approximately \$ 0.9 million for 100 automobiles. As of the filing date of these unaudited condensed consolidated financial statements, the Company has entered into one purchase contract with an automobile dealer to purchase a total of 100 automobiles in the amount of approximately \$ 1.6 million, of which approximately \$ 0.7 million has been remitted as purchase prepayments. The remaining purchase commitment of approximately \$ 0.9 million shall be remitted in installment to be completed before March 31, 2025.

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Management has determined there is substantial doubt about its ability to continue as a going concern. If the Company is unable to generate significant revenue, the Company may be required to curtail or cease its operations. Management is trying to alleviate the going concern risk through the following sources:

- Equity financing to support its working capital;
- Other available sources of financing (including debt) from PRC banks and other financial institutions; and
- Financial support and credit guarantee commitments from the Company's related parties.

There is no assurance that the Company will be successful in implementing the foregoing plans or that additional financing will be available to the Company on commercially reasonable terms, or at all. There are a number of factors that could potentially arise that could undermine the Company's plans, such as (i) changes in the demand for the Company's services, (ii) PRC government policies, (iii) economic conditions in China and worldwide, (iv) competitive pricing in the automobile transaction and related service and ride-hailing industries, (v) changes in the Company's relationships with key business partners, (vi) the ability of financial institutions in China to provide continued financial support to the Company's customers, and (vii) the perception of PRC-based companies in the U.S. capital markets. The Company's inability to secure needed financing when required could require material changes to the Company's business plans and could have a material adverse effect on the Company's ability to continue as a going concern and results of operations. The unaudited condensed consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The unaudited condensed consolidated financial statements do not include any adjustments that might result from the outcome of such uncertainties.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

The unaudited condensed consolidated financial statements, including the unaudited condensed consolidated balance sheets as of September 30, 2024, the unaudited condensed consolidated statements of operations and comprehensive loss, the unaudited condensed consolidated statements of changes in equity, and the unaudited condensed consolidated statements of cash flows for the six months ended September 30, 2024 and 2023, as well as other information disclosed in the accompanying notes, have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), and pursuant to the rules and regulations of the SEC and pursuant to Regulation S-X. The interim unaudited condensed financial statements and accompanying notes should be read in conjunction with the audited consolidated financial statements and the notes thereto, included in the Form 10-K for the fiscal year ended March 31, 2024, which was filed with the SEC on June 27, 2024.

The unaudited condensed consolidated financial statements and the accompanying notes have been prepared on the same basis as the annual consolidated financial statements and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary for a fair statement of the results of operations for the periods presented. The consolidated results of operations for any interim period are not necessarily indicative of the results to be expected for the full year or for any other future years or interim periods.

(b) Foreign currency translation

Transactions denominated in currencies other than the functional currency are translated into the functional currency at the exchange rates prevailing on the dates of the transaction. Monetary assets and liabilities denominated in currencies other than the functional currency are translated into the functional currency using the applicable exchange rates on the date of the balance sheet. The resulting exchange differences are recorded in the statement of operations.

The reporting currency of the Company and its subsidiaries is U.S. dollars ("US\$") and the unaudited condensed consolidated financial statements have been expressed in US\$. However, the Company maintains the books and records in its functional currency, Chinese Renminbi ("RMB"), being the functional currency of the economic environment in which its operations are conducted.

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In general, for consolidation purposes, assets and liabilities of the Company and its subsidiaries whose functional currency is not the US\$, are translated into US\$, using the exchange rate on the balance sheet date. Revenues and expenses are translated at average rates prevailing during the period. The gains and losses resulting from translation of financial statements of the Company and its subsidiaries are recorded as a separate component of accumulated other comprehensive loss within the unaudited condensed consolidated statements of changes in stockholders' equity.

Translation of amounts from RMB into US\$ has been made at the following exchange rates for the respective periods:

	September 30, 2024	March 31, 2024
Balance sheet items, except for equity accounts – RMB: US\$1:	7.0176	7.2203
Items in the statements of operations and comprehensive loss, and cash flows – RMB: US\$1:	7.1641	7.2445
Items in the statements of operations and comprehensive loss, and cash flows – RMB: US\$1:	7.2023	7.1287

(c) Use of estimates

In presenting the unaudited condensed consolidated financial statements in accordance with U.S. GAAP, management makes estimates and assumptions that affect the amounts reported and related disclosures. Estimates, by their nature, are based on judgment and available information. Accordingly, actual results could differ from those estimates. On an ongoing basis, management reviews these estimates and assumptions using the currently available information. Changes in facts and circumstances may cause the Company to revise its estimates. The Company bases its estimates on past experience and on various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Estimates are used when accounting for items and matters including, but not limited to, revenue recognition, residual values of property and equipment, lease liabilities, right-of-use assets, determinations of the useful lives and valuation of long-lived assets, estimates of allowances for credit losses for receivables and due from related parties, estimates of impairment of long-lived assets, and valuation of deferred tax assets.

(d) Fair values of financial instruments

Accounting Standards Codification ("ASC") Topic 825, Financial Instruments ("Topic 825") requires disclosure of fair value information of financial instruments, whether or not recognized in the balance sheets, for which it is practicable to estimate that value. In cases where quoted market prices are

not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Topic 825 excludes certain financial instruments and all nonfinancial assets and liabilities from its disclosure requirements. Accordingly, the aggregate fair value amounts do not represent the underlying value of the Company. The three levels of valuation hierarchy are defined as follows:

Level 1 Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the assets or liability, either directly or indirectly, for substantially the full term of the financial instruments.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value.

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The following table sets forth by level within the fair value hierarchy our financial assets and liabilities that were accounted for at fair value on a recurring basis as of September 30, 2024 and March 31, 2024:

	Carrying Value as of September 30, 2024 (Unaudited)	Fair Value Measurement as of September 30, 2024		
		Level 1	Level 2	Level 3
Derivative liabilities	\$ 304,247	\$ —	\$ —	\$ 304,247
Derivative liabilities				
	Carrying Value as of March 31, 2024 2024	Fair Value Measurement as of March 31, 2024		
		Level 1	Level 2	Level 3
		\$ —	\$ —	\$ 288,833
Derivative liabilities	\$ 288,833	\$ —	\$ —	\$ 288,833

The following is a reconciliation of the beginning and ending balance of the assets and liabilities measured at fair value on a recurring basis for six months ended September 30, 2024 and for the year ended March 31, 2024:

	2019		Underwritten Public Offering Warrants	Registered Direct Offering Warrants	May 2021		November 2021		Total
	Registered Direct Offering	Series A Warrants			Investors Warrants	Placement Warrants	Private Placement	Placement Warrants	
	2019	2020	2021	2021	2021	2021	2021	2021	
BALANCE as of March 31, 2023	\$ 1	\$ 5	\$ 8,450	\$ 11,491	\$ 161,961	\$ 12,147	\$ 284,762	\$ 22,965	\$ 501,782
Change in fair value of derivative liabilities	—	—	(5,231)	(7,158)	(81,325)	(6,099)	(105,242)	(7,888)	(212,943)
Warrant forfeited due to expiration	(1)	(5)	—	—	—	—	—	—	(6)
BALANCE as of March 31, 2024	—	—	3,219	4,333	80,636	6,048	179,520	15,077	288,833
Change in fair value of derivative liabilities	—	—	(1,024)	(1,048)	(4,113)	(309)	19,843	2,065	15,414
BALANCE as of September 30, 2024	—	—	—	—	—	—	—	—	—
(unaudited)	\$ —	\$ —	\$ 2,195	\$ 3,285	\$ 76,523	\$ 5,739	\$ 199,363	\$ 17,142	\$ 304,247

The Company's Series A and Series B warrants, the June 2019 Placement Agent Warrants, the Underwriters' Warrants, the ROFR Warrants, the May 2021 Investors Warrants, the May 2021 Placement Agent Warrants, and the November 2021 Investors Warrants and November 2021 Placement Agent Warrants (all discussed below) are not traded in an active securities market; therefore, the Company estimates the fair value to those warrants using the Black-Scholes valuation model as of September 30, 2024 and March 31, 2024.

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	As of September 30, 2024					
	August 4, 2020		February 10, 2021		May 13, 2021	
	Underwriters' Warrants (Unaudited)	Placement Agent Warrants (Unaudited)	ROFR Warrants (Unaudited)	Investor Warrants (Unaudited)	Placement Agent Warrants (Unaudited)	Placement Agent Warrants (Unaudited)
Granted Date						

# of shares exercisable	31,808	38,044	15,218	553,192	41,490	5,310,763	55,148
Valuation date	9/30/2024	9/30/2024	9/30/2024	9/30/2024	9/30/2024	9/30/2024	9/30/2024
Exercise price	\$ 6.25	\$ 13.80	\$ 17.25	\$ 10.50	\$ 10.50	\$ 1.13	\$ 6.80
Stock price	\$ 1.20	\$ 1.20	\$ 1.20	\$ 1.20	\$ 1.20	\$ 1.20	\$ 1.20
Expected term (years)	0.84	1.36	1.36	1.62	1.62	2.11	2.11
Risk-free interest rate	3.36%	3.86%	3.86%	3.86%	3.86%	3.65%	3.65%
Expected volatility	115%	115%	115%	115%	115%	115%	115%

Granted Date	As of March 31, 2024					
	August 4, 2020		February 10, 2021		May 13, 2021	
	Underwriters' Warrants	Placement Agent Warrants	ROFR Warrants	Investor Warrants	Placement Agent Warrants	Investor Warrants
# of shares exercisable	31,808	38,044	15,218	553,192	41,490	5,310,763
Valuation date	3/31/2024	3/31/2024	3/31/2024	3/31/2024	3/31/2024	3/31/2024
Exercise price	\$ 6.25	\$ 13.80	\$ 17.25	\$ 10.50	\$ 10.50	\$ 1.13
Stock price	\$ 0.90	\$ 0.90	\$ 0.90	\$ 0.90	\$ 0.90	\$ 0.90
Expected term (years)	1.35	1.87	1.87	2.12	2.12	2.61
Risk-free interest rate	4.88%	4.65%	4.65%	4.57%	4.57%	4.47%
Expected volatility	117%	117%	117%	117%	117%	117%

* Giving retroactive effect to the 1-for-10 reverse stock split effected on April 6, 2022.

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As of September 30, 2024 and March 31, 2024, financial instruments of the Company comprised primarily current assets and current liabilities including cash and cash equivalents, restricted cash, accounts receivable, finance lease receivables, prepayments, other receivables and other assets, due from related parties, accounts payable, advance from customers, lease liabilities, accrued expenses and other liabilities, due to related parties, and operating and financing lease liabilities, which approximate their fair values because of the short-term nature of these instruments, and current liabilities of borrowings from a financial institution, which approximate their fair values because of the stated loan interest rate to the rate charged by similar financial institutions.

The non-current portion of finance lease receivables, operating and financing lease liabilities were recorded at the gross amount adjusted for the interest using the effective interest rate method. The Company believes that the effective interest rates underlying these instruments approximate their fair values because the Company used its incremental borrowing rate to recognize the present value of these instruments as of September 30, 2024 and March 31, 2024.

Other than as listed above, the Company did not identify any assets or liabilities that are required to be presented on the balance sheet at fair value.

(e) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (the "CODM"), which is comprised of certain members of the Company's management team. During the years ended March 31, 2019 and 2021, the Company acquired Hunan Ruixi and XXTX, respectively, and disposed XXTX in August, 2024. The Company evaluated how the CODM manages the businesses of the Company to maximize efficiency in allocating resources and assessing performance. The Company has one operating and reportable segment of automobile transaction and related services as set forth in Note 1, after discontinued the online ride-hailing platform services on August 20, 2024.

(f) Cash and cash equivalents

Cash and cash equivalents primarily consist of bank deposits with original maturities of three months or less, which are unrestricted as to withdrawal and use. Cash and cash equivalents also consist of funds received from automobile purchasers as payments for automobiles, funds received from automobile lessees as payments for rentals, which were held at the third-party platforms' fund accounts and which are unrestricted and immediately available for withdrawal and use.

(g) Accounts receivable, net

Accounts receivable are recorded at the invoiced amount less an allowance for any uncollectible accounts and do not bear interest, and are due on demand. The carrying value of accounts receivable is reduced by an allowance that reflects the Company's best estimate of the amounts that will not be collected. An allowance for credit losses is recorded in the period when a loss is probable based on an assessment of specific evidence indicating collection is unlikely, historical bad debt rates, accounts aging, financial conditions of the customer and industry trends. Starting from April 1, 2023, the Company adopted ASU No.2016-13 "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" ("ASC Topic 326"). Management also periodically evaluates individual customer's financial condition, credit history, and the current economic conditions to make adjustments in the allowance when it is considered necessary. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Company's management continues to evaluate the reasonableness of the valuation allowance policy and update it if necessary. As of September 30, 2024 and March 31, 2024, the Company record allowance for credit losses of \$ 1,590 and \$ 1,545 against accounts receivable, respectively.

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(h) Finance lease receivables

Finance lease receivables, which result from sales-type leases, are measured at discounted present value of (i) future minimum lease payments, (ii) any residual value not subject to a bargain purchase option as finance lease receivables on its balance sheet and (iii) accrued interest on the balance of the finance lease receivables based on the interest rate inherent in the applicable lease over the term of the lease. Management also periodically evaluates

individual customer's financial condition, credit history and the current economic conditions to make adjustments in the allowance for credit losses when necessary. Finance lease receivables is charged off against the allowance for credit losses after all means of collection have been exhausted and the potential for recovery is considered remote. As of September 30, 2024 and March 31, 2024, the Company determined no allowance for credit losses was necessary for finance lease receivables.

As of September 30, 2024 and March 31, 2024, finance lease receivables consisted of the following:

	September 30, 2024 (Unaudited)	March 31, 2024
Minimum lease payments receivable	\$ 395,343	\$ 354,617
Less: Unearned interest	(136,087)	(117,927)
Financing lease receivables	\$ 259,256	\$ 236,690
Finance lease receivables, current	\$ 186,529	\$ 144,166
Finance lease receivables, non-current	\$ 72,727	\$ 92,524

Future scheduled minimum lease payments for investments in sales-type leases as of September 30, 2024 are as follows:

	Minimum future payments receivable
Twelve months ending September 30, 2025	\$ 274,021
Twelve months ending September 30, 2026	112,524
Twelve months ending September 30, 2027	8,798
Total	\$ 395,343

(i) Property and equipment, net

Property and equipment primarily consist of leasehold improvements, computer equipment, office equipment, fixtures and furniture and automobiles, which are stated at cost less accumulated depreciation and amortization less any provision required for impairment in value. Depreciation and amortization is computed using the straight-line method with no residual value based on the estimated useful life. The useful life of property and equipment is summarized as follows:

Categories	Useful life
Leasehold improvements	Shorter of the remaining lease terms or estimated useful lives
Computer equipment	2 - 5 years
Office equipment, fixture and furniture	3 - 5 years
Automobiles	3 - 5 years

The Company reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An asset is considered impaired if its carrying amount exceeds the future net undiscounted cash flows that the asset is expected to generate. If such asset is considered to be impaired, the impairment recognized is the amount by which the carrying amount of the asset, if any, exceeds its fair value determined using a discounted cash flow model. For the three and six months ended September 30, 2024 and 2023, the Company did not recognize impairment for property and equipment.

Costs of repairs and maintenance are expensed as incurred and asset improvements are capitalized. The cost and related accumulated depreciation and amortization of assets disposed of or retired are removed from the accounts, and any resulting gain or loss is reflected in the unaudited condensed consolidated statements of operations and comprehensive loss.

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(j) Loss per share

Basic loss per share is computed by dividing net loss attributable to stockholders by the weighted average number of outstanding shares of common stock, adjusted for outstanding shares of common stock that are subject to repurchase.

For the calculation of diluted loss per share, net loss attributable to stockholders for basic loss per share is adjusted by the effect of dilutive securities, including share-based awards, under the treasury stock method and convertible securities under the if-converted method. Potentially dilutive securities, of which the amounts are insignificant, have been excluded from the computation of diluted net loss per share if their inclusion is anti-dilutive.

As of September 30, 2024, the Company's dilutive securities from the outstanding series A convertible preferred stock are convertible into 495,706 shares of common stock. This amount is not included in the computation of diluted loss per share because their impact is anti-dilutive.

(k) Derivative liabilities

A contract is designated as an asset or a liability and is carried at fair value on the Company's balance sheet, with any changes in fair value recorded in the Company's results of operations. The Company then determines which options, warrants and embedded features require liability accounting and records the fair value as a derivative liability. The changes in the values of these instruments are shown in the unaudited condensed consolidated statements of operations and comprehensive loss as "change in fair value of derivative liabilities".

(l) Revenue recognition

The Company recognized its revenue under Accounting Standards Codification (ASC) Topic 606, Revenue from Contracts with Customers (ASC 606). ASC 606 establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts to provide goods or services to customers. The core principle requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration that it expects to be entitled to receive in exchange for those goods or services recognized as performance obligations are satisfied. It also requires the Company to identify contractual performance obligations and determine whether revenue should be recognized at a point in time or over time, based on when control of goods and services transfers to a customer.

To achieve that core principle, the Company applies the five steps defined under ASC 606: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when (or as) the entity satisfies a performance obligation.

The Company accounts for a contract with a customer when the contract is entered into by the parties, the rights of the parties, including payment terms, are identified, the contract has commercial substance and consideration to collect is substantially probable.

Disaggregated information of revenues by business lines are as follows:

	For the Three Months Ended September 30,		For the Six Months Ended September 30,	
	2024 (Unaudited)	2023 (Unaudited)	2024 (Unaudited)	2023 (Unaudited)
Automobile Transaction and Related Services				
- Operating lease revenues from automobile rentals	\$ 584,418	\$ 1,020,993	\$ 1,340,733	\$ 2,077,387
- Monthly services commissions	30,681	66,221	56,935	116,811
- Financing revenues	26,853	11,340	49,029	24,940
- Service fees from NEVs leasing	51,694	4,626	73,788	24,897
- Service fees from automobile purchase services	5,165	—	26,903	12,232
- Revenues from sales of automobiles	—	3,778	—	8,822
- Other service fees	47,069	76,180	77,501	107,157
Total Revenues	\$ 745,880	\$ 1,183,138	\$ 1,624,889	\$ 2,372,246

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Automobile transaction and related services

Operating lease revenues from automobile rentals –The Company generates revenue from sub-leasing automobiles to some online ride-hailing drivers or third-parties and leasing its own automobiles. The Company recognizes revenue wherein an automobile is transferred to the lessees and the lessees has the ability to control the asset, is accounted for under ASC Topic 842. Rental transactions are satisfied over the rental period and is recognized over time. As the operating lease revenue are variable in nature which is based on online ride-hailing drivers or third-parties' performance for a certain period, the Company recognized the revenue from operating lease by using the output method based on periodic settlement between the Company and the online ride-hailing drivers or third-parties when such revenue is probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Rental periods are short term in nature, generally are twelve months or less.

Monthly services commissions – Commissions from the services generated from the management and related services provided to Partner Platforms and other companies, which are settled on a monthly basis. The Company recognizes revenues at a point in time when performance obligations are completed and the commission amount is confirmed by the Partner Platforms and other companies, based on their evaluations on the services provided by the Company.

Financing revenues – Interest income from the lease arising from the Company's sales-type leases and bundled lease arrangements are recognized as financing revenues over the lease term based on the effective rate of interest in the lease.

Service fees from NEVs leasing and automobile purchase services - Services fees from NEVs leasing are paid by some lessees who rent new energy electric vehicles from the Company, which based on the product solutions.

Automobile purchase services are paid by automobile purchasers for a series of the services provided to them throughout the purchase process such as credit assessment, installment of GPS devices, ride-hailing driver qualification and other administrative procedures, which is based on the sales price of the automobiles and relevant services provided.

The Company recognizes those revenues at a point in time when above mentioned services are completed, and corresponding an automobile is delivered to the lessee or purchaser. Accounts receivable related to the revenue from NEVs leasing and automobile purchase services is collected upon the automobiles are delivered to lessees or purchaser.

Sales of automobiles – The Company generated revenue from sales of automobiles to the customers of Hunan Ruixi. The control over the automobile is transferred to the purchaser along with the delivery of automobiles. The amount of the revenue is based on the sale price agreed by Hunan Ruixi and the customers. The Company recognizes revenues when an automobile is delivered and control is transferred to the purchaser at a point in time. Accounts receivable related to the revenue are being collected within 12 months.

Other service fees – The Company generated other revenues such as miscellaneous service fees charged to its customers for some supporting services provided to online ride-hailing drivers. The Company recognizes revenues at a point in time when performance obligations are completed and the collectability is probable from the customers.

Leases - Lessor

The Company recognized revenue as lessor in accordance with ASC 842. The two primary accounting provisions the Company uses to classify transactions as sales-type or operating leases are: (i) a review of the lease term to determine if it is for the major part of the economic life of the underlying equipment (defined as greater than 75%); and (ii) a review of the present value of the lease payments to determine if they are equal to or greater than substantially all of the fair market value of the equipment at the inception of the lease (defined as greater than 90 %). Automobiles included in arrangements meeting these conditions are accounted for as sales-type leases. Interest income from the lease is recognized in financing revenues over the lease term. Automobile included in arrangements that do not meet these conditions are accounted for as operating leases and revenue is recognized over the term of the lease.

The Company excludes from the measurement of its lease revenues any tax assessed by a governmental authority that is both imposed on and concurrent with a specific revenue-producing transaction and collected from a customer.

The Company considers the economic life of most of the automobiles to be three to five years, since this represents the most common long-term lease term for its automobiles and the automobiles will be used for online ride-hailing services. The Company believes three to five years is representative of the period during which an automobile is expected to be economically usable, with normal service, for the purpose for which it is intended.

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The Company's lease pricing interest rates, which are used in determining customer payments in a bundled lease arrangement, are developed based upon the local prevailing rates in the marketplace where its customer will be able to obtain an automobile loan under similar terms from the bank. The Company reassesses its pricing interest rates quarterly based on changes in the local prevailing rates in the marketplace. As of September 30, 2024, the Company's pricing interest rate was 6.0 % per annum.

(m) Discontinued operations

A discontinued operation may include a component of an entity or a group of components of an entity, or a business or nonprofit activity. A disposal of a component of an entity or a group of components of an entity is required to be reported in discontinued operation if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results when any of the following occurs: (1) the component of an entity or group of components of an entity meets the criteria to be classified as held for sale; (2) the component of an entity or group of components of an entity is disposed of by sale; (3) the component of an entity or group of components of an entity is disposed of other than by sale (for example, by abandonment or in a distribution to owners in a spinoff).

(n) Significant risks and uncertainties

1) Credit risk

- a. Assets that potentially subject the Company to significant concentration of credit risk primarily consist of cash and cash equivalents. The maximum exposure of these assets to credit risk is their carrying amounts as of the balance sheet dates. As of September 30, 2024 and March 31, 2024, approximately \$ 38,000 and \$ 21,000 , respectively, were deposited with a bank in the United States which is insured by the U.S. government up to \$ 250,000 . As of September 30, 2024 and March 31, 2024, approximately \$ 720,000 and \$ 719,000 , respectively, were deposited in financial institutions located in mainland China, which were insured by the government authority. Under the Deposit Insurance System in China, an enterprise's deposits at one bank are insured for a maximum of approximately \$ 71,000 (RMB 500,000). To limit exposure to credit risk relating to deposits, the Company primarily places cash deposits with large financial institutions in China which management believes are of high credit quality.

The Company's operations are carried out entirely in mainland China. Accordingly, the Company's business, financial condition and results of operations may be influenced by the social, political, economic and legal environments in the PRC as well as by the general state of the PRC economy. In addition, the Company's business may be influenced by changes in PRC government laws, rules and policies with respect to, among other matters, anti-inflationary measures, currency conversion and remittance of currency outside of China, rates and methods of taxation and other factors.

- b. In measuring the credit risk of accounts receivable due from the automobile purchasers (the "customers"), the Company mainly reflects the "probability of default" by the customer on its contractual obligations and considers the current financial position of the customer and the risk exposures to the customer and its likely future development.

Historically, most of the automobile purchasers would pay the Company their previously defaulted amounts within one to three months. As a result, the Company would provide full provisions on accounts receivable if the customers default on repayments for over three and six months. As of September 30, 2024 and March 31, 2024, the Company record allowance for credit losses of \$ 1,590 and \$ 1,545 against accounts receivable, respectively.

2) Foreign currency risk

As of September 30, 2024 and March 31, 2024 substantially all of the Company's operating activities and major assets and liabilities, except for the cash deposit of approximately \$ 38,000 and \$ 21,000 , respectively, in U.S. dollars, are denominated in RMB, which are not freely convertible into foreign currencies. All foreign exchange transactions take place through either the People's Bank of China (the "PBOC") or other authorized financial institutions at exchange rates quoted by PBOC. Approval of foreign currency payments by the PBOC or other regulatory institutions requires a payment application together with invoices and signed contracts. The value of RMB is subject to change in central government policies and international economic and political developments affecting supply and demand in the China Foreign Exchange Trading System market. When there is a significant change in value of RMB, the gains and losses resulting from translation of financial statements of a foreign subsidiary will be significantly affected. RMB depreciated from 7.02 RMB into US\$ 1.00 on September 30, 2024 to 7.22 RMB into US\$ 1.00 on March 31, 2024.

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(o) Comparability and reclassification adjustments

The Company has reclassified certain comparative balances in the consolidated balance sheets as of March 31, 2024 and certain comparative amounts in the unaudited condensed consolidated statements of operations and comprehensive loss for the three and six months ended September 30, 2023 to conform to the current period's presentation. The assets and liabilities of the discontinued operations have been classified as current assets of discontinued operations, property and equipment, net of discontinued operations, other assets of discontinued operations, current liabilities of discontinued operations, and other liabilities of discontinued operations in the consolidated balance sheets as of March 31, 2024. The results of discontinued operations for three and six months ended September 30, 2023 have been reflected separately in the unaudited condensed consolidated statements of operations and comprehensive loss as a single line item for all periods presented in accordance with U.S. GAAP. Cash flows from discontinued operations of the three categories for the six months ended September 30, 2023 were separately presented in the unaudited condensed consolidated statements of cash flows for all periods presented in accordance with U.S. GAAP.

(p) Recent accounting pronouncements not yet adopted

The Company considers the applicability and impact of all accounting standards updates ("ASUs"). Management periodically reviews new accounting standards that are issued. Under the Jumpstart Our Business Startups Act of 2012, as amended (the "JOBS Act"), the Company meets the definition of an emerging growth company and has elected the extended transition period for complying with new or revised accounting standards, which delays the

adoption of these accounting standards until they would apply to private companies.

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 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 Company is currently evaluating the impact of the update on the Company's unaudited condensed consolidated financial statements and related disclosures.

In November 2023, the FASB issued ASU 2023-07, which is an update to Topic 280, Segment Reporting: Improvements to reportable Segment Disclosures ("ASU 2023-07"), which enhances the disclosure required for reportable segments in annual and interim consolidated financial statements, including additional, more detailed information about a reportable segment's expenses. ASU 2023-07 will be effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The Company is currently evaluating the impact of the pending adoption of ASU 2023-07 on its unaudited condensed consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09, which is an update to Topic 740, Income Taxes. The amendments in this update enhances the transparency and decision usefulness of income tax disclosures. ASU 2023-09 will be effective for fiscal years beginning after December 15, 2024. 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 Company is currently evaluating the impact the adoption of ASU 2023-07 will have on its annual and interim disclosures.

SENMIAO TECHNOLOGY LIMITED
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4. DISCONTINUED OPERATIONS

Discontinued operations - P2P lending services business

Since October 2019, the Company has discontinued its online P2P lending services business. Carrying amounts of major classes of liabilities was included as part of discontinued operations of Online P2P lending services, whose change was due to the effect of exchange rate changes as of September 30, 2024 and March 31, 2024:

	September 30, 2024	March 31, 2024
	(Unaudited)	
Current liabilities		
Accrued expenses and other liabilities	\$ 477,402	\$ 464,000

Discontinued operations – Online ride-hailing platform service

The Company used to operate online ride-hailing platform services through its own platform from October 2020 to August 2024, through XXTX, which was a wholly owned subsidiary of Senmiao Zecheng, a wholly-owned subsidiary of the Company. On August 8, 2024, Senmiao Consulting entered into a certain Acquisition Agreement with Debt Assumption Takeover (the "Acquisition Agreement") with Jiangsu Yuelaiyuexing Technology Co., Ltd. (the "Purchaser"), and other parties thereto, in connection with the acquisition (the "Acquisition") by the Purchaser of 100 % of the Company's equity interest in XXTX and its subsidiaries. On August 20, 2024, the Acquisition was completed and the Company disposed of its 100 % equity interest in XXTX and its subsidiaries to the Purchaser, effectively discontinued its operations in the online ride-hailing platform service segment. This decision was driven by recurring losses in the segment, which prompted the Company to strategically exit the online ride-hailing business. The Company recognized a gain of \$ 397,775 from the deconsolidation of XXTX accordingly. In accordance with ASC 205-20-45, the discontinuation of the Company's online ride-hailing platform service was accounted for as a discontinued operation, as it represented a strategic shift with a significant impact on the Company's overall operations and financial results.

Reconciliation of the carrying amounts of major classes of assets and liabilities from discontinued operations of online ride-hailing platform service in consolidated balance sheets as of September 30, 2024 and March 31, 2024 are as follows:

	September 30, 2024	March 31, 2024
	(Unaudited)	
ASSETS		
Current assets		
Cash and cash equivalents	\$ —	\$ 54,580
Accounts receivable	—	14,130
Prepayments, other receivables, and other current assets, net	—	344,444
Due from a related party	—	6,938
Total current assets	—	420,092
Property and equipment, net:	—	1,267
Other Assets		
Intangible assets, net	—	140,698
Total assets	\$ —	\$ 562,057
LIABILITIES		

Current liabilities			
Borrowings from financial institutions	\$ —	\$ 142,456	
Accounts payable	—	44,128	
Accrued expenses and other liabilities	110,347	671,868	
Total current liabilities	110,347	858,452	
Other liabilities:			
Borrowings from financial institutions, noncurrent	—	71,228	
Deferred tax liability	—	11,611	
Total Other liabilities	—	82,839	
Total liabilities	\$ 110,347	\$ 941,291	

SENMIAO TECHNOLOGY LIMITED
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The following table sets forth the reconciliation of the amounts of major classes of income and losses from discontinued operations of online ride-hailing platform service in the unaudited condensed consolidated statements of operations and comprehensive loss for the three and six months ended September 30, 2024 and 2023.

	For the Three Months Ended September 30,		For the Six Months Ended September 30,	
	2024 (unaudited)		2024 (unaudited)	
	2023 (unaudited)	2023 (unaudited)	2023 (unaudited)	2023 (unaudited)
Revenues	\$ 100,850	\$ 643,813	\$ 344,241	\$ 1,549,419
Cost of revenues	(71,199)	(449,958)	(247,025)	(1,046,681)
Gross profit	29,651	193,855	97,216	502,738
Operating expenses				
Selling, general and administrative expenses	(80,167)	(303,545)	(166,937)	(658,390)
Provision for credit losses	(173,278)	—	(173,278)	—
Total operating expenses	(253,445)	(303,545)	(340,215)	(658,390)
Loss from operations	(223,794)	(109,690)	(242,999)	(155,652)
Other income (expenses), net	37,017	(13,128)	33,214	(19,000)
Interest expense	(2,512)	(2,233)	(8,372)	(2,233)
Loss before income taxes	(189,289)	(125,051)	(218,157)	(176,885)
Income tax benefit	2,575	—	4,510	—
Net loss attributable to stockholders	\$ (186,714)	\$ (125,051)	\$ (213,647)	\$ (176,885)

Reconciliation of the amount of cash flows from discontinued operations in the unaudited condensed consolidated statements of cash flows for the six months ended September 30, 2024 and 2023 are as follows:

	For the Six Months Ended September 30,	
	2024 (Unaudited)	
	2023 (Unaudited)	2023 (Unaudited)
Net cash used in operating activities from discontinued operations	\$ (73,478)	\$ (252,697)
Net cash provided by investing activities from discontinued operations	\$ 49	\$ —
Net cash (used in) provided by financing activities from discontinued operations	\$ (82,026)	\$ 251,232

5. ACCOUNTS RECEIVABLE, NET

Accounts receivable include online ride-hailing services fees due from online ride-hailing drivers and rental receivables due from operating lessees. It also includes a portion of bundled lease arrangements on fixed minimum monthly payments to be paid by the automobile purchasers arising from automobile sales and services fees, net of unearned interest income, discounted using the Company's lease pricing interest rates.

As of September 30, 2024 and March 31, 2024, accounts receivable were comprised of the following:

	September 30, 2024	March 31, 2024
	(Unaudited)	(Unaudited)
Receivables of operating lease	\$ 22,184	\$ 18,531
Receivables of automobile sales due from automobile purchasers	1,590	2,897
Less: Allowance for credit losses	(1,590)	(1,545)
Accounts receivable, net	\$ 22,184	\$ 19,883

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Movement of allowance for credit losses for the six months ended September 30, 2024 and for year ended March 31, 2024 are as follows:

	<u>2024</u> (Unaudited)	<u>2024</u>
Beginning balance	\$ 1,545	\$ —
Addition	—	1,557
Translation adjustment	45	(12)
Ending balance	\$ 1,590	\$ 1,545

6. PREPAYMENTS, OTHER RECEIVABLES AND OTHER CURRENT ASSETS, NET

As of September 30, 2024 and March 31, 2024, the prepayments, other receivables and other current assets, net were comprised of the following:

	<u>September 30, 2024</u> (Unaudited)	<u>March 31, 2024</u>
Deposits (i)	\$ 338,747	\$ 347,297
Prepaid expenses (ii)	328,775	296,454
Value added tax ("VAT") recoverable (iii)	73,668	27,443
Due from automobile purchasers, net (iv)	2,709	2,633
Employee advances	1,148	142
Others	12,164	24,874
Less: Allowance for credit losses	(21,065)	(20,474)
Total prepayments, other receivables and other current assets, net	\$ 736,146	\$ 678,369

Movement of allowance for credit losses for the six months ended September 30, 2024 and for year ended March 31, 2024 are as follows:

	<u>September 30, 2024</u> (Unaudited)	<u>March 31, 2023</u>
Beginning balance	\$ 20,474	\$ —
Addition	—	20,626
Translation adjustment	591	(152)
Ending balance	\$ 21,065	\$ 20,474

(i) Deposits

The balance of deposits mainly represented the security deposit made by the Company to various automobile leasing companies, financial institutions and Didi Chuxing Technology Co., Ltd., who runs an online ride-hailing platform. As of September 30, 2024 and March 31, 2024, the allowance for credit losses of \$ 18,356 and \$ 17,841 was recorded against the security deposits not returned for more than one year after the end of the cooperation.

(ii) Prepaid expense

The balance of prepaid expense represented automobile purchase prepayments, automobile liability insurance premium for automobiles for operating lease and other miscellaneous expense such as office lease, office remodel expense, etc. that will expire within one year.

SENMIAO TECHNOLOGY LIMITED NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(iii) Value added tax ("VAT") recoverable

The balance represented the amount of VAT, which resulted from historical purchasing activities and could be further used for deducting future VAT in PRC.

(iv) Due from automobile purchasers, net

The balance due from automobile purchasers represented the payments of automobiles and related insurances and taxes made on behalf of the automobile purchasers. The balance is expected to be collected from the automobile purchasers in installments. As of September 30, 2024 and March 31, 2024, the allowance for credit losses recorded against receivables due from automobile purchasers was \$ 2,709 and \$ 2,633 .

7. PROPERTY AND EQUIPMENT, NET

Property and equipment as of September 30, 2024 and March 31, 2024 consist of the following:

	<u>September 30, 2024</u> (Unaudited)	<u>March 31, 2024</u>
Leasehold improvements	\$ 179,300	\$ 174,266
Computer equipment	26,635	13,291
Office equipment, fixtures and furniture	68,835	77,898
Automobiles	4,601,790	4,707,663
Subtotal	4,876,560	4,973,118
Less: accumulated depreciation and amortization	(2,694,485)	(2,297,861)
Total property and equipment, net	\$ 2,182,075	\$ 2,675,257

Depreciation expense for the three and six months ended September 30, 2024 were amounted to \$ 228,626 and \$ 463,441 , respectively.

Depreciation and amortization expense for the three and six months ended September 30, 2023 were amounted to \$ 221,891 and \$ 455,058 ,

respectively.

8. INTANGIBLE ASSETS, NET

Intangible assets as of September 30, 2024 and March 31, 2024 consisted of the following:

	September 30, 2024 (Unaudited)	March 31, 2024
Software	\$ 792,454	\$ 791,262
Less: accumulated amortization	(379,954)	(341,233)
Total intangible assets, net	\$ 412,500	\$ 450,029

Amortization expense for the three and six months ended September 30, 2024 were amounted to \$ 18,750 and \$ 37,528 , respectively.

Amortization expense for the three and six months ended September 30, 2023 were amounted to \$ 19,478 and \$ 40,470 , respectively.

SENMIAO TECHNOLOGY LIMITED NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The following table sets forth the Company's amortization expense for the next five years ending:

	Amortization expenses
Twelve months ending September 30, 2025	\$ 75,000
Twelve months ending September 30, 2026	75,000
Twelve months ending September 30, 2027	75,000
Twelve months ending September 30, 2028	75,000
Twelve months ending September 30, 2029	75,000
Thereafter	37,500
	\$ 412,500

9. OTHER NON-CURRENT ASSETS

	September 30, 2024 (Unaudited)	March 31, 2024
Prepayments of automobiles purchased (i)	\$ 658,345	\$ 639,863

(i) In September 2022 and March 2023, the Company entered into two automobile purchase agreements ("Purchase Agreements") with two third parties to purchase a total of 150 automobiles which amounted to \$ 2,301,261 . As of September 30, 2024, 50 automobiles have been delivered to the Company and the Company has made prepayments of \$ 658,345 towards the remaining purchase pertaining to the Purchase Agreements. The Company expects to complete the remaining purchase by March 31, 2025.

10. ACCRUED EXPENSES AND OTHER LIABILITIES

	September 30, 2024 (Unaudited)	March 31, 2024
Accrued payroll and welfare	\$ 1,484,600	\$ 1,221,294
Payables to drivers from aggregation platforms (i)	791,753	521,439
Deposits (ii)	669,941	668,172
Accrued expenses (iii)	477,010	423,420
Other taxes payable	118,178	90,256
Payables for expenditures on automobile transaction and related services	9,824	9,768
Other payables	37,174	42,190
Total accrued expenses and other liabilities	\$ 3,588,480	\$ 2,976,539

(i) *Payables to drivers from aggregation platforms*

The balance of payables to drivers from aggregation platforms represented the amount the Company collected on behalf of drivers who completed their transaction through the Company's online ride-hailing platform base on the confirmed billings.

(ii) *Deposits*

The balance of deposits represented the security deposit from operating and finance lease customers to cover lease payment and related automobile expense in case the customers' accounts are in default. The balance is refundable at the end of the lease term, after deducting any missed lease payment and applicable fee.

SENMIAO TECHNOLOGY LIMITED NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(iii) *Accrued expenses*

The balance of accrued expenses represented the unbilled or payable balances to the expenses related to the daily operations of automobiles and

services fees to professional institutions.

11. EMPLOYEE BENEFIT PLAN

The Company has made employee benefit plan in accordance with relevant PRC regulations, including retirement insurance, unemployment insurance, medical insurance, housing fund, work injury insurance and maternity insurance.

The contributions made by the Company were \$ 39,805 and \$ 77,811 for the three and six months ended September 30, 2024, respectively, from operations of the Company. The contributions made by the Company were \$ 43,994 and \$ 91,765 for the three and six months ended September 30, 2023, respectively, from operations of the Company.

12. EQUITY

Warrants

Warrants in Offerings

The Company adopted the provisions of ASC 815 on determining what types of instruments or embedded features in an instrument held by a reporting entity can be considered indexed to its own stock for the purpose of evaluating the first criteria of the scope exception in ASC 815. Warrants issued in connection with the direct equity offering with exercise prices denominated in US dollars are no longer considered indexed to the Company's stock, as their exercise prices are not in the Company's functional currency (RMB), and therefore no longer qualify for the scope exception and must be accounted for as a derivative. These warrants are classified as liabilities under the caption "Derivative liabilities" in the unaudited condensed consolidated statements of balance sheets and recorded at estimated fair value at each reporting date, computed using the Black-Scholes valuation model. Changes in the liability from period to period are recorded in the unaudited condensed consolidated statements of operations and comprehensive loss under the caption "Change in fair value of derivative liabilities."

August 2020 Underwriters' Warrants

As of September 30, 2024 and March 31, 2024, there were 31,808 underwriters' warrants outstanding. During the three and six months ended September 30, 2024, the change of fair value was a gain of \$ 599 and \$ 1,024 recognized in the unaudited condensed consolidated statements of operations and comprehensive loss based on the decrease in fair value of the liabilities, respectively. During the three and six months ended September 30, 2023, the change of fair value was a gain of \$ 1,122 and \$ 6,803 recognized in the unaudited condensed consolidated statements of operations and comprehensive loss based on the decrease in fair value of the liabilities, respectively. As of September 30, 2024 and March 31, 2024, the fair value of the derivative instrument totaled \$ 2,195 and \$ 3,219, respectively. As the 1-for-10 reverse stock split on the Company's common stock became effective on April 6, 2022, the exercise price of the August 2020 Underwriters' Warrants was adjusted to \$ 6.25.

February 2021 Registered Direct Offering Warrants

As of September 30, 2024 and March 31, 2024, there were 53,262 February 2021 registered direct offering warrants outstanding. During the three and six months ended September 30, 2024, the change of fair value was a gain of \$ 597 and \$ 1,048 recognized in the unaudited condensed consolidated statements of operations and comprehensive loss based on the decrease in fair value of the liabilities, respectively. During the three and six months ended September 30, 2023, the change of fair value was a gain of \$ 1,496 and \$ 9,280 recognized in the unaudited condensed consolidated statements of operations and comprehensive loss based on the decrease in fair value of the liabilities, respectively. As of September 30, 2024 and March 31, 2024, the fair value of the derivative instrument totaled \$3,285 and \$ 4,333, respectively. As the 1-for-10 reverse stock split on the Company's common stock became effective on April 6, 2022, the exercise prices of the Placement Agent Warrants and the ROFR Warrants of the February 2021 Registered Direct Offering were adjusted to \$ 13.80 and \$ 17.25, respectively.

SENMIAO TECHNOLOGY LIMITED NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

May 2021 Registered Direct Offering Warrants

As of September 30, 2024 and March 31, 2024, there were 594,682 May 2021 registered direct offering warrants outstanding. During the three and six months ended September 30, 2024, the change of fair value was a gain of \$ 2,985 and \$ 4,422 recognized in the unaudited condensed consolidated statements of operations and comprehensive loss based on the decrease in fair value of the liabilities, respectively. During the three and six months ended September 30, 2023, the change of fair value was a gain of \$ 21,792 and \$ 132,125 recognized in the unaudited condensed consolidated statements of operations and comprehensive loss based on the decrease in fair value of the liabilities, respectively. As of September 30, 2024 and March 31, 2024, the fair value of the derivative instrument totaled \$ 82,262 and \$ 86,684, respectively. As the 1-for-10 reverse stock split on the Company's common stock became effective on April 6, 2022, the exercise price of the May 2021 Registered Direct Offering warrants was adjusted to \$ 10.50.

November 2021 Private Placement Warrants

As of September 30, 2024 and March 31, 2024, there were 5,365,911 November 2021 Private Placement Warrants outstanding. During the three and six months ended September 30, 2024, the change of fair value was a loss of \$ 11,308 and \$ 21,908 recognized in the unaudited condensed consolidated statements of operations and comprehensive loss based on the decrease in fair value of the liabilities, respectively. During the three and six months ended September 30, 2023, the change of fair value was a gain of \$ 35,256 and \$ 215,625 recognized in the unaudited condensed consolidated statements of operations and comprehensive loss based on the decrease in fair value of the liabilities, respectively. On November 18, 2022, a holder of November 2021 private placement warrants exercised the warrants on a "cashless" basis. As of September 30, 2024 and March 31, 2024, the fair value of the derivative instrument totaled \$ 216,505 and \$ 194,597, respectively. As the 1-for-10 reverse stock split on the Company's common stock became effective on April 6, 2022, the exercise price of the November 2021 Investors Warrants was adjusted to \$ 1.13.

	<u>Warrants Outstanding</u>	<u>Warrants Exercisable</u>	<u>Weighted Average Exercise Price</u>	<u>Average Remaining Contractual Life</u>
Balance, March 31, 2023	6,066,298	6,066,298	\$ 2.29	3.56
Forfeited	(20,635)	(20,635)	—	—
Balance, March 31, 2024	6,045,663	6,045,663	\$ 2.25	2.55
Exercised	—	—	—	—
Balance, September 30, 2024 (unaudited)	<u>6,045,663</u>	<u>6,045,663</u>	<u>\$ 2.25</u>	<u>2.05</u>

Restricted Stock Units

On October 29, 2020, the Board approved the issuance of an aggregate of 127,273 restricted stock units ("RSUs") to directors, officers and certain employees as stock compensation for their services for the years ended March 31, 2022. Total RSUs granted to these directors, officers and employees were valued at an aggregate fair value of \$ 140,000 . These RSUs will vest in four equal quarterly installments on January 29, 2021, April 29, 2021, July 29, 2021 and October 29, 2021 or in full upon the occurrence of a change in control of the Company, provided that the director, officer or the employee remains in service through the applicable vesting date. The RSUs will be settled by the Company's issuance of shares of common stock in certificated or uncertificated form upon the earlier of (i) vesting date, (ii) a change in control and (ii) termination of the services of the director, officer or employee due to a "separation of service" within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended, or the death or disability of such director, officer or employee. As of the filing date of these unaudited condensed consolidated financial statements, all RSUs with an aggregate of 12,727 were vested and 9,545 were settled by the Company. The Company expects to settle the remaining vested RSUs by issuance of shares of common stock before December 31, 2024 and the vested RSUs have been accounted in an expense and additional paid-in capital.

Equity Incentive Plan

At the 2018 Annual Meeting of Stockholders of the Company held on November 8, 2018, the Company's stockholders approved the Company's 2018 Equity Incentive Plan for employees, officers, directors and consultants of the Company and its affiliates. In March 2023 and April 2024, the Annual Meeting of Stockholders of Company for the years ended March 31, 2022 and 2023 further approved the amendments to the 2018 Equity Incentive Plan, to increase the number of shares of common stock reserved under the Plan to 1,500,000 shares and 1,800,000 shares, respectively. A committee consisting of at least two independent directors would be appointed by the Board or in the absence of such a committee, the board of directors, will be responsible for the general administration of the Equity Incentive Plan. All awards granted under the Equity Incentive Plan will be governed by separate award agreements between the Company and the participants. As of September 30, 2024, the Company has granted an aggregate of 30,379 RSUs (after reverse split), among which, 26,447 RSUs were issued under the Equity Incentive Plan, 3,182 RSUs were vested but have not been issued while 750 RSUs were forfeited due to two directors ceased to serve on the board of the Company since November 8, 2018. During the six months ended September 30, 2024, no new RSUs were granted.

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SENMIAO TECHNOLOGY LIMITED NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Conversion Price Adjustment for November 2021 Preferred Shares

Pursuant to the Certificate of Designation for the series A convertible preferred stock signed by the Company and certain institutional investors in November 2021 Private Placement, the initial conversion price of the series A Convertible Preferred Shares was \$ 0.68 . If as of the applicable date the conversion price then in effect is greater than the greater of (1) \$ 0.41 (the "Floor Price") (as adjusted for stock splits, stock dividends, stock combinations, recapitalizations and similar events) and (2) 85 % of the closing bid price on the applicable date (the "Adjustment Price"), the conversion price shall automatically lower to the Adjustment Price accordingly. As the 1-for-10 reverse stock split on the Company's Common Stock became effective on April 6, 2022, the conversion price and the Floor Price of the Preferred Shares mentioned above were proportionally adjusted. Further, on August 9, 2022, the Company and the investors agreed to reduce the conversion price of the series A Convertible Preferred Shares from \$ 4.10 to \$ 2.00 and to increase the number of the shares of common stock that are available to be issued upon conversion of the Preferred Shares from 1,092,683 to 2,240,000 . As of September 30, 2024 and March 31, 2024, there were 991 shares of Series A convertible preferred stock outstanding, respectively, valued at \$ 234,364 recorded as mezzanine equity. As of September 30, 2024, 4,009 shares of Series A convertible preferred stock were converted into 1,871,125 shares of the Company's common stock.

13. INCOME TAXES

The United States of America

The Company is incorporated in the State of Nevada in the U.S., and is subject to U.S. federal corporate income taxes with tax rate of 21 %. The State of Nevada does not impose any state corporate income tax.

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act imposes a one-time transition tax on deemed repatriation of historical earnings of foreign subsidiaries, and future foreign earnings are subject to U.S. taxation. The Tax Act also established the Global Intangible Low-Taxed Income (GILTI), a new inclusion rule affecting non-routine income earned by foreign subsidiaries. For the six months ended September 30, 2024 and 2023, the Company's foreign subsidiaries in China were operating at loss and as such, did not record a liability for GILTI tax.

The Company's net operating loss for U.S. income taxes from U.S amounted to approximately \$ 0.2 million for both three months ended September 30, 2024 and 2023, and amounted to approximately \$ 0.6 million for both six months ended September 30, 2024 and 2023. As of September 30, 2024 and March 31, 2024, the Company's net operating loss carryforward for U.S. income taxes was approximately \$ 8.1 million and \$ 7.6 million, respectively. The net operating loss carryforward will not expire and is available to reduce future years' taxable income but limited to 80 % of income until utilized. Management believes that the utilization of the benefit from this loss appears uncertain due to the Company's operating history. Accordingly, the Company has recorded a 100 % valuation allowance on the deferred tax asset to reduce the deferred tax assets to zero on the consolidated balance sheets. Management reviews the valuation allowance periodically and makes changes accordingly.

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SENMIAO TECHNOLOGY LIMITED NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

PRC

Senmiao Consulting, Sichuan Senmiao Ronglian Technology Co., Ltd. ("Sichuan Senmiao"), Hunan Ruixi, Sichuan Senmiao Yicheng Assets Management Co., Ltd. ("Yicheng"), Corenel, and Jiekai are subject to PRC Enterprise Income Tax ("EIT") on the taxable income in accordance with the relevant PRC income tax laws. The EIT rate for companies operating in the PRC is 25 %.

Net loss before income tax by jurisdiction as follows:

For the Six Months Ended

	September 30,	
	2024 (Unaudited)	2023 (Unaudited)
U.S.	\$ (578,255)	\$ (322,774)
PRC	(396,369)	(1,129,140)
Total net loss before income tax	<u><u>\$ (974,624)</u></u>	<u><u>\$ (1,451,914)</u></u>

For three and six months ended June 30, 2024 and 2023, we had no current tax expense or deferred tax expense.

The tax effects of temporary differences from continuing operations that give rise to the Company's deferred tax assets and liabilities are as follows:

	September 30, 2024 (Unaudited)	March 31, 2024
Deferred Tax Assets		
Net operating loss carryforwards in the PRC	\$ 1,331,957	\$ 976,138
Net operating loss carryforwards in the U.S.	1,706,726	1,588,529
Allowance for credit losses	922,510	807,974
Others	6,616	6,431
Less: valuation allowance	<u><u>(3,967,809)</u></u>	<u><u>(3,379,072)</u></u>
Deferred tax assets, net	<u><u>\$ —</u></u>	<u><u>\$ —</u></u>

As of both September 30, 2024 and March 31, 2024, the Company's PRC entities associated with discontinued operations had net operating loss carryforwards of approximately \$ 0.9 million. Despite the fact that the net operating loss carryforwards arose from the Company discontinued operation, the Company may still benefit from them as potential deduction against future taxable income. As of September 30, 2024, such net operating loss from discontinued operations will expire from 2025 through 2026, if not used. The Company reviews deferred tax assets for a valuation allowance based upon whether it is more likely than not that the deferred tax asset will not be fully realized. As of September 30, 2024 and March 31, 2024, full valuation allowance is provided against the deferred tax assets related to the Company's discontinued operations based upon management's assessment as to their realization.

The tax effects of temporary differences from discontinued operations that give rise to the Company's deferred tax assets are as follows:

	September 30, 2024 (Unaudited)	March 31, 2024
Net operating loss carry forwards in the PRC	\$ 234,861	\$ 228,268
Less: valuation allowance	<u><u>(234,861)</u></u>	<u><u>(228,268)</u></u>
Total	<u><u>\$ —</u></u>	<u><u>\$ —</u></u>

Uncertain tax positions

The Company evaluates each uncertain tax position (including the potential application of interest and penalties) based on the technical merits, and measure the unrecognized benefits associated with the tax positions. As of September 30, 2024 and March 31, 2024, the Company did not have any unrecognized uncertain tax positions and the Company does not believe that its unrecognized tax benefits will change over the next twelve months. For the three and six months ended September 30, 2024 and 2023, the Company did not incur any interest and penalties related to potential underpaid income tax expenses. According to 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 withholding agent. The statute of limitations will be extended five years under special circumstances, which are not clearly defined (but an underpayment of tax liability exceeding RMB 0.1 million is specifically listed as a special circumstance). In the case of a related party transaction, the statute of limitations is ten years. There is no statute of limitations in the case of tax evasion.

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14. CONCENTRATION

Major Suppliers

For the three months ended September 30, 2024, three suppliers accounted for approximately 18.8 %, 15.1 %, and 15.3 % of the total costs of revenue from continuing operations of the Company. For the six ended September 30, 2024, three suppliers accounted for approximately 19.0 %, 15.8 %, and 15.5 % of the total costs of revenue from continuing operations of the Company.

For the three months ended September 30, 2023, three suppliers accounted for approximately 19.0 %, 18.2 %, and 12.1 % of the total costs of revenue from continuing operations of the Company. For the six months ended September 30, 2023, three suppliers accounted for approximately 20.4 %, 20.2 %, and 11.7 % of the total cost of revenues from continuing operations of the Company.

15. RELATED PARTY TRANSACTIONS AND BALANCES

1. Related Party Balances

1) Prepayment, a related party

As of September 30, 2024 and March 31, 2024, the balance of prepayment to a related party represented automobile lease prepayment made by the Company to Jinkailong, the Company's equity investee company, with amount of \$ 36,223 and \$0, respectively.

2) Due from related parties

As of September 30, 2024 and March 31, 2024, balances due from related parties from the Company's operations were comprised of the following:

	2024 (Unaudited)	2024
Total due from related parties	\$ 6,779,894	\$ 6,495,608
Less: Allowance for credit losses	(3,554,026)	(3,099,701)
Due from related parties, net	\$ 3,225,868	\$ 3,395,907
Due from related parties, net, current	\$ 249,750	\$ 648,594
Due from a related party, net, non-current	\$ 2,976,118	\$ 2,747,313

As of September 30, 2024, balances due from Jinkailong, the Company's equity investee company, was \$ 3,147,117 , net of allowance for credit losses, of which, \$ 2,976,118 is to be repaid over a period from October 2025 to December 2026, which was classified as due from a related party, net, non-current. The balances due from Jinkailong consist of outstanding balance of \$ 2,341,837 as a result of Jinkailong's deconsolidation on March 31, 2022 and \$ 805,280 represents daily operation expenses paid by the Company's subsidiary, Jiekai, on behalf of Jinkailong.

As of March 31, 2024, balances due from Jinkailong, the Company's equity investee company was \$ 3,245,907 , net of allowance for credit losses, of which, \$ 2,747,313 is to be repaid over a period from April 2025 to December 2026, which was classified as due from a related party, net, non-current. The balances due from Jinkailong consist of outstanding balance of \$ 2,651,078 as a result of Jinkailong's deconsolidation on March 31, 2022 and \$ 594,829 represents revenue collected by Jinkailong on behalf of the Company's subsidiary, Jiekai.

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Movement of allowance for credit losses due from Jinkailong for the six months ended September 30, 2024 and for the year ended March 31, 2024 are as follows:

	September 30, 2024 (Unaudited)	March 31, 2024
Beginning balance	\$ 3,099,701	\$ 1,481,036
Addition	355,436	1,703,563
Translation adjustment	98,889	(84,898)
Ending balance	\$ 3,554,026	\$ 3,099,701

On January 3, 2024, Xiang Hu, the Legal Representative of Sichuan Senmiao and a shareholder of the Company, entered into a loan agreement wherein the Company agreed to provide an interest-free special reserve loan of \$ 150,000 for a period of 12 months. As September 30, 2024, the outstanding balance was \$ 78,751 .

3) Due to related parties

	September 30, 2024 (Unaudited)	March 31, 2024
Loan payable to a related party (i)	\$ 45,936	\$ 12,354
Other payable due to a related party (ii)	167,875	158,632
Total due to related parties	\$ 213,811	\$ 170,986

- (i) As of September 30, 2024 and March 31, 2024, the balances represented borrowings from Xi Wen, the CEO of the Company, of which, \$ 45,936 and \$ 12,354 are unsecured, interest free and due on demand, respectively.
- (ii) As of September 30, 2024 and March 31, 2024, the balances represented outstanding lease payments due to Hong Li, the Supervisor of Sichuan Senmiao, upon termination of existing lease.

4) Operating lease right-of-use assets - a related party and Operating lease liabilities - a related party

	September 30, 2024 (Unaudited)	March 31, 2024
Operating lease right-of-use assets – a related party	\$ 28,118	\$ 47,128
Operating lease liabilities – a related party	\$ 31,793	\$ 51,741

In November 2018, Hunan Ruixi entered into an office lease agreement with Hunan Dingchentai Investment Co., Ltd. ("Dingchentai"), a company where one of the Company's independent directors serves as the legal representative and general manager. The term of the lease agreement was from November 1, 2018 to October 31, 2023 and the rent was approximately \$ 44,250 per year, payable on a quarterly basis. The original lease agreement with Dingchentai was terminated on July 1, 2019. The Company entered into another lease with Dingchentai on substantially similar terms on September 27, 2019, and a renewal lease contract was signed on June 2022 which extended the original lease to May 2025.

2. Related Party Transactions

For the three and six months ended September 30, 2024, the Company incurred \$ 0 and \$ 4,516 , respectively, in rental expenses to Hong Li, supervisor of Sichuan Senmiao, pursuant to three office lease agreements. For the three and six months ended September 30, 2023, the Company incurred \$ 29,956 and \$ 60,283 , respectively, in rental expenses to Hong Li, supervisor of Sichuan Senmiao, pursuant to three office lease agreements.

For the three and six months ended September 30, 2024, the Company incurred \$ 10,536 and \$ 20,886 in rental expenses, respectively, compared to \$ 10,481 and \$ 20,618 for the same periods in 2023, to Dingchentai, a company where one of the Company's independent directors serves as the legal representative and general manager.

During the three months ended September 30, 2024 and 2023, Corenel leased automobiles to Jinkailong and generated revenue of \$ 3,622 and \$ 8,399, while Jiekai leased automobiles from Jinkailong and had a rental cost of \$ 17,334 and \$ 182,165 respectively.

During the six months ended September 30, 2024 and 2023, Corenel leased automobiles to Jinkailong and generated revenue of \$ 8,865 and \$ 22,147, while Jiekai leased automobiles from Jinkailong and had a rental cost of \$ 18,961 and \$ 392,344 respectively.

16. LEASES

Lessor

The Company's operating leases for automobile rentals have rental periods that are typically short term, generally is twelve months or less. Revenue recognition section of Note 3 (l), the Company discloses that revenue earned from automobile rentals, wherein an identified asset is transferred to the customer and the customer has the ability to control that asset, is accounted for under Topic 842 upon adoption for the six months ended September 30, 2024.

Lessee

As of September 30, 2024 and March 31, 2024, the Company has engaged in offices and showroom leases which were classified as operating leases.

The Company leased automobiles under operating lease agreements with a term shorter than twelve months which it elected not to recognize lease assets and lease liabilities under ASC 842. Instead, the Company recognized the lease payments in profit or loss on a straight-line basis over the lease term and variable lease payments in the period in which the obligation for those payments is incurred. In addition, the Company had automobiles leases which were classified as finance lease.

The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The Company recognized lease expense on a straight-line basis over the lease term for operating lease. Meanwhile, the Company recognized the finance leases ROU assets and interest on an amortized cost basis. The amortization of finance ROU assets is recognized on a straight-line basis as amortization expense, while the lease liability is increased to reflect interest on the liability and decreased to reflect the lease payments made during the period. Interest expense on the lease liability is determined each period during the lease term as the amount that results in a constant periodic interest rate of the automobile loans on the remaining balance of the liability.

As of September 30, 2024, the weighted-average remaining operating and finance lease term of its existing leases is approximately 0.67 and 1.03 years, respectively.

Operating and finance lease expenses consist of the following:

Classification	For the Three Months Ended		For the Six Months Ended	
	September 30, 2024 (Unaudited)	September 30, 2023 (Unaudited)	September 30, 2024 (Unaudited)	September 30, 2023 (Unaudited)
Operating lease cost				
Automobile lease costs	Cost of revenues	\$ 257,317	\$ 544,982	\$ 482,030
Lease expenses	Selling, general and administrative	22,740	60,486	51,523
Finance lease cost				
Amortization of leased asset	Cost of revenue	59,696	58,991	118,757
Amortization of leased asset	General and administrative	—	—	—
Interest on lease liabilities	Interest expenses on finance leases	4,270	7,594	9,358
Total lease expenses		\$ 344,023	\$ 672,053	\$ 661,668
				\$ 1,323,885

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Operating lease costs for automobiles totaled \$ 257,317 and \$ 544,982 for the three months ended September 30, 2024 and 2023, respectively. Operating lease cost for automobiles totaled \$ 482,030 and \$ 1,060,856 for the six months ended September 30, 2024 and 2023, respectively.

Operating lease expenses for offices and showroom leases totaled \$ 22,740 and \$ 60,486 for the three months ended September 30, 2024 and 2023, respectively, of which \$ 14,659 and \$ 45,509 were amortization of leased asset for operating leases for the three months ended September 30, 2024 and 2023, respectively. Operating lease expense for office and showroom leases totaled \$ 51,523 and \$ 125,772 for the six months ended September 30, 2024 and 2023 respectively, of which \$ 33,471 and \$ 93,179 were amortization of leased asset for operating leases for the six months ended September 30, 2024 and 2023, respectively

Interest expenses on finance leases totaled \$ 4,270 and \$ 9,358 for the three and six months ended September 30, 2024, respectively. Interest expenses on finance leases totaled \$ 7,594 and \$ 16,316 for the three and six months ended September 30, 2023, respectively.

The following table sets forth the Company's minimum lease payments in future periods:

	Operating lease payments* (Unaudited)	Finance lease payments (Unaudited)	Total (Unaudited)
Twelve months ending September 30, 2025	\$ 32,256	\$ 414,302	\$ 446,558
Total lease payments	32,256	414,302	446,558
Less: discount	(463)	(8,200)	(8,663)
Present value of lease liabilities	\$ 31,793	\$ 406,102	\$ 437,895

* As of September 30, 2024 and March 31, 2024, the outstanding balance of operating lease payments due to a related party was \$ 31,793 and \$ 51,741 , respectively.

17. COMMITMENTS AND CONTINGENCIES

Contingencies

In measuring the credit risk of automobile purchasers, the Company primarily reflects the "probability of default" by the automobile purchasers on its contractual obligations and considers the current financial position of the automobile purchasers and its likely future development.

The Company manages the credit risk of automobile purchasers by performing preliminary credit checks of each automobile purchaser and ongoing monitoring every month. By using the current credit loss model, management is of the opinion that the Company is bearing the credit risk to repay the principal and interests to the financial institutions if automobile purchasers' default on their payments for more than three months. Management also periodically re-evaluates probability of default of automobile purchasers to make adjustments in the allowance, when necessary.

Purchase commitments

On September 23, 2022, the Company entered into a purchase contract with an automobile dealer to purchase a total of 100 automobiles for the amount of approximately \$ 1.6 million. As of the filing date of these unaudited condensed consolidated financial statements, the Company has remitted approximately \$ 0.7 million as purchase prepayments, and expects to fulfill the purchase commitment before March 31, 2025.

Contingent liability of Jinkailong

Despite that the Company holds 35 % of equity interest of Jinkailong through Hunan Ruixi, and has not make any payments towards to the investment, the Company will be subjected to the maximum amount of RMB 3.5 million (approximately \$ 499,000) of which is equivalent to 35 % of liabilities in case Jinkailong is liquidated in accordance with PRC's company registry compliance.

18. SUBSEQUENT EVENTS

The Company evaluated all events and transactions that occurred after September 30, 2024 up through the date the Company filed these unaudited condensed consolidated financial statements. No events require adjustment to or disclosure in the unaudited condensed consolidated financial statements.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our results of operations and financial condition should be read together with our unaudited condensed consolidated financial statements and the notes thereto, which are included elsewhere in this Report and our Annual Report on Form 10-K for the year ended March 31, 2024 (the "Annual Report") filed with the SEC. Our unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Overview

We are a provider of automobile transaction and related services, connecting consumers, who are mostly existing and prospective ride-hailing drivers affiliated with different operators of online ride-hailing platforms in the People's Republic of China ("PRC" or "China"). We provide automobile transaction and related services through our wholly owned subsidiary, Chengdu Corenel Technology Limited, a PRC limited liability company ("Corenel"), and our majority owned subsidiaries, Chengdu Jiekai Technology Ltd. ("Jiekai"), and Hunan Ruixi Financial Leasing Co., Ltd. ("Hunan Ruixi"), a PRC limited liability company. Substantially all of our operations are conducted in China.

From October 2020 to August 2024, we also operated an online ride-hailing platform through Hunan Xixingtianxia Technology Co., Ltd. ("XXTX"), a wholly-owned subsidiary of Sichuan Senmiao Zecheng Business Consulting Co., Ltd., our wholly-owned subsidiary ("Senmiao Consulting"). The platform enabled qualified ride-hailing drivers to provide application-based transportation services mainly in Chengdu, Changsha and other 20 cities in China. As more fully discussed below under "– Our Discontinued Ride-Hailing Platform Services," we ceased our online ride-hailing Platform Services on August 20, 2024.

Our Automobile Transactions and Related Services

Our Automobile Transaction and Related Services are mainly comprised of (i) automobile operating lease where we provide car rental services to individual customers to meet their personal needs with lease term no more than twelve months (the "Auto Operating Leasing"); (ii) monthly services where we provide management and related services to other online ride-hailing platforms we cooperated with ("Partner Platforms") and other companies and earn commission from them (the "Auto Commissions"); (iii) automobile financing where we provide our customers with auto finance solutions through financing leases (the "Auto Financing"); (iv) service fees from new energy vehicles ("NEVs") leasing, automobile purchase services where we charge NEVs lessees or automobile purchasers for a series of the services provided to them throughout the leasing or purchase process based on the chosen product solutions, such as ride-hailing driver training, assisting with a series of administrative procedures and other consulting services (the "NEVs and Purchase Services"); and (v) automobile sales (the "Auto Sales") and other supporting services provided to online ride-hailing drivers, including auto management and other related services (the "Auto Management Services"). We started our facilitation and supporting services in November 2018, the sale of automobiles in January 2019, and financial and operating leasing in March 2019, respectively.

Since November 22, 2018, the acquisition date of Hunan Ruixi, and as of September 30, 2024, we have facilitated financing for an aggregate of 312 automobiles with a total value of approximately \$5.3 million, sold an aggregate of 1,516 automobiles with a total value of approximately \$14.5 million and delivered 1,935 automobiles under operating leases and 180 automobiles under financing leases to customers, the vast majority of whom are online ride-hailing drivers.

The table below provides a breakdown of the number of vehicles sold or delivered under different leasing arrangements or managed by us and corresponding revenue generated for the three and six months ended September 30, 2024 and 2023:

Three Months Ended September 30,	Six Months Ended September 30,
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	2024		2023		2024		2023	
	Number of Vehicles	Revenue*	Number of Vehicles	Revenue*	Number of Vehicles	Revenue*	Number of Vehicles	Revenue*
Auto Operating Leasing	596	\$ 584,000	968	\$ 1,021,000	627	1,341,000	1,292	\$ 2,077,000
Auto Commissions	—	\$ 31,000	—	\$ 66,000	—	57,000	—	\$ 117,000
Auto Financing	51	\$ 27,000	37	\$ 11,000	51	49,000	44	\$ 25,000
Other Services	>600	\$ 104,000	>540	\$ 85,000	>610	178,000	>820	\$ 153,000

During the three months ended September 30, 2024, our Auto Operating Leasing, Auto Commissions, Auto Financing and other services income accounted for approximately 78.4%, 4.1%, 3.6%, and 13.9% of our total revenue from our automobile transactions and related services, respectively, while our Auto Operating Leasing, Auto Commissions, Auto Financing, and other services income accounted for approximately 86.3%, 5.6%, 1.0%, and 7.1% for the three months ended September 30, 2023, respectively. During the six months ended September 30, 2024, our Auto Operating Leasing, Auto Commissions, Auto Financing and other services income accounted for approximately 82.5%, 3.5%, 3.0%, and 11.0% of our total revenue from our automobile transactions and related services, respectively, while our Auto Operating Leasing, Auto Commissions, Auto Financing, and other services income accounted for approximately 87.6%, 4.9%, 1.1%, and 6.4% for the six months ended September 30, 2023, respectively.

Our Discontinued Online Ride-Hailing Platform Services

From October 2020 to August 2024, we operated our own online ride-hailing platform in China. The platform (called Xixingtianxia) was owned and operated by XXTX, of which Senmiao Consulting acquired the 100% equity interest pursuant to a series of investment and supplementary agreements. XXTX operated Xixingtianxia and held a national online reservation taxi operating license, which served online ride-hailing drivers in 22 cities in China, providing them with a platform to view and take customer orders for rides. XXTX generated revenue from providing services to online ride-hailing drivers to assist them in providing transportation services to the riders looking for taxi/ride-hailing services. XXTX earned commissions for each completed order as the difference between an upfront quoted fare and the amount earned by a driver based on actual time and distance for the ride charged to the rider.

Due to the fierce competition of the online ride-hailing industry, XXTX had been suffered loss. Since December 2023, XXTX had engaged Anhui Lianma Technology Co., Ltd. ("Anhui Lianma"), a third-party to co-operate the online ride-hailing platform by outsourcing certain daily operation work to Anhui Lianma in most of cities it operates platform in XXTX and Anhui Lianma will jointly share the operational profits, with the specific calculation method being defined in the cooperation agreement. However, considering the changes in online ride-hailing industry and development plan of the Company, on August 8, 2024, we entered into an acquisition agreement with debt assumption takeover ("Acquisition Agreement") with a third party named Jiangsu Yuelaiyuexing Technology Co., Ltd. ("Yuelai"), and certain other parties thereto. Pursuant to the Acquisition Agreement, Yuelai acquired all of the equity interests the XXTX at a total purchase price of zero, while taking over certain liabilities of XXTX as defined in the Acquisition Agreement. On August 20, 2024, the acquisition was completed and we ceased the online ride-hailing platform services.

Key Factors and Risks Affecting Results of Operations

Ability to Increase Our Automobile Lessee and Active Driver Base

Our revenue growth has been largely driven by the expansion of our automobile lessee base and the corresponding revenue generated from operating and financial leasing. We acquire customers for our Automobile Transaction and Related Services through the network of third-party sales teams, referral from online ride-hailing platforms and our own efforts including online advertising and billboard advertising. We also send out fliers and participate in trade shows to advertise our services. We plan to maintain the number of our customers by marketing our companies to our existing and prospective automobile lessees in the cities we now operate in. We expect to keep our Active Driver base to promote the growth of our automobile rental business because we offer automobile rental solutions/incentives specifically targeted at drivers using our Partner Platforms. An effective cross-selling strategies between our automobile leasing business and our Partner Platforms is important to our expansion and revenue growth. We also plan to strengthen our marketing efforts through the collaboration with certain automobile dealers and through our own team by employing more experienced staff, sharing market resources with our equity investee company, and improving the quality and variety of our services. As of September 30, 2024, we had 4 employees in our own sales department.

Management of Automobile Rentals

Due to the fierce competition of online ride-hailing industry in those cities we operated in, we have witnessed a high turn-over rate on the short-term car rentals during the six months ended September 30, 2024. To meet the demand in Chengdu and Changsha, we have purchased and leased automobiles from third parties for our operating lease. The daily management and timely maintenance of leased automobiles will have a significant effect on the stability and potential growth of our income from leasing automobiles in the next twelve months. The effective management, including maintaining the high turn-over rate of our automobiles through our proprietary system and experienced auto-management team could provide in-time delivery and qualified automobiles to potential lessees, either for personal use or providing online ride-hailing services. As of September 30, 2024, for parking and management of automobiles for operating lease, we had one parking lot, an exhibition hall and 3 employees in Changsha, and we also share the parking lot with our equity investee company, Jinkailong in Chengdu. During the three months ended September 30, 2024 and 2023, the average utilization of the automobiles for operating lease was approximately 80.4% and 72.6%, respectively. During the six months ended September 30, 2024 and 2023, the average utilization of the automobiles for operating lease was approximately 85.2% and 76.1%, respectively.

Our Service Offerings and Pricing

The growth of our revenue depends on our ability to improve existing solutions and services provided, continue identifying evolving business needs, refine our collaborations with business partners and provide value-added services to our customers. The attraction of new automobile leases depends on our leasing solutions with attractive rental price and flexible leasing terms. We have also adopted a series of pricing formulas to adopt the market changes, considering the historical and future expenditure, remaining available leasing months and market price to determine our rental price for varied rental solutions. Furthermore, our product designs affect the type of automobile leases we attract, which in turn affect our financial performance. The attraction of new customers depends on the comprehensive income they could earn from our own or Partner Platforms, which is mainly affected by the number of orders distributed to them through our platform and the amount of the incentives paid to them from platforms. Our revenue growth also depends on our abilities to effectively price our services, which enables us to attract more customers and improve our profit margin.

Ability to Retain Key Business Cooperators

Historically, we have set up a series of strategy and business relationships with certain affiliates of some famous and leading companies of NEVs manufacturers, online ride-hailing platforms, local NEVs leasing companies, and travel service providers to develop our Automobile Transaction and Related Services. We earned commission or services fee from them, purchased and leased automobiles for our business at a favorable price. The close relationships have provided us with the necessary capacity to support the development of our online ride-hailing platform and leasing business. To retain these valuable cooperators and continuously explore opportunities to collaborate with them in more areas is important to us to have considerable resources to support the exploration and expansion of our business into new cities.

Meanwhile, in order to strengthen our market position in certain cities, during the six months ended September 30, 2024, our subsidiaries, Hunan Ruixi and Jiekai, cooperated with Partner Platforms, such as Hunan DiDi Technology Co., Ltd., Chengdu Anma Zhixing Technology Co., Ltd., Sichuan Peitu Kuaixing Technology Co., Ltd. and Chongqing Yiqizhao Technology Co., Ltd. Chengdu Branch, whereby the online ride-hailing requests and orders shall be completed on Partner Platforms utilizing the network of cars and drivers of us while Hunan Ruixi and Jiekai earned rental income from drivers and earned commissions from Partner Platforms.

Ability to Collect Receivables on a Timely Basis

For receivables from Auto Operating Leasing, we usually settle the rental income with each online ride-hailing driver monthly based on the product solutions they chose. In accordance with the development of the operating lease business, our Partner Platforms, such as Gaode, agree to temporarily "lock-up" the fares of the rides which the driver earned from the platform to ensure the timely collection of our rental receivables from them. As of September 30, 2024, we had accounts receivable of operating lease of approximately \$22,000 in total. Besides, during the six months ended September 30, 2024, we settled our commissions with the Partner Platforms for our online ride-hailing platform services and automobile rental income on a monthly basis.

The efficiency of collection of the monthly and weekly payments has a material impact on our daily operation. Our risk and asset management department has set up a series of procedures to monitor the collection from drivers. Our business department has also set up a stable and close relationship with Partner Platforms to ensure the timely collection of commissions. The accounts receivable and advance payments may increase our liquidity risk. We have used the majority of the proceeds from our equity offerings and plan to seek equity and/or debt financings to pay for the expenditure related to the automobile purchase. To pay for the expenditure in advance will enhance the stability of our daily operation and lower the liquidity risk, and attract more customers.

Ability to Manage Defaults Effectively

We manage the credit risk arising from the default of automobile purchasers and lessees by performing credit checks on each automobile purchaser or lessee based on the credit reports from People's Bank of China and third-party credit rating companies, and personal information including residence, ethnicity group, driving history and involvement in legal proceeding. Our risk department continuously monitors the payment by each purchaser and sends them payment reminders. We also keep monitoring the daily gross fare earned by the online ride-hailing drivers, who are our majority customers and run their business through our online ride-hailing platform during the six months ended September 30, 2024. We do this so that we can evaluate their financial conditions and provide them with assistance including the transfer of automobile to a new driver if they are no longer interested in providing ride-hailing services or are unable to earn enough income to make monthly lease/loan payments.

Further, the automobiles subject to our financing leases are not collateralized by us. As of September 30, 2024, the total value of non-collateralized automobiles was approximately \$260,000. We believe our risk exposure of financing leasing is immaterial as we have experienced limited default cases and we are able to re-lease those automobiles to drivers under financing leases.

Ability to Compete Effectively

Our business and results of operations depend on our ability to compete effectively. Overall, our competitive position may be affected by, among other things, our service quality and our ability to price our solutions and services competitively. We will set up and continuously optimize our own business system to improve our service quality and user experience. Our competitors may have more resources than we do, including financial, technological, marketing and others and may be able to devote greater resources to the development and promotion of their services. We will need to continue to introduce new or enhance existing solutions and services to continue to attract automobile dealers, financial institutions, car buyers, lessees, ride-hailing drivers and other industry participants. Whether and how quickly we can do so will have a significant impact on the growth of our business.

Market Opportunity and Government Regulations in China

The demand for our services depends on overall market conditions of the online ride-hailing industry in China. The continuous growth of the urban population places increasing pressure on the urban transportation and the improvement of living standards has increased the market demand for quality travel in China. Traditional taxi service is limited, and the emerging online platforms have created good opportunities for the development of the online ride-hailing service market. The market value is expected to increase from RMB354.7 billion in 2024 to RMB751.3 billion in 2028, owing to rising consumer demand for economical mobility options and an amplified penetration of shared mobility services, especially in lower-tier cities. According to the 54th Statistical report on Internet Development in China published in August 2024 by the China Internet Network Information Center (the "CNNIC"), the number of online ride-hailing service users had reached 503 million by the end of December 2023, and took approximately 45.7% of the total number of Chinese internet users. In addition, in recent years, aggregation platforms have gained rising significance in the shared mobility industry. According to Frost & Sullivan, the portion of ride-hailing orders fulfilled through aggregation platforms increased from 3.5% in 2018 to 30.0% in 2023, and is expected to further increase to 49.0% by 2028. The online ride-hailing industry is also facing increasing competition in China and is attracting more capital investment. For example, Dida Inc., Chenqi Technology Limited and CaoCao Inc. have filed their prospectuses to the Stock Exchange of Hong Kong Limited in March 2024 and April 2024, respectively.

However, the participants in the online ride-hailing industry are facing increasingly fierce competitions. According to the Ministry of Transportation (the "MOT") of the People's Republic of China, as of August 31, 2024, approximately 359 online ride-hailing platforms have obtained booking taxi operating licenses and the total volume of online ride-hailing orders was approximately 1,029 million in August 2024 in China, representing an increase of approximately 10% and 25% as compared with the ones as of August 31, 2023, respectively. Meanwhile, approximately 3.10 million online booking taxi transportation certificates and approximately 7.30 million online booking taxi driver's licenses were issued nationwide in China, representing an increase of approximately 21% and 20% as compared with the ones as of September 30, 2023, respectively. Since 2023, the municipal transportation bureaus in a series of cities in China have released operational dynamics and risk warnings for the online ride-hailing industry, stating that the online ride-hailing market has become saturated. They remind enterprises and practitioners who intend to engage in online ride-hailing services should have a detailed understanding of relevant regulations, conduct market research, fully consider changes in operating income due to factors such as supply and demand, market conditions, fluctuations or continuous declines, objectively evaluate the actual income level of industry practitioners, and make rational and prudent career choices.

The online ride-hailing industry may also be affected by, among other factors, the general economic conditions in China. The interest rates and unemployment rates may affect the demand of ride-hailing services and automobile purchasers' willingness to seek credit from financial institutions. Adverse economic conditions could also reduce the average income of individual and intensify the competition between platforms. Should any of those negative situations occur, the volume and value of the automobile transactions we service will decline, and our revenue and financial condition will be

negatively impacted.

On November 5, 2016, the Municipal Communications Commission of Chengdu City and a number of municipal departments jointly issued the "Implementation Rules for the Administration of Online Booking Taxi Management Services for Chengdu", which was abolished and replaced by the updated version issued on July 26, 2021. On August 10, 2017, the Transportation Commission of Chengdu further issued the guidelines on compliance requirements for online ride-hailing businesses, including Working Process for the Online Appointment of Taxi Drivers Qualification Examination and Issuance and Online Appointment Taxi Transportation Certificate Issuance Process. On November 28, 2016, Guangzhou Municipal People's Government promulgated Interim Measures for the Management of Online Ride Hailing Operation and Service in Guangzhou, as amended on November 14, 2019. According to these regulations and guidelines, three licenses /certificates are required for operating the online ride-hailing business in Chengdu and Guangzhou: (1) the ride-hailing service platform should obtain the online booking taxi operating license; (2) the automobiles used for online ride-hailing should obtain the online booking taxi transportation certificate ("automobile certificate"); (3) the drivers should obtain the online booking taxi driver's license ("driver's license"). Besides, all the new cars used for online ride-hailing in Chengdu should be NEVs since July 2021.

However, approximately 36% of our ride-hailing drivers have not obtained the driver's license for online ride-hailing services as of September 30, 2024 while all of the cars used for online ride-hailing services which we provided management services have the automobile certificate. Without requisite automobile certificate or driver's license, these drivers may be suspended from providing ride-hailing services, confiscated their illegal income and subject to fines of up to 10 times of their illegal income. Starting in December 2019, Didi began to enforce such limitation on drivers in Chengdu who have a driver's license but operate automobiles without the automobile certificate. Meanwhile, during the six months ended September 30, 2024, Gaode conducted several rounds of compliance checks in Chengdu and other cities. Gaode reduced the number of orders dispatched to XXTX platform as it found certain drivers who provide their online ride-hailing services through our platform without obtaining the driver's licenses during the check. We had assisted the drivers to obtain the required certificate and license for our Automobile Transaction and Related Services. However, there was no guarantee that all of the drivers who run their online ride-hailing business would be able to obtain all the certificates and licenses. These Partner Platforms may not allow unqualified drivers who lease our automobiles to drive through these platforms, or reduce their commission income, so that they may not be able to earn enough income from those Partner Platforms to pay our rental fees. Our business and results of operations shall be materially and adversely affected if we could not serve qualified drivers or our served drivers are suspended from providing ride-hailing services.

Furthermore, according to the Interim Measures, no enterprise or individual is allowed to provide information for conducting online ride-hailing services to unqualified vehicles and drivers. Pursuant to the Interim Measures, during the three and six months ended September 30, 2024, XXTX had been fined by approximately \$3,000 by Traffic Management Bureaus in Changsha for providing online ride-hailing platform services to unqualified drivers. Since October 2020, XXTX had been fined by approximately \$323,000 by Traffic Management Bureaus in Changsha, Chengdu, Guangzhou and other cities, of which, approximately \$65,000 was further compensated by drivers or cooperated third parties.

The Chinese government has exercised and continued to exercise substantial control over virtually every sector of the Chinese economy through regulation and state ownership. For example, the Chinese cybersecurity regulator announced on July 2, 2021 that it had begun an investigation of Didi and two days later ordered that the company's app be removed from smartphone app stores. We believe that our current operations are in compliance with the laws and regulations of the Chinese cybersecurity regulator. However, the Company's operations could be adversely affected, directly or indirectly, by existing or future laws and regulations relating to its business or industry.

Results of Continuing Operations for the three months ended September 30, 2024 Compared to the three months ended September 30, 2023

	For the Three Months Ended September 30,		
			Change
	2024 (unaudited)	2023 (unaudited)	
Revenues	\$ 745,880	\$ 1,183,138	\$ (437,258)
Cost of revenues	(648,981)	(1,002,882)	353,901
Gross profit	96,899	180,256	(83,357)
Operating expenses			
Selling, general and administrative expenses	(530,651)	(799,188)	268,537
Provision for credit losses	(181,995)	(553,323)	371,328
Total operating expenses	(712,646)	(1,352,511)	639,865
Loss from operations			
(615,747)	(1,172,255)		556,508
Other income, net	388,405	37,782	350,623
Interest expense on finance leases	(4,270)	(7,594)	3,324
Change in fair value of derivative liabilities	(7,127)	59,666	(66,793)
Loss before income taxes	(238,739)	(1,082,401)	843,662
Income tax expense	—	—	—
Net loss from continuing operations	\$ (238,739)	\$ (1,082,401)	\$ 843,662

Revenues

We started generating revenue from Automobile Transaction and Related Services from our acquisition of Hunan Ruixi on November 22, 2018. Revenue for the three months ended September 30, 2024 decreased by \$437,258, or approximately 37.0%, as compared with the three months ended September 30, 2023. The decrease was mainly due to the decrease number of the automobiles for operating lease.

As we focus on our automobile rental business currently, we expect revenue from our automobile rental to continuously account for a majority of our revenues. We plan to provide a series of product solutions to sustain and further increase the number of our automobiles for operating leases.

The following table sets forth the breakdown of revenues by revenue source for the three months ended September 30, 2024 and 2023:

	For the Three Months Ended September 30,		
			2023 (unaudited)
	2024 (unaudited)	2023 (unaudited)	
Revenue from automobile transactions and related services			
- <i>Operating lease revenues from automobile rentals</i>	\$ 584,418	\$ 1,020,993	
- <i>Monthly services commissions</i>	30,681	66,221	
- <i>Financing revenues</i>	26,853	11,340	
- <i>Service fees from NEVs leasing</i>	51,694	4,626	
- <i>Service fees from automobile purchase services</i>	5,165	—	

- Revenues from sales of automobiles	—	3,778
- Other service fees	<u>47,069</u>	<u>76,180</u>
Total Revenue	\$ 745,880	\$ 1,183,138

Revenue from our automobile transaction and related services mainly includes operating lease revenues from automobile rentals, monthly services commissions, financing revenues, service fees from NEVs leasing, service fees from automobile purchase services, and other services fees, which accounted for approximately 78.4%, 4.1%, 3.6%, 6.9%, 0.7% and 6.3%, respectively, of the total revenue from automobile transaction and related services during the three months ended September 30, 2024. Meanwhile, operating lease revenues from automobile rentals, monthly services commissions, financing revenues, service fees from NEVs leasing, sales revenue of automobiles and other services fees, which accounted for approximately 86.3%, 5.6%, 1.0%, 0.4%, 0.3% and 6.4%, respectively, of the total revenue from automobile transaction and related services during the three months ended September 30, 2023.

Operating lease revenues from automobile rentals

We generate revenues from leasing our own automobiles, sub-leasing automobiles leased from third-parties or rendered by online ride-hailing drivers with their authorization for a lease term of no more than twelve months. The decrease of rental income of \$436,575 or approximately 42.8% during the three months ended September 30, 2024 was mainly due to the decrease in the number of the automobiles leased for operating lease as well as average monthly rental income per automobile. We leased approximately 596 automobiles with an average monthly rental income of approximately \$405 per automobile, resulting in a rental income of \$584,418, including rental income of \$3,622 from Jinkailong, for the three months ended September 30, 2024. While we leased over 960 automobiles with an average monthly rental income of approximately \$491 per automobile, resulting in a rental income of \$1,020,993, including rental income of \$8,399 from Jinkailong, for the three months ended September 30, 2023.

Monthly services commissions

We generated revenues of \$30,681 and \$66,221 from the monthly management and related services provided to our Partner Platforms and other companies during the three months ended September 30, 2024 and 2023, respectively. The decrease of \$35,540 or approximately 53.7% was due to decrease in the number of the automobiles and drivers we served, who ran their business through the Partner Platforms.

Financing revenues

We started our financial leasing business in March 2019 and began to generate interest income from providing financial leasing services to ride-hailing drivers in April 2019. We also charge the customers of our automobile financing facilitation services interest on their monthly payments which cover purchase price of automobile and our services fees and facilitation fees for terms of 36 or 48 months. We recognized a total interest income of \$26,853 from an average monthly number of 48 automobiles and \$11,340 from an average monthly number of 33 automobiles during the three months ended September 30, 2024 and 2023, respectively. The increase was due to the monthly payment we charged to customers and the average number of automobiles served for financial leasing increased during the three months ended September 30, 2024.

Service fees from NEVs leasing

We generated revenues of \$51,694 and \$4,626 from leasing NEVs by charging leases service fees during the three months ended September 30, 2024 and 2023, respectively. The amount of services fees for NEVs leasing is based on our product solutions in accordance which adjusted with different market conditions.

Service fees from automobile purchase services and Sales of automobiles

We had revenue from 3 automobiles purchase transaction during the three months ended September 30, 2024 while we had no revenue from automobile purchase services during the three months ended September 30, 2023.

We had no income from sales of automobiles during the three months ended September 30, 2024 while we sold one used automobile with income of \$3,778 during the three months ended September 30, 2023.

Other Service fees

We generate other revenues from other miscellaneous service fees charged to our customers. Other services fees mainly include the maintenance fees charged to our customers pursuant to certain new production solutions.

Cost of Revenues

Cost of revenues represents the amortization of ROUs, depreciation and rental cost of automobiles, daily maintenance and insurance expense of automobiles which related to our Auto Operating Leasing. Cost of revenues decreased by \$353,901 or approximately 35% during the three months ended September 30, 2024 as compared with the same period in 2023, mainly due to the decrease of \$349,902 in costs of automobiles under operating leases due to the decrease in the number of the automobiles leased for operating lease in the three months ended September 30, 2024, and the decrease of \$3,999 in costs of our Auto Sales. During the three months ended September 30, 2024 and 2023, the costs of automobiles under operating leases with amount of \$17,334 and \$182,165, respectively, was from a related party.

Gross Profit

We had gross profit of \$96,899 and \$180,256, respectively, during the three months ended September 30, 2024 and 2023. The decrease of \$83,357 was mainly due to the decrease in profit from Auto Operating Leasing. The following table sets forth the breakdown of gross profit (loss) by major revenue source for the three months ended September 30, 2024 and 2023:

**For the Three Months Ended
September 30,**

	2024	2023
	(unaudited)	(unaudited)
- Auto Operating Leasing	\$ (64,563)	\$ 22,110
- Other Automobile transaction and related Services	161,462	158,367
- Auto Sales	—	(221)
Total Gross Profit	\$ 96,899	\$ 180,256

We had a gross loss of \$64,563 in our Auto Operating Leasing during the three months ended September 30, 2024, which decreased by \$86,673 from a gross profit of \$22,110 in the three months ended September 30, 2023. The decrease was attributable to the average monthly rental income decreased from approximately \$491 for the three months ended September 30, 2023 to approximately \$405 for the three months ended September 30, 2024, respectively. As the gross margin of the revenues from our Auto Business decreased during the three months ended September 30, 2024, our overall gross profit margin slightly decreased to approximately 13.0% from approximately 15.2% during the three months ended September 30, 2023.

Selling, General and Administrative Expenses

Selling, general and administrative expenses primarily consist of salary and employee benefits, office rental expense, travel expenses, and other costs. Selling, general and administrative expenses decreased from \$799,188 for the three months ended September 30, 2023 to \$530,651 for the three months ended September 30, 2024, representing a decrease of \$268,537, or approximately 33.6%. The decrease was attributable to our continuous control on costs and streamline expenses during the three months ended September 30, 2024. The decrease mainly consisted of (1) a decrease of \$140,224 in offices rental and charges; and (2) a decrease of \$122,919 in professional service fees such as financial, legal and market consulting in the three months ended September 30, 2024.

Provision for credit losses

We re-evaluated the possibility of collection of unsettled balances from customers/suppliers of our automobile transactions and related services, and provided provision for credit losses of \$181,995 and \$553,323 against receivables from Jinkailong for the three months ended September 30, 2024 and 2023, respectively.

Other income, net

For the three months ended September 30, 2024, we had other income, net of \$388,405, which primarily consist of (1) a gain of \$397,775 from deconsolidation of XXTX; (2) penalty income of approximately \$28,000 from the customers; (3) income of approximately \$3,000 from the disposal of our own vehicles used for operating leases; partially offset by (4) the expense of approximately \$20,000 from the termination of our right-of-use assets for an exhibition hall we leased in Changsha; and (5) the miscellaneous expense of approximately \$20,000.

For the three months ended September 30, 2023, we had other income, net of \$37,782, which primarily consist of (1) the income of approximately \$4,500 from the disposal of our right-of-use assets and our own vehicles used for operating leases; (2) penalty income of approximately \$29,000 from the customers; and (3) the miscellaneous income of approximately \$4,000.

Interest Expense on Finance Leases

Interest expense on finance leases for the three months ended September 30, 2024 and 2023 was \$4,270 and \$7,594, respectively, representing the interest expense accrued under financing leases for the leased automobiles Corenel leased from a third-party company, and the leased automobiles rendered to us for sublease or sale by the online ride-hailing drivers who exited the ride-hailing business.

Change in Fair Value of Derivative Liabilities

Warrants issued in our registered direct offerings that took place in September 2019, February 2021 and May 2021, and the August 2020 underwritten public offering, and the November 2021 private placement were classified as liabilities under the caption "Derivative Liabilities" in the consolidated balance sheet and recorded at estimated fair value at each reporting date, computed using the Black-Scholes valuation model. The change in fair value of derivative liabilities for the three months ended September 30, 2024 and 2023 was a loss of \$7,127 and a gain of \$59,666, respectively. The following table sets forth the breakdown of the gain (loss) in fair value of derivative liabilities for the three months ended September 30, 2024 and 2023:

	For the Three Months Ended September 30,	
	2024	2023
	(unaudited)	(unaudited)
- August 2020 underwritten public offering	\$ 599	\$ 1,122
- February 2021 registered direct offering	597	1,496
- May 2021 registered direct offering	2,985	21,792
- November 2021 private placement	(11,308)	35,256
Total Change in Fair Value of Derivative Liabilities	\$ (7,127)	\$ 59,666

Income Tax Expense

Generally, our subsidiaries 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. For three months ended September 30, 2024, all the subsidiaries in China suffered losses and no tax expense was recorded for the three months ended September 30, 2024 and 2023.

Net loss from continuing operations

As a result of the foregoing, net loss from continuing operations for the three months ended September 30, 2024 was \$238,739, representing a decrease of \$843,662 from net loss of \$1,082,401 for the three months ended September 30, 2023.

Results of Continuing Operations for the six months ended September 30, 2024 Compared to the six months ended September 30, 2023

	September 30,		
	2024 (unaudited)	2023 (unaudited)	Change
Revenues	\$ 1,624,889	\$ 2,372,246	\$ (747,357)
Cost of revenues	(1,275,020)	(1,918,933)	643,913
Gross profit	349,869	453,313	(103,444)
Operating expenses			
Selling, general and administrative expenses	(1,384,149)	(1,687,632)	303,483
Provision for credit losses	(355,436)	(680,396)	324,960
Total operating expenses	(1,739,585)	(2,368,028)	628,443
Loss from operations	(1,389,716)	(1,914,715)	524,999
Other income, net	439,864	115,803	324,061
Interest expense	—	(525)	525
Interest expense on finance leases	(9,358)	(16,316)	6,958
Change in fair value of derivative liabilities	(15,414)	363,839	(379,253)
Loss before income taxes	(974,624)	(1,451,914)	477,290
Income tax expense	—	—	—
Net loss from continuing operations	\$ (974,624)	\$ (1,451,914)	\$ 477,290

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Revenues

We started generating revenue from Automobile Transaction and Related Services from our acquisition of Hunan Ruixi on November 22, 2018.

Revenue for the six months ended September 30, 2024 decreased by \$747,357, or approximately 31.5%, as compared with the six months ended September 30, 2023. The decrease was mainly due to the decrease of \$736,654 of operating lease revenues from automobile rentals resulted from the decrease number of the automobiles for operating lease.

The following table sets forth the breakdown of revenues by revenue source for the six months ended September 30, 2024 and 2023:

	For the Six Months Ended June 30,	
	2024 (unaudited)	2023 (unaudited)
Revenue from automobile transactions and related services		
- <i>Operating lease revenues from automobile rentals</i>	\$ 1,340,733	\$ 2,077,387
- <i>Monthly services commissions</i>	56,935	116,811
- <i>Financing revenues</i>	49,029	24,940
- <i>Service fees from NEVs leasing</i>	73,788	24,897
- <i>Service fees from automobile purchase services</i>	26,903	12,232
- <i>Revenues from sales of automobiles</i>	—	8,822
- <i>Other service fees</i>	77,501	107,157
Total Revenue	\$ 1,624,889	\$ 2,372,246

Revenue from our automobile transaction and related services mainly includes operating lease revenues from automobile rentals, monthly services commissions, financing revenues, service fees from NEVs leasing, service fees from automobile purchase services, and other services fees, which accounted for approximately 82.5%, 3.5%, 3.0%, 4.5%, 1.7%, and 4.8%, respectively, of the total revenue from automobile transaction and related services during the six months ended September 30, 2024. Meanwhile, operating lease revenues from automobile rentals, monthly services commissions, financing revenues, service fees from NEVs leasing, service fees from automobile purchase services, sales revenue of automobiles and other services fees, which accounted for approximately 87.6%, 4.9%, 1.1%, 1.0%, 0.5%, 0.4% and 4.5%, respectively, of the total revenue from automobile transaction and related services during the six months ended September 30, 2023.

Operating lease revenues from automobile rentals

We generate revenues from leasing our own automobiles, sub-leasing automobiles leased from third-parties or rendered by online ride-hailing drivers with their authorization for a lease term of no more than twelve months. The decrease of rental income of \$736,654 or approximately 35.5% during the six months ended September 30, 2024 was mainly due to the decrease in the number of the automobiles leased for operating lease as well as average monthly rental income per automobile. We leased approximately 627 automobiles with an average monthly rental income of approximately \$413 per automobile, resulting in a rental income of \$1,340,733, including rental income of \$8,865 from Jinkailong, for the six months ended September 30, 2024. While we leased over 1,200 automobiles with an average monthly rental income of approximately \$490 per automobile, resulting in a rental income of \$2,077,387, including rental income of \$22,147 from Jinkailong, for the six months ended September 30, 2023.

Monthly services commissions

We generated revenues of \$56,935 and \$116,811 from the monthly management and related services provided to our Partner Platforms and other companies during the six months ended September 30, 2024 and 2023, respectively. The decrease of \$59,876 or approximately 51.3% was due to decrease in the number of the automobiles and drivers we served, who ran their business through the Partner Platforms.

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Financing revenues

We started our financial leasing business in March 2019 and began to generate interest income from providing financial leasing services to ride-hailing drivers in April 2019. We also charge the customers of our automobile financing facilitation services interest on their monthly payments which cover purchase price of automobile and our services fees and facilitation fees for terms of 36 or 48 months. We recognized a total interest income of \$49,029 from an average monthly number of 43 automobiles and \$24,940 from an average monthly number of 37 automobiles during the six months

ended September 30, 2024 and 2023, respectively. The increase was due to the monthly payment we charged to customers and the average number of automobiles served for financial leasing increased during the six months ended September 30, 2024.

Service fees from NEVs leasing

We generated revenues of \$73,788 and \$24,897 from leasing NEVs by charging leases service fees during the six months ended September 30, 2024 and 2023, respectively. The amount of services fees for NEVs leasing is based on our product solutions which adjusted in accordance with different market conditions.

Service fees from automobile purchase services

We generate revenues from providing a series of automobile purchase services throughout the automobile purchase transaction process, including sales-type lease. We had revenue from 19 automobiles purchase transaction during the six months ended September 30, 2024 while we had revenue from 5 automobile purchase services during the six months ended September 30, 2023. As a result, the related service fees generated increased \$14,671 from \$12,232 during the six months ended September 30, 2023 to \$26,903 during the six months ended September 30, 2024.

Sales of automobiles

We had no income from sales of automobiles during the six months ended September 30, 2024. Meanwhile, we sold two used automobiles with income of \$8,822 during the six months ended September 30, 2023.

Other Service fees

We generate other revenues from other miscellaneous service fees charged to our customers. Other services fees mainly include the maintenance fees charged to our customers pursuant to certain new production solutions.

Cost of Revenues

Cost of revenues represents the amortization of ROUs, depreciation and rental cost of automobiles, daily maintenance and insurance expense of automobiles which related to our Auto Operating Leasing. Cost of revenues decreased by \$643,913 or approximately 33.6% during the six months ended September 30, 2024 as compared with the same period in 2023, mainly due to the decrease of \$633,374 in costs of automobiles under operating leases due to the decrease in the number of the automobiles leased for operating lease in the six months ended September 30, 2024, and the decrease of \$10,539 in costs of our Auto Sales. During the six months ended September 30, 2024 and 2023, the costs of automobiles under operating leases with amount of \$18,961 and \$392,344, respectively, was from a related party.

Gross Profit

We had gross profit of \$349,869 and \$453,313, respectively, during the six months ended September 30, 2024 and 2023. The decrease of \$103,444 was mainly due to the decrease in profit from Auto Operating Leasing. The following table sets forth the breakdown of gross profit (loss) by major revenue source for the six months ended September 30, 2024 and 2023:

	For the Six Months Ended June 30,	
	2024 (unaudited)	2023 (unaudited)
- Auto Operating Leasing	\$ 65,713	\$ 168,993
- Other Automobile transaction and related Services	284,156	286,037
- Auto Sales	—	(1,717)
Total Gross Profit	\$ 349,869	\$ 453,313

We had a gross profit of \$65,713 in our Auto Operating Leasing during the six months ended September 30, 2024, which decreased by \$103,280 from a gross profit of \$168,993 in the six months ended September 30, 2023. The decrease was mainly attributable to the decrease in the number of the automobiles leased for operating lease from approximately 1,200 for the six months ended September 30, 2023 to approximately 600 for the six months ended September 30, 2024, respectively. However, our overall gross profit margin of slightly increased to approximately 21.5% during the six months ended September 30, 2024 from approximately 19.1% during the six months ended September 30, 2023 due the proportion of the revenues from other services increased.

Selling, General and Administrative Expenses

Selling, general and administrative expenses primarily consist of salary and employee benefits, office rental expense, travel expenses, and other costs. Selling, general and administrative expenses decreased from \$1,687,632 for the six months ended September 30, 2023 to \$1,384,149 for the six months ended September 30, 2024, representing a decrease of \$303,483, or approximately 18.0%. The decrease was attributable to our continuous control on costs and streamline expenses during the six months ended September 30, 2024. The decrease mainly consisted of (1) a decrease of \$96,641 in salary and employee benefits as the average monthly number of our employees decreased from 68 to 62; and (2) a decrease of \$96,575 in offices rental and charges; and (3) a decrease of \$145,099 in professional service fees such as financial, legal and market consulting in the six months ended September 30, 2024.

Provision for credit losses

We re-evaluated the possibility of collection of unsettled balances from customers/suppliers of our automobile transactions and related services, and provided provision for credit losses of \$355,436 and \$680,396 against receivables from Jinkailong for the six months ended September 30, 2024 and 2023, respectively.

Other income, net

For the six months ended September 30, 2024, we had other income, net of \$439,864, which primarily consist of the (1) a gain of \$397,775 from deconsolidation of XXTX; (2) penalty income of approximately \$60,000 from the customers; (3) income of approximately \$6,000 from the disposal of our own vehicles used for operating leases; partially offset by (4) the expense of approximately \$20,000 from the termination of our right-of-use assets for an exhibition hall we leased in Changsha, and (5) the miscellaneous expense of approximately \$4,000.

For the six months ended September 30, 2023, we had other income, net of \$115,803, which primarily consist of (1) the income of approximately

\$27,000 from the disposal of our right-of-use assets and our own vehicles used for operating leases; (2) penalty income of approximately \$52,000 from the customers; and (3) the miscellaneous income of approximately \$37,000.

Interest Expense and Interest Expense on Finance Leases

Interest expense for the six months ended September 30, 2023 resulted from Corenel's borrowings from a financial institution for its automobile commercial insurance by installment.

Interest expense on finance leases for the six months ended September 30, 2024 and 2023 was \$9,358 and \$16,316, respectively, representing the interest expense accrued under financing leases for the leased automobiles Corenel leased from a third-party company, and the leased automobiles rendered to us for sublease or sale by the online ride-hailing drivers who exited the ride-hailing business.

Change in Fair Value of Derivative Liabilities

Warrants issued in our registered direct offerings that took place in September 2019, February 2021 and May 2021, and the August 2020 underwritten public offering, and the November 2021 private placement were classified as liabilities under the caption "Derivative Liabilities" in the consolidated balance sheet and recorded at estimated fair value at each reporting date, computed using the Black-Scholes valuation model. The change in fair value of derivative liabilities for the six months ended September 30, 2024 and 2023 was a loss of \$15,414 and a gain of \$363,839, respectively. The following table sets forth the breakdown of the gain (loss) in fair value of derivative liabilities for the six months ended September 30, 2024 and 2023:

	For the Six Months Ended September 30,	
	2024	2023
	(unaudited)	(unaudited)
- June 2019 registered direct offering	\$ —	\$ 6
- August 2020 underwritten public offering	1,024	6,803
- February 2021 registered direct offering	1,048	9,280
- May 2021 registered direct offering	4,422	132,125
- November 2021 private placement	(21,908)	215,625
Total Change in Fair Value of Derivative Liabilities	\$ (15,414)	\$ 363,839

Income Tax Expense

Generally, our subsidiaries 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. All the subsidiaries in China suffered losses and no tax expense was recorded for the six months ended September 30, 2024 and 2023.

Net loss from continuing operations

As a result of the foregoing, net loss from continuing operations for the six months ended September 30, 2024 was \$974,624, representing a decrease of \$477,290 from net loss of \$1,451,914 for the six months ended September 30, 2023.

Results of Discontinued Operations for the three and six months ended September 30, 2024 Compared to the three and six months ended September 30, 2023

	For the Three Months Ended September 30,		For the Six Months Ended September 30,	
	2024	2023	2024	2023
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenues	\$ 100,850	\$ 643,813	\$ 344,241	\$ 1,549,419
Cost of revenues	(71,199)	(449,958)	(247,025)	(1,046,681)
Gross profit	29,651	193,855	97,216	502,738
Operating expenses				
Selling, general and administrative expenses	(80,167)	(303,545)	(166,937)	(658,390)
Provision for credit losses	(173,278)	—	(173,278)	—
Total operating expenses	(253,445)	(303,545)	(340,215)	(658,390)
Loss from operations	(223,794)	(109,690)	(242,999)	(155,652)
Other income (expenses), net	37,017	(13,128)	33,214	(19,000)
Interest expense	(2,512)	(2,233)	(8,372)	(2,233)
Loss before income taxes	(189,289)	(125,051)	(218,157)	(176,885)
Income tax benefit	2,575	—	4,510	—
Net loss from discontinued operations	\$ (186,714)	\$ (125,051)	\$ (213,647)	\$ (176,885)

The results of discontinued operations mainly consist of the financial figures of our former subsidiary, XXTX. As of August 20, 2024, we deconsolidated XXTX and its business result was included in our online ride-hailing platform services before we deconsolidated its financial figures.

Revenues

XXTX generated revenue from providing services to online ride-hailing drivers to assist them in providing transportation service to the riders through our platform and earned commissions for each completed order equal to the difference between an upfront quoted fare and the amount earned by a driver based on actual time and distance for the ride charged to the rider since October 2020.

During the three months ended September 30, 2024, approximately 0.2 million rides with gross fare of approximately \$0.5 million were completed through Xixingtianxia platform and an average of over 1,700 ride-hailing drivers completed rides and earned income through Xixingtianxia (the "Active

Drivers") each month. XXTX earned online ride-hailing platform service fees of \$100,850, after netting off approximately \$7,000 incentives paid to Active Drivers.

During the three months ended September 30, 2023, approximately 1.2 million rides with gross fare of approximately \$3.8 million were completed through Xixingtianxia platform and an average of over 4,900 Active Drivers each month. XXTX earned online ride-hailing platform service fees of \$643,813, after netting off approximately \$0.2 million incentives paid to Active Drivers.

During the six months ended September 30, 2024, approximately 0.6 million rides with gross fare of approximately \$1.8 million were completed through our Xixingtianxia platform and an average of over 2,100 Active Drivers each month. XXTX earned online ride-hailing platform service fees of \$344,241, after netting off approximately \$32,000 incentives paid to Active Drivers.

During the six months ended September 30, 2023, approximately 2.9 million rides with gross fare of approximately \$9.0 million were completed through our Xixingtianxia platform and an average of over 5,500 Active Drivers each month. XXTX earned online ride-hailing platform service fees of \$1,549,419, after netting off approximately \$0.2 million incentives paid to Active Drivers for the six months ended September 30, 2023.

Cost of Revenues

Cost of revenues from discontinued operations represents technical service charges, insurance and other expenses related to Online Ride-Hailing Platform Services. During each of the three and six months ended September 30, 2024, cost of revenues decreased as compared with the same period in 2023, mainly due to the decrease in direct expense and technical service fees of online ride-hailing platform services due to the decrease in the number of completed orders.

Selling, General and Administrative Expenses

Selling, general and administrative expenses from discontinued operations primarily consisted of \$29,081 in salary and employee benefits and other miscellaneous expenses in the three months ended September 30, 2024. While it primarily consisted of (1) \$133,612 in salary and employee benefits; (2) \$139,412 in entertainment, advertising and promotion and (3) other miscellaneous expenses in the three months ended September 30, 2023.

Selling, general and administrative expenses from discontinued operations primarily consisted of (1) \$64,859 in salary and employee benefits; (2) \$32,187 in entertainment, advertising and promotion; and (3) other miscellaneous expenses in the six months ended September 30, 2024. While it primarily consisted of (1) \$276,285 in salary and employee benefits; (2) \$289,826 in entertainment, advertising and promotion and (3) other miscellaneous expenses in the six months ended September 30, 2023.

Provision for credit losses

For the three and six months ended September 30, 2024, XXTX provided provision for credit losses of \$173,278 against receivables from a prepaid software development fee and a deposit due to the termination on the development which resulting from the discontinuing of the business.

Other income (expense), net

For the three and six months ended September 30, 2024, XXTX had other income, net of \$37,017 and \$33,214, respectively, which primarily due to the miscellaneous income in its daily operations.

For the three and six months ended September 30, 2023, XXTX had other expense, net of \$13,128 and \$19,000, respectively, which primarily due to the miscellaneous expense in its daily operations.

Interest Expense

Interest expense for the three and six months ended September 30, 2024 from discontinued operations was \$2,512 and \$8,372, respectively, which resulted from the borrowings of XXTX from a financial institution for its working capital turnover.

Interest expense for the three and six months ended September 30, 2023 from discontinued operations both was \$2,233, which resulted from the borrowings of XXTX from a financial institution for its working capital turnover.

Income Tax Benefit

For three and six months ended September 30, 2024, XXTX had deferred tax benefit of \$2,575 and \$4,510, respectively, resulted from deferred tax, while all the subsidiaries of XXTX suffered losses for the three and six months ended September 30, 2024 and 2023.

Net loss from discontinued operations

As a result of the foregoing, the net loss from discontinued operations for the three and six months ended September 30, 2024 was \$186,714 and \$213,647, respectively. While the net loss from discontinued operations for the three and six months ended September 30, 2023 was \$125,051 and \$176,885, respectively.

Liquidity and Going Concern

We have financed our operations primarily through proceeds from our equity offerings, stockholder loans, commercial debt and cash flow from operations.

We had cash and cash equivalents of \$792,025 as of September 30, 2024 as compared to \$737,719 as of March 31, 2024. We primarily hold our excess unrestricted cash in short-term interest-bearing bank accounts at financial institutions.

Our business is capital intensive. We have considered whether there is substantial doubt about our ability to continue as a going concern due to (1) the net loss of approximately \$1.2 million for the six months ended September 30, 2024; (2) accumulated deficit of approximately \$42.8 million as of September 30, 2024; (3) the working capital deficit of approximately \$3.4 million as of September 30, 2024; and (4) a purchase commitment of approximately \$0.9 million for 100 automobiles. As of the filing date of this Report, we have entered into a purchase contract with an automobile dealer to purchase a total of 100 automobiles in the amount of approximately \$1.6 million, of which, approximately \$0.7 million has been remitted as purchase prepayments. The remaining purchase commitment of approximately \$0.9 million shall be remitted in installment to be completed before March 31, 2025.

We do not believe that the proceeds from our public offerings and our anticipated cash flows would be sufficient to meet our anticipated working capital requirements and capital expenditures in the ordinary course of business for the next 12 months from the date of this Report. We have

determined there is substantial doubt about our ability to continue as a going concern. If we are unable to generate significant revenue, we may be required to cease or curtail our operations. We are trying to alleviate the going concern risk through the following sources:

- equity financing to support our working capital;
- other available sources of financing (including debt) from PRC banks and other financial institutions; and
- financial support and credit guarantee commitments from our related parties.

Based on the above considerations, we are of the opinion that we will probably not have sufficient funds to meet our working capital requirements and debt obligations as they become due one year from the filing date of this Report, if we are unable to obtain additional financing. In addition, there is no assurance that we will be successful in implementing the foregoing plans or that additional capitals will be available to us on commercially reasonable terms, or at all. There are a number of factors that could potentially arise that could undermine our plans, such as (i) changes in the demand for our services, (ii) PRC government policies, (iii) economic conditions in China and worldwide, (iv) competitive pricing in the automobile transaction and related service and ride-hailing industries, (v) changes in our relationships with key business partners, (vi) that financial institutions in China may not be able to provide continued financial support to our customers, and (vii) the perception of PRC-based companies in the U.S. capital markets. Our inability to secure needed financing when required could require material changes to our business plans and could have a material adverse effect on our viability and results of operations.

	For the Six Months Ended September 30,	
	2024	2023
	(unaudited)	(unaudited)
Net Cash Provided by Operating Activities	\$ 192,349	\$ 88,129
Net Cash Used in Investing Activities	(271,201)	(276,658)
Net Cash Used in Financing Activities	(46,293)	(22,926)
Effect of Exchange Rate Changes on Cash, Cash Equivalents and Restricted Cash	122,534	(91,521)
Cash, Cash Equivalents and Restricted Cash at Beginning of the Period	794,636	1,610,090
Cash, Cash Equivalents and Restricted Cash at End of the Period	792,025	1,307,114
Less: Cash and cash equivalents from discontinued operations	—	(177,584)
Cash, Cash Equivalents and Restricted Cash from continuing operations, end of Period	\$ 792,025	\$ 1,129,530

Cash Flow in Operating Activities

For the six months ended September 30, 2024, net cash provided by operating activities was \$192,349, which consisted of net inflows of \$265,827 from continuing operations and net outflows of \$73,478 from discontinued operations. While for the six months ended September 30, 2023, net cash provided by operating activities was \$88,129, which consisted of net inflows of \$340,826 from continuing operations and net outflows of \$252,697 from discontinued operations.

The decrease of \$74,999 in net cash provided by operating activities from continuing operations for the six months ended September 30, 2024 as compared with the six months ended September 30, 2023 was primarily attributable to (1) decrease of \$477,290 in net loss; (2) the gain of \$397,775 from deconsolidation of XXTX; (3) decrease of \$324,960 in the provision for credit losses; (4) decrease of \$252,831 in the change of accrued expenses and other liabilities (both third parties and due to a related party); and (5) decrease of \$139,995 in the change of accounts payable; partially offset by (6) increase of \$379,253 in change of fair value of derivative liabilities (from a gain to a loss); and (7) increase of \$195,919 in the change of prepayments, other receivables and other assets (both third parties and related party).

Cash Flow in Investing Activities

For the six months ended September 30, 2024, we had net cash used in investing activities of \$271,201, which consisted of the net outflows of \$271,250 from continuing operations and net inflows of \$49 from discontinued operations. The majority of net cash used in investing activities from continuing operations was (1) a loan to a related party of \$137,897; (2) the cash of \$148,481 released upon disposal of XXTX, (3) the purchase furniture for office purpose of \$1,189, partially offset by (4) the proceeds from sales of the used-automobiles of \$16,317.

For the six months ended September 30, 2023, we had net cash used in investing activities of \$276,658, all from continuing operations. The majority of net cash used in investing activities was \$357,909 paid for the purchase of automobiles for operating lease purpose, and partially offset by the proceeds from sales of the used-automobiles and rendered automobiles of \$81,251.

Cash Flow in Financing Activities

For the six months ended September 30, 2024, we had net cash used in financing activities of \$46,293, which consisted net inflows of \$35,733 from continuing operations and net outflows of \$82,026 from discontinued operations. The majority of net cash provided by financing activities financing activities was consisted of: (1) borrowings from a related party of \$33,582; and (2) repayments from a related party of \$13,884; partially offset by (3) principal payments made for finance lease liabilities of \$11,733.

For the six months ended September 30, 2023, we had net cash used in financing activities of \$22,926, which consisted of the net outflows of \$274,158 from continuing operations and net inflows of \$251,232 from discontinued operations. The net cash used in financing activities from continuing operations primarily consisted of: (1) principal payments made for finance lease liabilities of \$136,416; (2) repayments to related parties and affiliates of \$129,252; and (3) repayment of current borrowings from a financial institution of \$8,490. While the net cash provided by financing activities from discontinued operations primarily attributable to the borrowings from a financial institution of \$244,010.

Off-Balance Sheet Arrangements

As of the filing date of this Report, we have the following off-balance sheet arrangements that are likely to have a future effect on our financial condition, revenues or expenses, results of operations and liquidity:

- **Purchase Commitments**

On September 23, 2022, we entered into a purchase contract with an automobile dealer to purchase a total of 100 automobiles for the amount of approximately \$1.6 million, of which approximately \$0.7 million has been remitted as purchase prepayments, and we expect to fulfill the purchase commitment before March 31, 2025.

- **Contingent Liabilities**

As Hunan Ruixi holds 35% of equity interest of Jinkailong and has not made any payments towards the investment, Hunan Ruixi will subject to the maximum amount of RMB3.5 million (approximately \$499,000) of which is equivalent to 35% of liabilities in case Jinkailong is liquidated in accordance with PRC's company registry compliance.

Inflation

We do not believe our business and operations have been materially affected by inflation.

Critical Accounting Estimates

Our unaudited condensed consolidated financial statements and accompanying notes have been prepared in accordance with U.S. GAAP. The preparation of these consolidated financial statements and accompanying notes requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. We have identified certain accounting estimates that are significant to the preparation of our financial statements. These estimates are important for an understanding of our financial condition and results of operation. Certain accounting estimates are particularly sensitive because of their significance to financial statements and because of the possibility that future events affecting the estimate may differ significantly from management's current judgments. We believe the following critical accounting estimates involve the most significant estimates and judgments used in the preparation of our financial statements.

In presenting the unaudited condensed consolidated financial statements in accordance with U.S. GAAP, management make estimates and assumptions that affect the amounts reported and related disclosures. Estimates, by their nature, are based on judgement and available information. Accordingly, actual results could differ from those estimates. On an ongoing basis, management reviews these estimates and assumptions using the currently available information. Changes in facts and circumstances may cause us to revise our estimates. We base our estimates on past experience and on various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Estimates are used when accounting for items and matters including, but not limited to the critical accounting estimates as follows.

When reading our unaudited condensed 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) fair values of financial instruments, including derivative liabilities; (ii) accounts receivable, net; (iii) property and equipment, net; (iv) intangible assets, net; (v) revenue recognition; and (vi) leases - lessee. See Note 3—Summary of Significant Accounting Policies to our consolidated financial statements in our 2024 Form 10-K 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.

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(a) Derivative liabilities

A contract is designated as an asset or a liability and is carried at fair value on a company's balance sheet, with any changes in fair value recorded in a company's results of operations. We then determine which options, warrants and embedded features require liability accounting and records the fair value as a derivative liability by using Black-Scholes model. The changes in the values of these instruments are shown in the accompanying consolidated statements of operations and comprehensive loss as "change in fair value of derivative liabilities".

(b) Allowance for credit losses

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments," which requires us to measure and recognize expected credit losses for financial assets held and not accounted for at fair value through net income. We adopted this guidance effective April 1, 2023. ASC 326 introduces an approach based on expected losses to estimate the allowance for credit losses, which replaces the previous incurred loss impairment model. The adoption of this guidance did not have a material impact on our consolidated financial statements. Accounts receivable are recognized and carried at original invoiced amount less an estimated allowance for credit losses. We estimate the allowance for credit losses based on an analysis of the aging of accounts receivable, assessment of collectability, including any known or anticipated economic conditions, customer-specific circumstances, recent payment history and other relevant factors.

The balance of other receivables is unsecured and is reviewed periodically to determine whether their carrying value has become impaired. We consider the balances to be impaired if the collectability of the balances becomes doubtful. We use the individual specific valuation method to estimate the allowance for uncollectible balances. The allowance is also based on management's best estimate of specific losses on individual exposures, as well as a provision on historical trends of collections and utilizations. Actual amounts received or utilized may differ from management's estimate of credit worthiness and the economic environment.

As of September 30, 2024 and March 31, 2024, the allowance for credit losses represented approximately 6.7% and 7.2% of gross accounts receivable balances, respectively. The provision is recorded against accounts receivable balances, with a corresponding charge recorded in the consolidated statements of operations and comprehensive loss. Delinquent account balances are written-off against the allowance for credit losses after management has determined that the likelihood of collection is not probable. Allowance for credit losses balances amounted to \$1,590 and \$1,545 as of September 30, 2024 and March 31, 2024, respectively for accounts receivable. Allowance for credit losses balances amounted to \$21,065 and \$20,474 as of September 30, 2024 and March 31, 2024, respectively for deposits and other receivables. Allowance for credit losses balances amounted to \$3,554,026 and \$3,099,701 as of September 30, 2024 and March 31, 2024, respectively, for amount due from a related party.

(c) Leases - Lessee

Finance and operating lease ROU assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. Since the implicit rate for our leases is not readily determinable, we use our incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The incremental borrowing rate is the rate of interest that we would have to pay to borrow, on a collateralized basis, an amount equal to the lease payments, in a similar economic environment and over a similar term.

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Lease terms used to calculate the present value of lease payments generally do not include any options to extend, renew, or terminate the lease, as we do not have reasonable certainty at lease inception that these options will be exercised. We generally consider the economic life of its operating lease ROU assets to be comparable to the useful life of similar owned assets. We have elected the short-term lease exception; therefore, operating lease ROU assets and liabilities do not include leases with a lease term of twelve months or less. The leases generally do not provide a residual guarantee. The finance or operating lease ROU asset also excludes lease incentives. Lease expense is recognized on a straight-line basis over the lease term for operating lease. Meanwhile, we recognize the finance leases ROU assets and interest on an amortized cost basis. The amortization of finance ROU assets is recognized on a straight-line basis as amortization expense, while the lease liability is increased to reflect interest on the liability and decreased to reflect the lease payments made during the period. Interest expense on the lease liability is determined each period during the lease term as the amount that results in a constant periodic interest rate of the automobile loans on the remaining balance of the liability.

We review the impairment of our ROU assets consistent with the approach applied for our other long-lived assets. We review the recoverability of its long-lived assets when events or changes in circumstances occur, indicating that the carrying value of the asset may not be recoverable. The assessment of possible impairment is based on its ability to recover the carrying value of the asset from the expected undiscounted future pre-tax cash flows of the related operations. We have elected to include the carrying amount of operating lease liabilities in any tested asset group and include the associated operating lease payments in the undiscounted future pre-tax cash flows.

(d) Impairment of long-lived assets

Long-lived assets, including property and equipment and intangible assets with finite lives are reviewed for impairment whenever events or changes in circumstances (such as a significant adverse change to market conditions that will impact the future use of the assets) indicate that the carrying value of an asset may not be recoverable. We assess the recoverability of the assets based on the undiscounted future cash flows the assets are expected to generate and recognize an impairment loss when estimated undiscounted future cash flows expected to result from the use of the asset plus net proceeds expected from disposition of the asset, if any, are less than the carrying value of the asset. If an impairment is identified, we would reduce the carrying amount of the asset to its estimated fair value based on a discounted cash flows approach or, when available and appropriate, to comparable market values. For the three and six months ended September 30, 2024 and 2023, we did not recognize impairment for property and equipment and intangible assets.

(e) Valuation of deferred tax assets

Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Current income taxes are provided for in accordance with the laws of the relevant taxing authorities.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

Not applicable.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Based on an evaluation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended), as of September 30, 2024, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were not effective due to the following material weaknesses in our internal control over financial reporting:

- We did not have sufficient personnel with appropriate levels of accounting knowledge and experience to address complex U.S. GAAP accounting issues and to prepare and review financial statements and related disclosures under U.S. GAAP. Specifically, our control did not operate effectively to ensure the appropriate and timely analysis of and accounting for unusual and non-routine transactions and certain financial statement accounts;
- We are lacking adequate policies and procedures in internal audit function to ensure that our policies and procedures have been carried out as planned; and
- We had deficiencies in our IT general controls, regarding to the Logical Access Security, Change Management, IT Operations and Cybersecurity of our financial system and key application system, etc.

We are improving our IT environment and daily management to ensure network and information security. In addition, we plan to address the weaknesses identified above by implementing the following measures:

- Continuously seeking and hiring additional accounting staff with comprehensive knowledge of U.S. GAAP and SEC reporting requirements;
- Ameliorating our internal audit to assist with assessment of Sarbanes-Oxley compliance requirements and improvement of internal controls related to financial reporting; and
- improving our IT environment and daily management.

Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting that occurred during the quarter ended September 30, 2024 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 6. Exhibits.

31.1	Certification of Principal Executive Officer, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Principal Financial Officer, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Principal Executive Officer and Principal Financial Officer, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL 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 - The cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: November 14, 2024

Senmiao Technology Limited

By: /s/ Xi Wen
 Name: Xi Wen
 Title: Chief Executive Officer
 (Principal Executive Officer)

Dated: November 14, 2024

By: /s/ Xiaoyuan Zhang
 Name: Xiaoyuan Zhang
 Title: Chief Financial Officer
 (Principal Financial Officer and
 Principal Accounting Officer)

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**CERTIFICATION PURSUANT TO
RULES 13A-14(A) AND 15D-14(A) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED**

I, Xi Wen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Senmiao Technology Limited.
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 registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant 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 registrant, 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant'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 registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant'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 registrant'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 registrant's internal control over financial reporting.

Date: November 14, 2024

/s/ Xi Wen

Xi Wen
Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO
RULES 13A-14(A) AND 15D-14(A) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED**

I, Xiaoyuan Zhang, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Senmiao Technology Limited.
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 registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant 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 registrant, 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant'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 registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant'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 registrant'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 registrant's internal control over financial reporting.

Date: November 14, 2024

/s/ Xiaoyuan Zhang
Xiaoyuan Zhang
Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q for the quarter ended June 30, 2024 (the "Report") of Senniao Technology Limited (the "Company") as filed with the Securities and Exchange Commission on the date hereof, we, Xi Wen, President and Chief Executive Officer, and Xiaoyuan Zhang, Chief Financial Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) 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.

/s/ Xi Wen

Xi Wen
Chief Executive Officer
(Principal Executive Officer)

/s/ Xiaoyuan Zhang

Xiaoyuan Zhang
Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)

November 14, 2024