

APPENDIX I

ACCOUNTANTS’ REPORT

The following is the text of a report set out on pages I-1 to I-[●], received from the Company’s reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.



ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF YUSHENG HOLDINGS LIMITED AND CITIGROUP GLOBAL MARKETS ASIA LIMITED

Introduction

We report on the historical financial information of Yusheng Holdings Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages I-3 to I-[50], which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at December 31, 2023, 2024 and 2025, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements, for each of the years ended December 31, 2023, 2024 and 2025 (the “**Track Record Period**”), and material accounting policy information and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages I-[●] to I-[●] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●] (the “**document**”) in connection with the initial [REDACTED] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors’ responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants’ responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 “Accountants’ Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants’ report, a true and fair view of the Company’s and the Group’s financial position as at December 31, 2023, 2024 and 2025, and of the Group’s financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

Dividends

We refer to Note 26(d) to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its incorporation.

KPMG

Certified Public Accountants

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Central, Hong Kong

[Date]

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Historical financial information

Set out below is the Historical Financial Information which forms an integral part of this accountants’ report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by KPMG under separate terms of engagement with the Company in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the “Underlying Financial Statements”).

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CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in thousands of Renminbi (“RMB”), except for per share data)

	Note	Years ended December 31,		
		2023	2024	2025
		RMB’000	RMB’000	RMB’000
Revenue	4(a)	4,428,805	5,470,571	6,662,372
Cost of revenues	5	(4,011,751)	(4,882,458)	(5,983,104)
Gross profit		417,054	588,113	679,268
Other income and expenses, net		4,910	6,421	4,555
Selling and marketing expenses	5	(524,405)	(601,727)	(667,335)
General and administrative expenses	5	(58,463)	(77,183)	(219,362)
Research and development expenses	5	(38,485)	(44,862)	(44,132)
Credit loss on guarantee liabilities and trade and other receivables		(5,867)	(15,494)	(47,231)
Loss from operations		(205,256)	(144,732)	(294,237)
Financing related expenses	6	(311,657)	(225,676)	(403,887)
Changes in the carrying amount of redemption liabilities	23	(174,989)	(202,662)	(219,019)
Loss before taxation		(691,902)	(573,070)	(917,143)
Income tax (expense)/benefit	7	(3,634)	(906)	218
Loss for the year		(695,536)	(573,976)	(916,925)
Other comprehensive income for the year (after nil tax)				
Item that will not be reclassified to profit or loss:				
Exchange differences on translation of financial statements of the Company		(48,111)	(64,076)	109,827
Item that will be reclassified subsequently to profit or loss:				
Exchange differences on translation of financial statements of foreign operations . .		21,684	21,672	(32,603)
Other comprehensive income for the year . .		(26,427)	(42,404)	77,224
Total comprehensive income for the year . .		(721,963)	(616,380)	(839,701)
Loss for the year attributable to:				
Equity shareholders of the Company		(691,418)	(559,289)	(898,670)
Non-controlling interests		(4,118)	(14,687)	(18,255)
		(695,536)	(573,976)	(916,925)
Total comprehensive income for the year attributable to:				
Equity shareholders of the Company		(717,845)	(601,693)	(821,446)
Non-controlling interests		(4,118)	(14,687)	(18,255)
		(721,963)	(616,380)	(839,701)
Loss per share	10			
Basic and diluted (RMB per share)		N/A	N/A	N/A

The accompanying notes form part of the Historical Financial Information.

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in RMB)

	Note	As at December 31,		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
Non-current assets				
Property and equipment	11	90,487	78,487	76,758
Other non-current assets	12	1,152,470	1,030,677	892,032
Financial assets measured at fair value through profit or loss (“FVTPL”)	27(e)	—	10,373	10,472
		1,242,957	1,119,537	979,262
Current assets				
Inventories	14	669,938	806,754	881,798
Trade receivables	16(a)	356,252	280,844	90,168
Prepayments and other receivables	16(b)	263,314	360,434	514,392
Restricted cash	17(b)	104,846	106,093	8,851
Cash and cash equivalents	17(a)	103,307	81,419	235,499
		1,497,657	1,635,544	1,730,708
Current liabilities				
Trade and bills payables	18	181,862	261,597	186,003
Contract liabilities	15	127,729	158,508	102,649
Borrowings	20	639,671	632,167	816,843
Lease liabilities	21	35,310	29,393	25,034
Accruals and other payables	19	118,654	167,748	245,061
Redemption liabilities	23	2,324,645	2,554,623	2,728,195
Convertible notes	24	2,217,766	2,429,940	2,720,641
Guarantee liabilities	22	13,590	74,743	111,683
		5,659,227	6,308,719	6,936,109
Net current liabilities		(4,161,570)	(4,673,175)	(5,205,401)
Total assets less current liabilities		(2,918,613)	(3,553,638)	(4,226,139)
Non-current liabilities				
Lease liabilities	21	35,471	25,276	25,672
Borrowings	20	54,759	44,500	69,500
Deferred tax liabilities	7	1,769	2,098	1,472
		91,999	71,874	96,644
NET LIABILITIES		(3,010,612)	(3,625,512)	(4,322,783)
CAPITAL AND RESERVES	26			
Share capital		6	6	5
Reserves		(2,994,379)	(3,596,072)	(4,276,368)
Total deficits attributable to equity shareholders of the Company		(2,994,373)	(3,596,066)	(4,276,363)
Non-controlling interests		(16,239)	(29,446)	(46,420)
TOTAL DEFICITS		(3,010,612)	(3,625,512)	(4,322,783)

The accompanying notes form part of the Historical Financial Information.

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STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

(Expressed in RMB)

	Note	As at December 31,		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
Non-current assets				
Other non-current assets	12	1,152,470	1,030,677	892,032
Interests in subsidiaries	13	2,262,691	2,436,251	2,656,259
		3,415,161	3,466,928	3,548,291
Current assets				
Cash and cash equivalents	17(a)	21,823	11,002	9,564
		21,823	11,002	9,564
Current liabilities				
Accruals and other payables		7	366	848
Redemption liabilities	23	1,719,645	1,914,528	2,053,100
Convertible notes	24	2,217,766	2,429,940	2,720,641
		3,937,418	4,344,834	4,774,589
Net current liabilities		(3,915,595)	(4,333,832)	(4,765,025)
Total assets less current liabilities		(500,434)	(866,904)	(1,216,734)
NET LIABILITIES		(500,434)	(866,904)	(1,216,734)
CAPITAL AND RESERVES	26			
Share capital		6	6	5
Reserves		(500,440)	(866,910)	(1,216,739)
TOTAL DEFICITS		(500,434)	(866,904)	(1,216,734)

The accompanying notes form part of the Historical Financial Information.

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in RMB)

	Attributable to equity shareholders of the Company							Non-controlling interests	Total deficits
	Share capital	Capital reserve	Accumulated losses	Exchange reserve	Share-based payments reserve	Other reserve	Subtotal		
	RMB'000 Note 26(b)	RMB'000 Note 26(c)(i)	RMB'000	RMB'000 Note 26(c)(iii)	RMB'000 Note 26(c)(ii)	RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2023	6	64,031	(2,229,897)	(110,360)	-	-	(2,276,220)	(12,749)	(2,288,969)
Changes in equity for 2023:									
Loss for the year	-	-	(691,418)	-	-	-	(691,418)	(4,118)	(695,536)
Other comprehensive income	-	-	-	(26,427)	-	-	(26,427)	-	(26,427)
Total comprehensive income	-	-	(691,418)	(26,427)	-	-	(717,845)	(4,118)	(721,963)
Capital injection from non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	700	700
Acquisition of non-controlling interests	-	-	-	-	-	(308)	(308)	(72)	(380)
Balance at December 31, 2023	6	64,031	(2,921,315)	(136,787)	-	(308)	(2,994,373)	(16,239)	(3,010,612)
Changes in equity for 2024:									
Loss for the year	-	-	(559,289)	-	-	-	(559,289)	(14,687)	(573,976)
Other comprehensive income	-	-	-	(42,404)	-	-	(42,404)	-	(42,404)
Total comprehensive income	-	-	(559,289)	(42,404)	-	-	(601,693)	(14,687)	(616,380)
Capital injection from non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	1,480	1,480
Balance at December 31, 2024	6	64,031	(3,480,604)	(179,191)	-	(308)	(3,596,066)	(29,446)	(3,625,512)
Changes in equity for 2025:									
Loss for the year	-	-	(898,670)	-	-	-	(898,670)	(18,255)	(916,925)
Other comprehensive income	-	-	-	77,224	-	-	77,224	-	77,224
Total comprehensive income	-	-	(898,670)	77,224	-	-	(821,446)	(18,255)	(839,701)
Capital injection from non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	1,281	1,281
Retirement of issued ordinary shares	(1)	1	-	-	-	-	-	-	-
Equity-settled share-based transactions	-	135,004	-	-	6,145	-	141,149	-	141,149
Balance at December 31, 2025	5	199,036	(4,379,274)	(101,967)	6,145	(308)	(4,276,363)	(46,420)	(4,322,783)

The accompanying notes form part of the Historical Financial Information.

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CONSOLIDATED CASH FLOW STATEMENTS

(Expressed in RMB)

	Note	Years ended December 31,		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
Operating activities				
Loss before taxation		(691,902)	(573,070)	(917,143)
Adjustments for:				
Write-down of inventories	14	72,707	42,916	49,940
Depreciation and amortization	5	202,103	186,034	163,245
Financing charges		312,415	222,336	401,118
(Gain)/loss on disposal of property and equipment		(305)	(188)	715
Credit loss on guarantee liabilities and trade and other receivables		5,867	15,494	47,231
Changes in fair value of financial assets measured at FVTPL	27(e)	–	(373)	(99)
Share-based compensation		–	–	141,148
Unrealized foreign currency exchange loss . .		–	175	696
Changes in the carrying amount of redemption liabilities		174,989	202,662	219,019
Changes in working capital:				
Inventories		(385,977)	(179,705)	(125,233)
Trade receivables		(116,068)	75,688	193,046
Prepayments and other receivables		(178,442)	(99,349)	(171,360)
Restricted cash		(94,041)	(1,247)	97,242
Trade and bills payables		72,014	79,735	(75,594)
Contract liabilities		83,556	30,779	(55,859)
Accruals and other payables		(39,569)	37,481	65,160
Guarantee liabilities		12,778	49,089	2,006
Cash (used in)/generated from operations . .		(569,875)	88,457	35,278
Income tax paid		(240)	(687)	(163)
Net cash (used in)/generated from operating activities		(570,115)	87,770	35,115
Cash flows from investing activities:				
Payments for purchase of property and equipment		(22,577)	(11,411)	(15,487)
Proceeds from disposal of property and equipment		23	167	36
Payments for purchase of financial assets measured at FVTPL	27(e)	–	(10,000)	–
Net cash used in investing activities		(22,554)	(21,244)	(15,451)

The accompanying notes form part of the Historical Financial Information.

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	<i>Note</i>	Years ended December 31,		
		2023	2024	2025
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash flows from financing activities:				
Proceeds from borrowings	17(c)	1,762,539	1,866,945	2,635,355
Repayment of borrowings	17(c)	(1,306,090)	(1,885,241)	(2,423,520)
Payment of Interest of borrowings	17(c)	(16,824)	(28,347)	(37,625)
Proceeds from the issuance of convertible redeemable preferred shares	17(c)	19,796	—	—
Proceeds from the issuance of convertible notes	17(c)	186,467	—	—
Capital element of lease rentals paid	17(c)	(35,708)	(40,371)	(34,863)
Interest element of lease rentals paid	17(c)	(3,186)	(4,054)	(2,668)
Payment of [REDACTED] expenses		[REDACTED]	[REDACTED]	[REDACTED]
Proceeds from capital injection from non- controlling shareholders of subsidiaries		700	1,480	1,281
Proceeds from issuance of restricted ordinary shares		—	—	1
Net cash generated from/(used in) financing activities		607,694	(89,588)	137,511
Net increase/(decrease) in cash and cash equivalents		15,025	(23,062)	157,175
Cash and cash equivalents at the beginning of the year		85,790	103,307	81,419
Effect of foreign exchange rate changes		2,492	1,174	(3,095)
Cash and cash equivalents at the end of the year		103,307	81,419	235,499

The accompanying notes form part of the Historical Financial Information.

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NOTES TO THE HISTORICAL FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

1 BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

Yusheng Holdings Limited (the “Company”) was incorporated as an exempted company with limited liability in the Cayman Islands on April 11, 2018.

The Company is an investment holding company. The Company, its subsidiaries, entities controlled through contractual arrangements (former “Variable Interest Entities”, or former “VIEs”) and former VIEs’ subsidiaries are collectively referred to as “the Group”. The Group’s principal operation and geographic market is in the People’s Republic of China (the “PRC”).

In April 2026, the Group acquired 100% equity interest of the former VIEs and their subsidiaries for nil consideration and the previous VIE contractual arrangements were terminated. Since April 2026, the Company controls the former VIEs and their subsidiaries through legal ownership interests and the former VIEs and their subsidiaries are accounted for as consolidated subsidiaries of the Company.

The Group operates a used vehicle transaction platform in the PRC. The Group aggregates vehicle sources from both individual and institutional sellers, and offers used vehicles and certain value added services to customers. As at the date of this report, no audited financial statements have been prepared for the Company.

During the Track Record Period and as at the date of this report, the Company has direct or indirect interests in following principal subsidiaries:

Name of company	Place of incorporation and business and date of incorporation	Issued share capital (‘000)	Proportion of ownership interest directly or indirectly held by the Company	Principal activity
Taoche Hulian (Dalian) Investment Co., Ltd. (“Taoche Hulian”) 淘車互聯(大連)投資有限公司 (Notes (i) and (iv))	PRC September 13, 2018	USD88,100	100%	Holding company
Haoche Kuku Used Automobile Agency (Tianjin) Co., Ltd. (“Haoche Kuku Tianjin”) 好車酷酷二手車經紀(天津)有限公司 (Notes (i) and (ii))	PRC February 6, 2018	USD93,500	100%	Vehicle inspection, sales and services
Chetaotao (Ningbo) E-commerce Co., Ltd. (“Chetaotao”) 車淘淘(寧波)電子商務有限公司 (Notes (i) and (iii)) . .	PRC November 24, 2020	RMB90,000	100%	Vehicle inspection, sales and services
Beijing Taoche Technology Co., Ltd. (“Taoche Technology”) 北京淘車科技有限公司 (Notes (i) and (ii))	PRC June 6, 2018	Nil	100%	Technology service development
Taocars Automobile Harbour Trading FZE (Note (v)) . .	United Arab Emirates October 30, 2025	100 shares	100%	Used vehicle sales and export

Notes:

- (i) These entities were registered as limited liability companies under the laws and regulations in the PRC. The official names of these entities are in Chinese. The English translation is included for identification purpose only.
- (ii) The financial statements of this entity for the years ended December 31, 2023, 2024 and 2025 prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC (the “PRC GAAP”) were audited by Beijing Jiuxu CPA Co., Ltd. (北京九旭會計師事務所有限公司).
- (iii) No audited financial statements for the year ended December 31, 2025 of these entities had been prepared. The financial statements of these entities for the years ended December 31, 2023 and 2024, prepared in accordance with the PRC GAAP, were audited by Beijing Jiuxu CPA Co., Ltd. (北京九旭會計師事務所有限公司).
- (iv) No audited financial statements for the years ended December 31, 2024 and 2025 of this entity had been prepared. The financial statements of this entity for the year ended December 31, 2023, prepared in accordance with the PRC GAAP, were audited by Beijing Jiuxu CPA Co., Ltd. (北京九旭會計師事務所有限公司).
- (v) No audited financial statements of this entity had been prepared for the Track Record Period.

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All entities comprising the Group has adopted December 31 as its financial year end date.

The Historical Financial Information has been prepared in accordance with all applicable IFRS Accounting Standards as issued by the International Accounting Standards Board (“IASB”). Further details of the material accounting policy information adopted are set out in Note 2.

The IASB has issued a number of new and revised IFRS Accounting Standards. For the purpose of preparing the Historical Financial Information, the Group has adopted all applicable new and revised IFRS Accounting Standards to the Track Record Period, except for any new standards or interpretations that are not yet effective for the accounting period beginning on January 1, 2025. The new and revised accounting standards and interpretations issued but not yet effective for the accounting period beginning on January 1, 2025 are set out in Note 30.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

As at December 31, 2025, the Group had net current liabilities and net liabilities of RMB5,205,401,000 and RMB4,322,783,000, respectively, primarily due to several rounds of financing by issuing the convertible notes (Note 24) and convertible redeemable preferred shares (Note 23(b)), which are recognized as financial liabilities of RMB2,720,641,000 and RMB2,053,100,000 as at December 31, 2025. The directors of the Company are of the opinion that no payment is expected for the settlement of these liabilities as the related convertible notes were converted into convertible redeemable preferred shares in April 2026 (Note 31), and the redemption rights for the convertible redeemable preferred shares would be terminated and these liabilities would be reclassified as equity upon the [REDACTED] and [REDACTED] of the Company’s shares on the Stock Exchange.

Taken the above into consideration, and together with cashflow forecast for twelve months from the date of this report prepared by management of the Group, the directors of the Company are of the opinion that the Group has sufficient financial resources to continue as a going concern for the next twelve months. Accordingly, the directors of the Company consider it is appropriate to prepare the Historical Financial Information on a going concern basis.

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

The Historical Financial Information is presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

2 MATERIAL ACCOUNTING POLICY INFORMATION

(a) Basis of measurement

The functional currency of the Company’s subsidiaries in the PRC is RMB, which is the same as the presentation currency of the Historical Financial Information. The functional currency of the Company and its consolidated subsidiaries outside of the PRC is United States Dollars (“USD”).

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis except that the following financial assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

- Financial assets measured at FVTPL (see Note 2(e));
- Guarantee liabilities (see Note 2(q)); and
- Derivative financial instruments (see Note 2(t))

(b) Use of estimates and judgements

The preparation of the Historical Financial Information in conformity with IFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS Accounting Standards that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in Note 3.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities (including structured entities) controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

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A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

Intra-group balances and transactions, and any unrealized income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

For each business combination, the Group can elect to measure any non-controlling interests (“NCI”) either at fair value or at the NCI’s proportionate share of the subsidiary’s net identifiable assets. NCI are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. NCI in the results of the Group are presented on the face of the consolidated statements of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between NCI and the equity shareholders of the Company.

Changes in the Group’s interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When the Group loses control of a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in that former subsidiary is measured at fair value when control is lost.

In the Company’s statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(j)(iii)).

(d) Goodwill

Goodwill arising on acquisition of businesses is measured at cost less accumulated impairment losses and is tested annually for impairment (see Note 2(j)(iii)).

(e) Other investments in securities

The Group’s policies for investments in securities, other than investments in subsidiaries, are set out below.

Investments in securities are recognized/derecognized on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at FVTPL for which transaction costs are recognized directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 27(e). These investments are subsequently accounted for as follows, depending on their classification.

(i) Non-equity investments

Non-equity investments are classified into one of the following measurement categories:

- amortized cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Expected credit losses, interest income calculated using the effective interest method (see Note 2(y)(ii)(a)), foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
- fair value through other comprehensive income (FVOCI) – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses are recognized in profit or loss and computed in the same manner as if the financial asset was measured at amortized cost. The difference between the fair value and the amortized cost is recognized in other comprehensive income (OCI). When the investment is derecognized, the amount accumulated in OCI is recycled from equity to profit or loss.
- FVTPL, if the investment does not meet the criteria for being measured at amortized cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognized in profit or loss.

(ii) Equity investments

An investment in equity securities is classified as FVTPL unless the investment is not held for trading purposes and on initial recognition the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognized in OCI. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer’s perspective. If such election is made for a particular investment, at the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings and not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVOCI, are recognized in profit or loss as other income.

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(f) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses (see Note 2(j)(iii)).

Any gain or loss on disposal of an item of property and equipment is recognized in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of property and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss.

The estimated useful lives for the Track Record Period are as follows:

	Estimated useful lives
Electric and other equipment	3 years
Right-of-use assets	Over the term of lease
Leasehold improvement	lesser of the term of the lease or the estimated useful lives of the assets

Depreciation methods, useful lives and residual values are reviewed annually and adjusted if appropriate.

(g) Intangible assets

Expenditure on research activities is recognized in profit or loss as incurred. Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the resulting asset. Otherwise, it is recognized in profit or loss as incurred. Capitalized development expenditure is subsequently measured at cost less accumulated amortization and any accumulated impairment losses.

Other intangible assets, including software that are acquired by the Group with finite useful life are measured at cost less accumulated amortization and any accumulated impairment losses (see Note 2(j)(iii)).

Expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

Amortization is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, if any, and is generally recognized in profit or loss.

The estimated useful lives of intangible assets are as follows:

	Estimated useful lives
Software	2-5 years

Amortization methods, useful lives and residual values are reviewed annually and adjusted if appropriate.

Before the Track Record Period, all of the Group’s intangible assets had been fully amortized. During the Track Record Period, no amortization expense in respect of intangible assets was recognized in the consolidated statements of profit or loss and other comprehensive income.

(h) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. This is the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognizes a right-of-use asset and a lease liability, except for leases that have a short lease term of 12 months or less, and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalize the lease on a lease-by-lease basis. If not capitalized, the associated lease payments are recognized in profit or loss on a systematic basis over the lease term.

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Where the lease is capitalized, the lease liability is initially recognized at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortized cost and interest expense is recognized using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability, and are charged to profit or loss as incurred.

The right-of-use asset recognized when a lease is capitalized is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Note 2(j)(iii)).

Refundable rental deposits are accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in non-equity securities carried at amortized cost.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group’s estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a lease modification, which means a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract, if such modification is not accounted for as a separate lease. In this case, the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the principal portion of contractual payments that are due to be settled within twelve months after the reporting period.

(i) Other non-current assets

In June 2018, Yixin Group Limited (“Yixin”), a limited liability exempted company under the laws of the Cayman Islands and listed on the Stock Exchange (stock code: 2858), and the Company have entered into a series of agreements (the “Services Agreements”), pursuant to which Yixin and its applicable affiliates (“Yixin Entities”) agreed to provide certain transaction facilitation services for used automobile purchase, sale, and trade-in to the Group. Such transaction facilitation services include: i) Yixin Entities provided certain traffic support in relation to the used automobile transaction business (“Traffic Support Services”) to the Group; ii) Yixin Entities should not engage in, invest in, own, manage, operate or provide assistance to businesses that may compete with the used automobile transaction business (“Non-compete Undertakings”) during the term of the Services Agreements or until Yixin Entities hold less than 10% equity interest in the Company (whichever comes earlier); and iii) Yixin Entities provided certain automobile database related services (“Automobile Model Database”) to the Group during the term of the Services Agreements on a non-exclusive basis. The Company issued convertible notes to Yixin in June 2018, the aggregated consideration consists of a cash payment of USD21.0 million and provision of the above services.

The above Traffic Support Services, Non-compete Undertakings and Automobile Model Database were recognized as other non-current assets at fair value at the date of transaction. The directly attributable transaction costs to acquire the assets were included in the costs of the assets.

For the Traffic Support Services acquired, given that both parties have agreed upon the total number of transactions leads that should be referred to the Group, the Group expected to utilize the asset based on the number of transaction leads referred and determined the amortization measured on an actual usage basis. All the transactions leads referred by Yixin had been fully amortized till June 2023.

For the Non-compete Undertakings and the Automobile Model Database in relation to the used automobile-related business, amortization is calculated using the straight-line method over 20 years, which are the contractual term.

In June 2023, Beijing Yiche Information Science and Technology Co., Ltd., a subsidiary of one of the Company’s investors, entered into a service agreement with the Company, to provide the traffic support services to the Group. In connection of this transaction, the Company issued 1,390,834 of Series C convertible redeemable preferred shares to Beijing Yiche Information Science and Technology Co., Ltd. Such asset is amortized on an actual usage basis.

(j) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognizes a loss allowance for expected credit losses (“ECL”s) on financial assets measured at amortized cost (including cash and cash equivalents, restricted cash, receivables from default payments, trade and other receivables).

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Generally, credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts.

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The expected cash shortfalls are discounted using the effective interest rate determined at initial recognition or an approximation thereof where the effect is material.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months); and
- lifetime ECLs: these are the ECLs that result from all possible default events over the expected lives of the items to which the ECL model applies.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-months ECLs:

- financial instruments that are determined to have low credit risk at the reporting date; and
- other financial instruments for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

When determining whether the credit risk of a financial instrument has increased significantly since initial recognition and when measuring ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group’s historical experience and informed credit assessment, that includes forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or
- the financial asset is 90 days past due.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument’s credit risk since initial recognition. Any change in the ECL amount is recognized as an impairment gain or loss in profit or loss. The Group recognizes an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Credit-impaired financial assets

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter into bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognized as a reversal of impairment in profit or loss in the period in which the recovery occurs.

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(ii) *Credit losses from financial guarantees issued*

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the “holder”) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognized at fair value, which is determined by reference to fees charged in an arm’s length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognized in accordance with the Group’s policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognized in profit or loss.

Subsequent to initial recognition, the amount initially recognized as guarantee liability is amortized in profit or loss over the term of the guarantee as revenue from financial guarantees issued (see Note 2(y)(i)(1)).

The Group monitors the risk that the specified debtor will default on the contract and remeasures the above liability at a higher amount when ECLs on the financial guarantees are determined to be higher than the carrying amount in respect of the guarantees.

A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in Note 2(j)(i) apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

(iii) *Impairment of non-current assets*

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (including property and equipment, other non-current assets and investments in subsidiaries in the Company’s statement of financial position) to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units (“CGU”s). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(k) **Inventories**

Inventories are measured at the lower of cost and net realizable value as follows:

Cost is calculated using the specific identification basis and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognized as cost of revenues in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as cost of revenues in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognized as cost of revenues in the period in which the reversal occurs.

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(l) Contract liabilities

A contract liability is recognized when the customer pays non-refundable consideration before the Group recognizes the related revenue (see Note 2(y)). A contract liability is also recognized if the Group has an unconditional right to receive non-refundable consideration before the Group recognizes the related revenue. In such cases, a corresponding receivable would also be recognized (see Note 2(y)).

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see Note 2(y)).

(m) Trade and other receivables

A receivable is recognized when the Group has an unconditional right to receive consideration and only the passage of time is required before payment of that consideration is due.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortized cost (see Note 2(j)(i)).

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECL (see Note 2(j)(i)).

(o) Restricted cash

Cash and cash equivalents that are restricted as to withdrawal or for use or pledged as security is reported separately on the consolidated statements of financial position.

(p) Trade and other payables (other than refund liabilities)

Trade and other payables are initially recognized at fair value. Subsequent to initial recognition, trade and other payables are stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(q) Guarantee liabilities

When the Group refers customers seeking installment payment options in connection with used vehicle sales to certain cooperating financial institutions, the Group is required to provide a guarantee to these third-party auto financing service providers in certain arrangements (See Note 2 (j)(ii)). Such arrangements require the Group to fulfill its guarantee obligations to the financial institutions in the event of the underlying borrowers’ default over agreed terms.

(r) Redemption liabilities

(i) Convertible redeemable preferred shares

The redemption features in the preferred shares give rise to financial liabilities as under these features, the preferred shares are redeemable in cash at the option of the shareholders in case of the occurrence of triggering events that are beyond the Company’s control.

The liabilities resulting from these contingent redemption obligations are measured at the present value of the redemption amounts. When there are different possible redemption scenarios with different present values of the redemption amounts, the carrying amounts of the liabilities are measured at the highest present value of redemption amount that could be triggered by the contingent redemption events. Under this “worst case” approach, the changes in the carrying amount of the liabilities are recognized in profit or loss as “changes in the carrying amounts of redemption liabilities”.

If the preferred shares are converted into ordinary shares, the carrying amount of the financial liabilities is transferred to share capital and share premium.

The Group classifies the preferred shares as current liabilities, as these preferred shares may be converted into ordinary shares at the option of the holders at any time and the conversion feature does not meet the definition of an equity instrument.

(ii) Put option liabilities

Put option liabilities represent the present value of the redemption amount of the put options granted to a non-controlling shareholder of the Group’s subsidiary. Under the put option clauses, the non-controlling shareholder has the right to sell the equity interest to the subsidiary at a pre-agreed price on the occurrence of some certain events that are beyond the Group’s control. The Group recognizes such liabilities as redemption liabilities.

Since the Group is obligated to pay cash to the investor upon occurrence of certain events beyond the Group’s control, the put option liabilities were initially recognized at present value of redemption amount by the Group under the “worst case” approach. The changes in the carrying amount of these liabilities are recorded in profit or loss as “changes in the carrying amounts of redemption liabilities”.

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(s) Convertible notes

The Company issued convertible notes (the “Convertible Notes”) denominated in USD to certain investors, that can be converted to convertible redeemable preferred shares. The Convertible Notes will mature in 20 years since issuance (the “Maturity Dates”). Unless converted into the agreed convertible redeemable preferred shares prior to the Maturity Dates, the outstanding principal of the Convertible Notes will be due and payable on the Maturity Date.

The Convertible Notes contain both a host liability component and an embedded derivative component for the conversion feature. At initial recognition, the derivative component was measured at fair value and presented as derivative financial instruments (see Note 2(t)). The residual proceeds were recognized as the host liability component. Any directly attributable transaction costs were allocated to the host liabilities and derivative component in proportion to their initial carrying amounts. The portion of the transaction costs relating to the host liability component was recognized initially as part of the liability. The portion relating to the derivative component was recognized immediately in profit or loss.

The derivative component is subsequently remeasured in accordance with Note 2(t). The host liability component is subsequently carried at amortized cost using effective interest method. Interests related to the host liability components are recognized in profit or loss.

(t) Derivative financial instruments

The holders of the Convertible Notes of the Company were granted with a conversion right (see Note 2(s)). The embedded conversion options were separated from the host contracts and were accounted for separately as derivative financial instruments. They are initially recognized at fair value and subsequently carried at fair value with fair value changes recognized in profit or loss. The financial liabilities are classified as current liabilities unless the Company has an obligation to settle the liabilities over 12 months after the end of the reporting period.

(u) Borrowings

Borrowings are measured initially at fair value less transaction costs. Subsequently, these borrowings are stated at amortized cost using the effective interest method. Interest expense is recognized in accordance with Note 2(aa).

(v) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Obligations for contributions to defined contribution retirement plans are expensed as the related service is provided.

(ii) Share-based payments

The Group operates share incentive plans, under which it receives services from eligible employees, directors and non-employees as consideration for equity instruments (including share options, restricted share units (“RSUs”) and restricted ordinary shares) of the Company. The fair value of the services received in exchange for the grant of the equity instruments (share options, RSUs and restricted ordinary shares) is recognized as an expense in the consolidated statements of profit or loss and other comprehensive income with a corresponding increase in share-based payments reserve in equity.

Share options

For grant of share options, the total amount to be expensed is determined by reference to the fair value of the options granted using binomial lattice model. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity. The equity amount is recognized in the share-based payments reserve until either the option is exercised (when it is included in the amount recognized in share capital and capital reserve for the shares issued) or the option expires (when it is released directly to retained profits).

RSUs and restricted ordinary shares

For grant of RSUs and restricted ordinary shares, the total amount to be expensed is determined by reference to the fair value of the Company’s ordinary shares at the grant date. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the Group revises its estimates of the number of RSUs and restricted ordinary shares that are expected to vest based on the non-market vesting and service conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

(iii) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognizes costs for a restructuring.

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(w) Income tax

Income tax expense comprises current tax and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in OCI.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- temporary differences related to investment in subsidiaries and associates to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

The Group recognized deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

Deferred tax assets and liabilities are offset only if certain criteria are met.

(x) Provisions and contingent liabilities

Generally provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

A provision for warranties is recognized when the underlying products or services are sold, based on historical warranty data and a weighting of possible outcomes against their associated probabilities.

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract, which is determined based on the incremental costs of fulfilling the obligation under that contract and an allocation of other costs directly related to fulfilling that contract. Before a provision is established, the Group recognizes any impairment loss on the assets associated with that contract (see Note 2(j)(i)).

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognized for any expected reimbursement that would be virtually certain. The amount recognized for the reimbursement is limited to the carrying amount of the provision.

(y) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods or the provision of services in the ordinary course of the Group’s business.

Further details of the Group’s revenue and other income recognition policies are as follows:

(i) Revenue from contracts with customers

Revenue is recognized when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties such as value added tax or other sales taxes.

The Group evaluates whether it is appropriate to record the gross amount of product sales and related costs or the net amount earned as service commissions. When the Group is a principal and when the Group obtains control of the specified goods or services before they are transferred to the customers, the revenues are recognized in the gross amount of consideration to which it expects

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to be entitled in exchange for the specified goods or services transferred. When the Group is an agent and its obligation is to facilitate third parties in fulfilling their performance obligation for specified goods or services, the revenues are recognized in the net amount for the amount of service commission which the Group earns in exchange for arranging for the specified goods or services to be provided by other parties.

Contracts with customers may include multiple performance obligations. For such arrangements, the Group allocates the transaction price to each performance obligation based on its relative standalone selling price. The Group generally determines standalone selling prices based on the observable prices charged to customers when the Group sells that good or service separately. If the standalone selling price is not directly observable, it is estimated using expected cost plus a margin or adjusted market assessment approach, depending on the availability of information. Assumptions and estimations have been made in estimating the standalone selling price, and changes in those assumptions and estimates may impact the revenue recognition.

(1) Used vehicle retail business

The Group sells used vehicles directly to its individual retail customers through its online platform and offline sales centers. The Group procures used cars and maintains such used cars in the Group’s offline sales centers prior to sale. The selling prices of used vehicles are set forth in the contracts with customers, which are agreed upon prior to delivery. The Group satisfies its performance obligation for used vehicles sales when the customer obtains control of the vehicles. Payments received prior to delivery or pick-up of used vehicles are recorded as “contract liabilities” within the consolidated statements of financial position. The Group primarily recognizes revenue from used vehicle retail business on gross basis.

In connection with such retail sales, the Group also connects third-party auto financing service providers and the Group’s retail customers, who purchase used vehicles from the Group and are seeking for installment payment options, to earn the fees from the third-party auto financing service providers for successful referrals. In certain referral cases, the Group also provides guarantee to the loan provided by third-party auto financing service providers. In such arrangements, the Group undertakes two obligations, including i) referral service and ii) guarantee service. The Group recognizes the revenue from the guarantee service based on the fair value of the guarantee at its inception by using the expected present value approach in accordance IFRS 9. The remaining transaction price is then allocated to the referral service. Revenue from referral service is recognized at a point in time upon origination of a loan between the retail customers and the financial institutions. Revenue from the guarantee services are recognized over the period as the services are provided. Since April 2026, the Group has ceased providing new guarantees.

(2) Wholesale vehicle sales

The Group mainly sells used vehicles to wholesale auto dealers located in the PRC and to overseas. The Group satisfies its performance obligation and recognizes revenue for wholesale vehicle sales at a point in time when the auto dealers obtain control of the underlying vehicles. The Group primarily recognizes revenue from wholesale vehicle sales on gross basis.

(3) Platform services

Platform services primarily consist of i) online marketing services and ii) other referral services.

The Group provides online marketing services to sellers and buyers through its online marketplace to list and sell their used vehicles or list their purchase demand. The Group’s online marketing services are performance-based services and revenues from such services are recognized when the agreed performance criteria are achieved.

Other referral services represent referral service for connecting third-party auto financing service providers and individual purchasers, who purchase used vehicles from third parties and are seeking for installment payment options. The Group earns fees from the third-party auto financing service providers for successful referrals. When the Group provides guarantee to the loan provided by third-party auto financing service providers, revenue from referral service is recognized at a point in time upon origination of a loan between the individual purchasers and the financial institutions, and revenue from the guarantee services are recognized over the period as the services are provided.

(ii) Revenue from other sources and other income

(a) Interest income

Interest income is recognized using the effective interest rate method.

(b) Government grants

Government grants are recognized in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognized as income in profit or loss in the same periods in which the expenses are incurred.

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(z) Translation of foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognized in profit or loss.

The assets and liabilities of the Company and foreign operations are translated into RMB at the exchange rates at the reporting date. The income and expenses of the Company and foreign operations are translated into RMB at the exchange rates at the dates of the transactions.

Foreign currency differences are recognized in OCI and accumulated in the exchange reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control is lost, the cumulative amount in the exchange reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. On disposal of a subsidiary that includes a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation that have been attributed to the NCI shall be derecognized, but shall not be reclassified to profit or loss. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate while retaining significant influence, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(aa) Borrowing costs

Borrowing costs are expensed in the period in which they are incurred.

(bb) Related parties

(a) A person, or a close member of that person’s family, is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group’s parent.

(b) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group’s parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(cc) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group’s most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group’s various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

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3 ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Group’s accounting policies, management has made the following accounting judgements and estimates:

(a) Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market, such as the conversion right of convertible notes measured at FVTPL, are determined using valuation techniques. The valuation techniques include discounted cash flow model, market comparable model, equity allocation method, option pricing model, etc.

When using valuation techniques to determine the fair value of financial instruments, the Group selects inputs that are consistent with the characteristics of the assets or liabilities considered by market participants in the transactions of related assets or liabilities, uses the relevant observable inputs as much as possible, including market interest rate, stock price, etc., and uses unobservable input value if the relevant observable inputs cannot be obtained or are not feasible, such as estimation of credit risk, market volatility, liquidity adjustments, the possibilities of [REDACTED] (“[REDACTED]”) and other scenarios etc. The use of different valuation techniques or inputs may result in significant differences in fair value estimate. The fair value generated by valuation technique is also verified with transactions of same or similar financial instruments in observable markets according to market practice.

(b) Provisions for expected credit losses of receivables from default payments and guarantee liabilities

The provisions for expected credit losses of receivables from default payments and guarantee liabilities are based on assumptions about risk of default and expected loss rates. Management uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group’s history, existing market conditions as well as forward-looking estimates at the end of each reporting period.

(c) Share-based compensation

The fair value of equity instruments granted are measured on the respective grant dates based on the fair value of the underlying shares. The Group has used binomial option-pricing model to determine the fair value of the equity instruments as at the grant date. In addition, the Group is required to estimate the expected percentage of grantees that will remain in employment with the Group or, where applicable, if the performance conditions for vesting will be met at the end of the vesting period. The Group only recognizes an expense for those equity instruments expected to vest over the vesting period during which the grantees become unconditionally entitled to these share-based awards. The Group had to estimate the vesting periods of the share awards which were variable and subject to an estimate of when an [REDACTED] of the Company would occur. Changes in these estimates and assumptions could have a material effect on the determination of the fair value of the equity instruments and the amount of such equity instruments expected to become vested, which may in turn significantly impact the determination of the share-based compensation expenses. The key assumptions used for estimating the fair value of share-based compensation are disclosed in Note 25.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The Group is principally engaged in used vehicle retail business, wholesale vehicle sales and platform services.

(i) Disaggregation of revenue

The following table sets forth the breakdown of disaggregation of revenue from contracts with customers by categories of business lines is as follows:

	Years ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Revenue from contracts with customers within the scope of IFRS 15			
Used vehicle retail business	2,856,453	3,785,883	4,355,014
Wholesale vehicle sales	903,541	669,687	1,194,224
Platform services	668,811	1,015,001	1,113,134
	4,428,805	5,470,571	6,662,372

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Disaggregation of revenue from contracts with customers by the products or service lines, geographic location of customers, and timing of revenue recognition are as follows:

	Years ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Disaggregated by products or service lines:			
Sales of used vehicles	3,648,684	4,260,377	5,328,666
Provision of services	780,121	1,210,194	1,333,706
Total	4,428,805	5,470,571	6,662,372
Disaggregated by geographic location of customers:			
Chinese mainland	4,088,279	5,215,606	6,270,809
Other jurisdictions	340,526	254,965	391,563
Total	4,428,805	5,470,571	6,662,372
Disaggregated by timing of revenue recognition:			
Point in time	4,428,411	5,460,395	6,631,497
Over time	394	10,176	30,875
Total	4,428,805	5,470,571	6,662,372

The Group’s customer base is diversified and only one customer individually contributed more than 10% of total revenue of the Group during the Track Record Period as follows. Details of concentrations of credit risk of the Group are set out in Note 27(a).

	Years ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Customer A	646,976	912,351	1,016,302

(ii) **Revenue expected to be recognized in the future arising from contracts with customers in existence at the reporting date**

As at December 31, 2023, 2024 and 2025, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group’s existing contracts was RMB12,778,000, RMB70,267,000 and RMB107,925,000, respectively. The Group will recognize the expected revenue in future when or as the work is completed, which is expected to occur over the next 1 to 5 years.

The Group has also applied the practical expedient in paragraph 121(a) of IFRS 15 and to its sales contracts such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for sales that had an original expected duration of one year or less.

(b) **Segment reporting**

(i) **Segment results**

IFRS 8, *Operating Segments*, requires identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the Group’s chief operating decision maker for the purpose of resources allocation and performance assessment. On this basis, as for the purpose of making decisions about resources allocation and performance assessment, the Group’s management reviews on the operating results of the Group as a whole, the Group has determined that it only has one operating segment during the Track Record Period.

(ii) **Geographic information**

The geographical location of the Group’s revenue from external customers are set out in the Note 4(a)(i). The geographical location of customers is based on the location at which the goods delivered, or the services were provided. The Group’s non-current assets, including property and equipment and other non-current assets are primarily located or utilized in the PRC, and accordingly, no geographical information of non-current assets is presented.

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5 EXPENSES BY NATURE

	Years ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cost of goods sold (<i>Note 14</i>)	3,593,231	4,163,037	5,169,428
Leads acquisition cost	353,719	653,550	756,900
Payroll and employee benefits (<i>Note 5(a)</i>)	368,430	445,374	597,644
Depreciation and amortization:	202,103	186,034	163,245
– Other non-current assets (<i>Note 12</i>)	155,926	138,341	115,881
– Property and equipment (<i>Note 11</i>)	46,177	47,693	47,364
Advertising and marketing expenses	73,898	111,275	91,098
Short-term leases	8,976	13,298	14,678
Consulting service fees (<i>Note (i)</i>)	2,402	3,907	83,364
[REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]
Others	30,345	29,755	35,777
Total cost of revenues, selling and marketing expenses, general and administrative expenses and research and development expenses	4,633,104	5,606,230	6,913,933

Note:

- (i) Consulting service fees including the share-based payment expenses of restricted ordinary shares granted to a consultant for the year ended December 31, 2025 in the amount of RMB79,601,000 (*Note 25*).

(a) Payroll and employee benefits

	Years ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Salaries, wages and other benefits	339,778	411,400	502,552
Contributions to defined contribution retirement plan	28,652	33,974	33,545
Share-based payment expenses (<i>Note 25</i>)	–	–	61,547
	368,430	445,374	597,644

The employees of the subsidiaries of the Group in the PRC participate in defined contribution retirement plan managed by the local government authorities, whereby these subsidiaries are required to contribute to the plan during the Track Record Period. Employees of these subsidiaries are entitled to retirement benefits, calculated based on a percentage of the average salaries level in the PRC, from the above-mentioned retirement scheme at their normal retirement age.

The Group has no further obligation for payment of other retirement benefits beyond the above contributions. Contributions to the scheme vest immediately, there is no forfeited contributions that may be used by the Group to reduce the existing level of contribution.

6 FINANCING RELATED EXPENSES

	Years ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Interest on lease liabilities	3,186	4,054	2,668
Interest on borrowings	20,237	28,880	35,466
Accrued financial charges of convertible notes (<i>Note 24</i>)	48,327	56,711	64,688
Changes in fair value on the derivative components of convertible notes (<i>Note 24</i>)	229,520	120,616	285,560
Other financial charges	11,415	12,075	12,736
Others, net	(1,028)	3,340	2,769
	311,657	225,676	403,887

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7 INCOME TAX

- (a) Taxation in the consolidated statements of profit or loss and other comprehensive income represents:

	Years ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Current tax			
Provision for the year	2,926	577	408
Deferred tax			
Origination/(reversal) of temporary differences	708	329	(626)
	3,634	906	(218)

- (b) Reconciliation between tax expense/(benefit) and accounting loss at applicable tax rates:

	Years ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Loss before taxation	(691,902)	(573,070)	(917,143)
Notional tax benefits on loss before taxation, calculated at the PRC statutory income tax rate of 25% (<i>Note (v)</i>)	(172,975)	(143,267)	(229,286)
Tax effect of differential tax rate in other jurisdictions (<i>Note (i)(ii)(iii)(iv)</i>)	101,674	88,034	135,165
Tax effect of non-deductible expenses (<i>Note (v)</i>)	39,039	35,139	64,279
Tax effect of preferential tax rate applicable to subsidiaries (<i>Note (v)</i>)	3,931	3,633	487
Tax effect of additional deduction on research and development expenses (<i>Note (v)</i>)	(1,378)	(6,641)	(9,601)
Tax effect of unused tax losses and temporary differences not recognized	33,343	24,008	38,738
Income tax expense/(benefit)	3,634	906	(218)

Notes:

- (i) The Cayman Islands

Under the current laws of the Cayman Islands, the Company is not subject to tax on income or capital gain.

- (ii) Hong Kong

Under the current Hong Kong Inland Revenue Ordinance, the Group’s subsidiary in Hong Kong is subject to Hong Kong Profits Tax at the rate of 16.5% of the estimated assessable profit generated from the operations in Hong Kong. A two-tiered profits tax rates regime was introduced in 2018 where the first Hong Kong Dollar (“HK\$”) 2.0 million of assessable profits earned by a company will be taxed at half of the current tax rate (8.25%) whilst the remaining profits will continue to be taxed at 16.5%. No provision for Hong Kong Profits Tax has been made, as the subsidiary of the Group incorporated in Hong Kong did not have assessable profits which are subject to Hong Kong Profits Tax for the Track Record Period.

- (iii) Dubai

Under the current Dubai Corporate Tax Law (effective June 1, 2023), the Group’s subsidiary in Dubai is subject to Dubai Corporate Tax at the rate of 9% of the estimated taxable profit generated from its operations in Dubai. Corporate tax is applicable to (amongst others) legal persons in the UAE at the rate of 9% on taxable income above Arab Emirates Dirham (“AED”) 375,000. No provision for Dubai Corporate Tax has been made, as the Group’s subsidiary incorporated in Dubai did not have any taxable profits for the Track Record Period.

- (iv) Nigeria

Under the current Nigeria Companies Income Tax Act (CITA), the Group’s subsidiary in Nigeria is subject to Companies Income Tax (CIT) at the rate of 30% of the estimated taxable profit generated from its operations in Nigeria. Corporate income tax is applicable to legal persons in Nigeria at the standard rate of 30% on taxable profits. No provision for Nigeria CIT has been made, as the Group’s subsidiary incorporated in Nigeria did not have any taxable profits for the Track Record Period.

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(v) Chinese mainland

Under the PRC Corporate Income Tax (“CIT”) Law, the subsidiaries and VIEs of the Group established in the Chinese mainland are subject to a unified statutory CIT rate of 25%, unless otherwise specified. Under the CIT Law, preferential tax treatments will be granted to entities which conduct businesses in certain encouraged sectors and to entities otherwise classified as “High and New Technology Enterprises” (“HNTE”). An entity could re-apply for the HNTE certificate when the prior certificate expires.

Taoche Technology has been qualified as HNTE since October 2021 and enjoyed a preferential income tax rate of 15% for the fiscal years from 2021 to 2023. It re-applied for the HNTE certificate in December 2024 and also enjoyed the tax rate of 15% from 2024 to 2026. Beijing Haoche Shuaishuai Technology Co., Ltd., one of the Group’s subsidiaries, has been qualified as HNTE since July 2020 and enjoyed a preferential income tax rate of 15% for the fiscal years from 2020 to 2022. It re-applied for the HNTE certificate in December 2025 and also enjoyed the tax rate of 15% from 2025 to 2027.

In addition, the subsidiaries and VIEs of the Group are entitled to an additional tax deductible allowance calculated at 100% of the qualified research and development expenses incurred in corresponding period.

Interest income derived by the Group’s subsidiary in Hong Kong from the Chinese mainland are subject to CIT on a withholding basis at rate of 10%.

Tax effect of non-deductible expenses mainly represent the amortization of other non-current assets (see Note 12), share-based payments expenses and certain business entertainment expenses, which all are not deductible in accordance with relevant tax regulations in the PRC.

(c) Deferred tax assets and liabilities recognized:

Movements of each component of deferred tax assets and liabilities:

Deferred tax arising from:

	Lease liabilities	Right-of-use assets	Total
	RMB’000	RMB’000	RMB’000
As at January 1, 2023	20,805	(21,866)	(1,061)
(Charged)/credited to profit or loss	(3,276)	2,568	(708)
As at December 31, 2023	17,529	(19,298)	(1,769)
(Charged)/credited to profit or loss	(4,392)	4,063	(329)
As at December 31, 2024	13,137	(15,235)	(2,098)
(Charged)/credited to profit or loss	(1,537)	2,163	626
As at December 31, 2025	11,600	(13,072)	(1,472)

(d) Deferred tax assets not recognized

The Group has not recognized deferred tax assets in respect of cumulative tax losses, whose expiry dates are:

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Within 1 year	68,847	364,845	175,553
More than 1 year but within 5 years	846,493	602,039	658,449
More than 5 years	33,514	68,623	143,736
As at December 31	948,854	1,035,507	977,738

Management is of opinion that it is not probable that future taxable profits against which the losses above can be utilized will be available in the relevant tax jurisdiction and entity.

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9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The number of directors and other employees included in the five highest paid individuals for the Track Record Period are set forth below:

	Years ended December 31,		
	2023	2024	2025
	Number of individuals	Number of individuals	Number of individuals
Directors	1	1	1
Other employees	4	4	4

The emoluments of the directors are disclosed in Note 8. The aggregate of the emoluments in respect of the remaining highest paid individuals, are as follows:

	Years ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Salaries and other emoluments	2,298	2,701	3,195
Discretionary bonus	530	372	307
Retirement scheme contributions	253	250	272
	3,080	3,323	3,774

The emoluments of the individuals who are not directors or supervisors and who are amongst the five highest paid individuals of the Group are within the following bands:

	Years ended December 31,		
	2023	2024	2025
	Number of individuals	Number of individuals	Number of individuals
Nil to HKD1,000,000	3	4	2
HKD1,000,001 to HKD1,500,000	1	–	2

10 LOSS PER SHARE

No loss per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful in view of that the proposed share subdivision has not been effected as of the date of this report.

11 PROPERTY AND EQUIPMENT

	Right-of-use assets (Note (i)) RMB’000	Leasehold improvement RMB’000	Electric and other equipment RMB’000	Total RMB’000
Cost:				
At January 1, 2023	87,665	62,054	18,565	168,284
Additions	32,545	21,267	1,311	55,123
Disposals	(12,046)	(11,921)	(115)	(24,082)
At December 31, 2023	108,164	71,400	19,761	199,325
Additions	37,910	8,167	3,224	49,301
Lease modification	(2,437)	–	–	(2,437)
Disposals	(24,819)	(3,052)	(319)	(28,190)
At December 31, 2024	118,818	76,515	22,666	217,999
Additions	46,050	11,236	4,199	61,485
Lease modification	520	–	–	520
Disposals	(44,510)	(6,224)	(733)	(51,467)
At December 31, 2025	120,878	81,527	26,132	228,537
Accumulated depreciation:				
At January 1, 2023	–	(60,402)	(17,017)	(77,419)
Charge for the year	(33,280)	(12,339)	(558)	(46,177)
Written back on disposals	2,784	11,921	53	14,758
At December 31, 2023	(30,496)	(60,820)	(17,522)	(108,838)
Charge for the year	(39,463)	(7,238)	(992)	(47,693)
Written back on disposals	13,897	3,049	73	17,019

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	Right-of-use assets	Leasehold improvement	Electric and other equipment	Total
	(Note (i)) RMB'000	RMB'000	RMB'000	RMB'000
At December 31, 2024	(56,062)	(65,009)	(18,441)	(139,512)
Charge for the year	(35,899)	(9,600)	(1,865)	(47,364)
Written back on disposals	28,374	6,224	499	35,097
At December 31, 2025	(63,587)	(68,385)	(19,807)	(151,779)
Net book value:				
At December 31, 2023	77,668	10,580	2,239	90,487
At December 31, 2024	62,756	11,506	4,225	78,487
At December 31, 2025	57,291	13,142	6,325	76,758

Note:

- (i) The Group leases properties for its sales centers and headquarters. The leases of sales centers and headquarters typically run for a period of two to nine years.

The analysis of expense items in relation to leases recognized in profit or loss is as follows:

	Years ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Depreciation charge of right-of-use assets	33,280	39,463	35,899
Short-term leases not included in the measurement of lease liabilities	8,976	13,298	14,678
Interest expenses on lease liabilities	3,186	4,054	2,668
	45,442	56,815	53,245

The analysis of cashflow and maturity analysis of lease liabilities in relation to leases are set out in Note 17(d) and Note 21, respectively.

12 OTHER NON-CURRENT ASSETS

	Automobile Model Database	Traffic Support Services	Non-compete Undertakings	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Cost:				
At January 1, 2023	1,080,400	388,921	200,331	1,669,652
Additions	—	254,027	—	254,027
Foreign currency translations differences	18,321	7,893	3,397	29,611
At December 31, 2023	1,098,721	650,841	203,728	1,953,290
Foreign currency translations differences	16,397	9,713	3,040	29,150
At December 31, 2024	1,115,118	660,554	206,768	1,982,440
Foreign currency translations differences	(24,758)	(14,666)	(4,591)	(44,015)
At December 31, 2025	1,090,360	645,888	202,177	1,938,425
Accumulated amortization:				
At January 1, 2023	(241,992)	(346,738)	(44,871)	(633,601)
Charge for the year	(54,555)	(91,134)	(10,237)	(155,926)
Foreign currency translations differences	(4,383)	(6,097)	(813)	(11,293)
At December 31, 2023	(300,930)	(443,969)	(55,921)	(800,820)
Charge for the year	(55,211)	(72,893)	(10,237)	(138,341)
Foreign currency translations differences	(5,037)	(6,631)	(934)	(12,602)
At December 31, 2024	(361,178)	(523,493)	(67,092)	(951,763)
Charge for the year	(55,439)	(50,205)	(10,237)	(115,881)
Foreign currency translations differences	8,906	10,694	1,651	21,251
At December 31, 2025	(407,711)	(563,004)	(75,678)	(1,046,393)

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	Automobile Model Database	Traffic Support Services	Non-compete Undertakings	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Net book value:				
At December 31, 2023	797,791	206,872	147,807	1,152,470
At December 31, 2024	753,940	137,061	139,676	1,030,677
At December 31, 2025	682,649	82,884	126,499	892,032

The amortization charge for the Track Record Period included in the consolidated statements of profit or loss and other comprehensive income is allocated to the following expense items:

	Years ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cost of revenues	43,270	44,595	30,687
Selling and marketing expenses	102,419	83,509	74,957
General and administrative expenses	10,237	10,237	10,237
	155,926	138,341	115,881

13 INTERESTS IN SUBSIDIARIES

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Investment in subsidiaries, at cost	2,148,819	2,308,819	2,531,027
Amounts due from subsidiaries, including former VIEs	113,872	127,432	125,232
	2,262,691	2,436,251	2,656,259

Note:

Amounts due from subsidiaries, including former VIEs are unsecured, interest-free and have no fixed terms of repayment. The directors regard the amounts as non-current as they do not intend to request repayment of the amounts within twelve months from the end of each reporting period.

14 INVENTORIES

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Vehicles	669,938	806,754	881,798
	669,938	806,754	881,798

The analysis of the amount of inventories recognized as cost of revenues and included in profit or loss is as follows:

	Years ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Carrying amount of inventories sold	3,520,524	4,120,121	5,119,488
Write down of inventories	72,707	42,916	49,940
	3,593,231	4,163,037	5,169,428

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15 CONTRACT LIABILITIES

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Contract liabilities			
– Billings in advance of performance	4,461	4,781	3,289
– Billings in advance of goods transferred	123,268	153,727	99,360
	<u>127,729</u>	<u>158,508</u>	<u>102,649</u>

The movements in contract liabilities for the Track Record Period were as follows:

	Years ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Balance at January 1	48,623	127,729	158,508
Decrease in contract liabilities as a result of recognizing revenue during the year that was included in the contract liabilities at the beginning of the year	(48,623)	(127,729)	(158,508)
Increase in contract liabilities as a result of receipts in advance	127,729	158,508	102,649
Balance at December 31	<u>127,729</u>	<u>158,508</u>	<u>102,649</u>

All of the contract liabilities are expected to be recognized as revenue within one year.

16 TRADE AND OTHER RECEIVABLES, AND PREPAYMENTS

(a) Trade receivables

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade receivables	359,866	284,178	91,132
Less: loss allowance	(3,614)	(3,334)	(964)
	<u>356,252</u>	<u>280,844</u>	<u>90,168</u>

All the trade receivables are expected to be recovered within one year.

Aging analysis

As of the end of each reporting period, the aging analysis of trade receivables, based on the invoice date, is as follows:

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 1 year	358,081	282,763	89,805
More than 1 year	1,785	1,415	1,327
	<u>359,866</u>	<u>284,178</u>	<u>91,132</u>

Further details on the Group’s credit policy and credit risk arising from trade receivables are set out in Note 27(a).

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(b) Prepayments and other receivables

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Prepayment for vehicle purchase	81,022	183,390	255,991
Rental and other deposits	30,970	40,936	113,957
Prepayment for advertising and marketing fees	86,014	71,416	74,353
Receivables from default payments	–	10,998	53,987
Deductible input value-added tax (“VAT”)	47,184	23,509	47,168
Others	18,383	39,270	13,056
Less: loss allowance	(259)	(9,085)	(44,120)
Prepayments and other receivables	263,314	360,434	514,392

Almost all the prepayments and other receivables are expected to be recovered or recognized as expenses within one year.

17 CASH, CASH EQUIVALENTS AND RESTRICTED CASH

(a) Cash and cash equivalents comprise:

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cash at bank and cash on hand	208,153	187,512	244,350
Less: restricted cash (<i>Note 17(b)</i>)	(104,846)	(106,093)	(8,851)
Cash and cash equivalents	103,307	81,419	235,499

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cash at bank	21,823	11,002	9,564

(b) Restricted cash

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Pledged deposits (<i>Note (i)</i>)	6,000	79,072	–
Deposits for letters of credit and bills payable	98,846	27,021	8,851
	104,846	106,093	8,851

Note:

- (i) Pledged deposits represent an amount of cash deposited with banks in conjunction with borrowings from banks, which was pledged as collateral for the short-term bank borrowings. Restriction on the use of such cash and the interest earned thereon is imposed by the banks and remains effective throughout the terms of the bank borrowings.

(c) Reconciliation of liabilities arising from financing activities

The tables below detail changes in the Group’s liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group’s consolidated cash flow statements as cash flows from financing activities.

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	Borrowings	Lease liabilities	Redemption liabilities	Convertible notes	Total
	RMB'000 (Note 20)	RMB'000 (Note 21)	RMB'000 (Note 23)	RMB'000 (Note 24)	RMB'000
At January 1, 2023	234,568	83,549	1,851,980	1,720,532	3,890,629
Changes from financing cash flows:					
Proceeds from borrowings	1,762,539	—	—	—	1,762,539
Repayment of borrowings	(1,306,090)	—	—	—	(1,306,090)
Payment of Interest of borrowings	(16,824)	—	—	—	(16,824)
Proceeds from issuance of convertible redeemable preferred shares	—	—	19,796	—	19,796
Proceeds from issuance of convertible notes	—	—	—	186,467	186,467
Capital element of lease rentals paid	—	(35,708)	—	—	(35,708)
Interest element of lease rentals paid	—	(3,186)	—	—	(3,186)
Total changes from financing cash flows	439,625	(38,894)	19,796	186,467	606,994
Other changes:					
Capitalization of new leases	—	32,456	—	—	32,456
Termination of lease contracts	—	(9,516)	—	—	(9,516)
Interest expense	20,237	3,186	—	—	23,423
Accrued financial charges of convertible notes	—	—	—	48,327	48,327
Changes in fair value on the derivative components of convertible notes	—	—	—	229,520	229,520
Changes in the carrying amount of redemption liabilities	—	—	174,989	—	174,989
Increase due to issuance of convertible redeemable preferred shares	—	—	254,028	—	254,028
Exchange adjustment	—	—	23,852	32,920	56,772
	20,237	26,126	452,869	310,767	809,999
At December 31, 2023	694,430	70,781	2,324,645	2,217,766	5,307,622

	Borrowings	Lease liabilities	Redemption liabilities	Convertible notes	Total
	RMB'000 (Note 20)	RMB'000 (Note 21)	RMB'000 (Note 23)	RMB'000 (Note 24)	RMB'000
At January 1, 2024	694,430	70,781	2,324,645	2,217,766	5,307,622
Changes from financing cash flows:					
Proceeds from borrowings	1,866,945	—	—	—	1,866,945
Repayment of borrowings	(1,885,241)	—	—	—	(1,885,241)
Payment of Interest of borrowings	(28,347)	—	—	—	(28,347)
Capital element of lease rentals paid	—	(40,371)	—	—	(40,371)
Interest element of lease rentals paid	—	(4,054)	—	—	(4,054)
Total changes from financing cash flows	(46,643)	(44,425)	—	—	(91,068)

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	Borrowings	Lease liabilities	Redemption liabilities	Convertible notes	Total
	RMB'000 (Note 20)	RMB'000 (Note 21)	RMB'000 (Note 23)	RMB'000 (Note 24)	RMB'000
Other changes:					
Capitalization of new leases	—	37,520	—	—	37,520
Termination of lease contracts and lease modification	—	(13,261)	—	—	(13,261)
Interest expense	28,880	4,054	—	—	32,934
Accrued financial charges of convertible notes	—	—	—	56,711	56,711
Changes in fair value on the derivative components of convertible notes	—	—	—	120,616	120,616
Changes in the carrying amount of redemption liabilities	—	—	202,662	—	202,662
Exchange adjustment	—	—	27,316	34,847	62,163
	<u>28,880</u>	<u>28,313</u>	<u>229,978</u>	<u>212,174</u>	<u>499,345</u>
At December 31, 2024	<u>676,667</u>	<u>54,669</u>	<u>2,554,623</u>	<u>2,429,940</u>	<u>5,715,899</u>
	Borrowings	Lease liabilities	Redemption liabilities	Convertible notes	Total
	RMB'000 (Note 20)	RMB'000 (Note 21)	RMB'000 (Note 23)	RMB'000 (Note 24)	RMB'000
At January 1, 2025	<u>676,667</u>	<u>54,669</u>	<u>2,554,623</u>	<u>2,429,940</u>	<u>5,715,899</u>
Changes from financing cash flows:					
Proceeds from borrowings	2,635,355	—	—	—	2,635,355
Repayment of borrowings	(2,423,520)	—	—	—	(2,423,520)
Payment of Interest of borrowings . .	(37,625)	—	—	—	(37,625)
Capital element of lease rentals paid	—	(34,863)	—	—	(34,863)
Interest element of lease rentals paid	—	(2,668)	—	—	(2,668)
Total changes from financing cash flows	<u>174,210</u>	<u>(37,531)</u>	<u>—</u>	<u>—</u>	<u>136,679</u>
Other changes:					
Capitalization of new leases	—	45,862	—	—	45,862
Termination of lease contracts and lease modification	—	(14,962)	—	—	(14,962)
Interest expense	35,466	2,668	—	—	38,134
Accrued financial charges of convertible notes	—	—	—	64,688	64,688
Changes in fair value on the derivative components of convertible notes	—	—	—	285,560	285,560
Changes in the carrying amount of redemption liabilities	—	—	219,019	—	219,019
Exchange adjustment	—	—	(45,447)	(59,547)	(104,994)
	<u>35,466</u>	<u>33,568</u>	<u>173,572</u>	<u>290,701</u>	<u>533,307</u>
At December 31, 2025	<u>886,343</u>	<u>50,706</u>	<u>2,728,195</u>	<u>2,720,641</u>	<u>6,385,885</u>

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(d) Total cash outflow for leases

Amounts included in the consolidated cash flow statements for leases represent lease rental paid and comprise the following:

	Years ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within operating cash flows	8,976	13,298	14,678
Within financing cash flows	38,894	44,425	37,531
Total lease rentals paid	47,870	57,723	52,209

18 TRADE AND BILLS PAYABLES

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Bills payable	84,928	111,172	100,000
Payables for vehicle purchase	44,834	98,325	33,903
Payables for software purchase	52,100	52,100	52,100
	181,862	261,597	186,003

All the trade and bills payables are expected to be settled or recognized as income within one year or are repayable on demand.

Aging analysis

As of the end of each reporting period, the aging analysis of trade and bills payables, based on the invoice date, is as follows:

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 1 year	129,558	207,102	133,796
More than 1 year	52,304	54,495	52,207
	181,862	261,597	186,003

19 ACCRUALS AND OTHER PAYABLES

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Accrued payroll and welfare	61,995	72,490	60,103
Deposits received	13,230	36,308	84,722
Others	4,643	17,443	30,943
Financial liabilities measured at amortized cost	79,868	126,241	175,768
VAT and other tax payables	8,355	12,289	4,923
Others	30,431	29,218	64,370
Tax payable and others	38,786	41,507	69,293
Accruals and other payables	118,654	167,748	245,061

All the accruals and other payables are expected to be settled or recognized as income within one year or are repayable on demand.

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20 BORROWINGS

As of the end of each reporting period, borrowings are as follows:

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current			
Bank loans			
– Guaranteed loans (<i>Note 20(i)</i>)	118,327	255,164	422,519
– Pledged loans (<i>Note 20(ii)</i>)	6,000	71,000	–
Loans from third-parties (<i>Note 20(iii)</i>)	515,344	306,003	394,324
	<u>639,671</u>	<u>632,167</u>	<u>816,843</u>
Non-Current			
Loans from third parties (<i>Note 20(iii)</i>)	<u>54,759</u>	<u>44,500</u>	<u>69,500</u>

As of the end of each reporting period, borrowings were repayable as follows:

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 1 year	639,671	632,167	816,843
Over 1 year but within 2 years	10,259	–	44,500
Over 2 years but within 5 years	44,500	44,500	25,000
Total	<u>694,430</u>	<u>676,667</u>	<u>886,343</u>

(i) Guaranteed loans

In 2023, 2024 and 2025, Haoche Kuku Tianjin, Taoche Technology, Chetaotao entered into certain line-of-credit agreements with commercial banks in Chinese mainland with terms varying from one year to three years with interest rates from 2.35% to 4.2% per annum. As at December 31, 2023, 2024 and 2025, total outstanding balance of the loans under the line-of-credit was RMB23,783,000, RMB90,000,000 and RMB250,500,000 respectively.

In addition, the Group entered into certain short-term loan agreements with commercial banks in Chinese mainland with interest rates from 1.55% to 6.0% per annum. As at December 31, 2023, 2024 and 2025, total outstanding balances of the loans was RMB94,544,000, RMB165,164,000 and RMB172,019,000 respectively.

Mr. Jiang Dong, the founder and a board member of the Company, Taoche Technology, Haoche Kuku Tianjin, Chetaotao, Beijing Daxing Development Rongda Financing Guarantee Co., Ltd. and Beijing Zhongguancun Technology Financing Guarantee Co., Ltd provided joint liability guaranties for these loans.

(ii) Pledged loans

In December 2023, Taoche Technology entered into a one-year borrowing of RMB6,000,000 with one commercial bank in Chinese mainland, bearing an interest rate of 3.3% per annum. The borrowing was pledged by the bank deposit in the amount of RMB6,000,000.

In September 2024, Haoche Kuku Tianjin entered into a one-year borrowing of RMB71,000,000 with one commercial bank in Chinese mainland, bearing an interest rate of 3.4% per annum. The borrowing was pledged by the bank deposit in the amount of USD11,000,000 (equivalent to RMB79,072,000).

As at December 31, 2023 and 2024, total outstanding balance of the loans were RMB6,000,000 and RMB71,000,000, respectively. Total outstanding balances of restricted cash were equivalent to RMB6,000,000 and RMB79,072,000, respectively.

(iii) Loans from third parties

Loans from third parties were mainly for the vehicle purchase with interest rates varying from 3.5% to 9.6% per annum and terms varying from 3 months to 4 years.

Further details of the Group’s management of liquidity risk are set out in Note 27(b).

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21 LEASE LIABILITIES

The following table shows the maturity analysis of the carrying amount of Group’s lease liabilities as at the end of each reporting period.

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Within 1 year	35,310	29,393	25,034
After 1 year but within 2 years	22,702	17,947	16,227
After 2 years but within 5 years	12,769	7,329	9,445
	<u>35,471</u>	<u>25,276</u>	<u>25,672</u>
	<u>70,781</u>	<u>54,669</u>	<u>50,706</u>

22 GUARANTEE LIABILITIES

	Years ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
As at January 1	–	13,590	74,743
Addition arising from new contracts	13,172	68,305	72,095
Revenue from guarantee services	(394)	(10,176)	(30,875)
Provision for credit loss	812	12,064	34,934
Guarantee release	–	(9,040)	(39,214)
As at December 31	<u>13,590</u>	<u>74,743</u>	<u>111,683</u>

As at December 31, 2025, the remaining terms of the guarantee are all within one to five years.

23 REDEMPTION LIABILITIES

The Group

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Put option liabilities (<i>Note (a)</i>)	605,000	640,095	675,095
Convertible redeemable preferred shares (<i>Note (b)</i>)	1,719,645	1,914,528	2,053,100
	<u>2,324,645</u>	<u>2,554,623</u>	<u>2,728,195</u>

The Company

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Convertible redeemable preferred shares (<i>Note (b)</i>)	1,719,645	1,914,528	2,053,100
	<u>1,719,645</u>	<u>1,914,528</u>	<u>2,053,100</u>

(a) Put option liabilities

In December 2020, Chetaotao and Yusheng Holdings Hong Kong Limited, both of which are the Company’s subsidiaries, entered into an agreement with an investor (“Investor A”). Pursuant to the agreement, Investor A injected RMB500 million into Chetaotao, in exchange for 10% equity interest of Chetaotao. Investor A has the right to require Chetaotao to repurchase all or part of its equity interests in Chetaotao at initial investment amount plus a simple interest of 7% per annum, if Chetaotao cannot complete an [REDACTED] by a pre-determined date.

In March 2026, the Company issued a warrant to Investor A at nil consideration, pursuant to which, Investor A is entitled to the right to convert all its equity interests in Chetaotao into 3,429,753 Series B convertible redeemable preferred shares of the Company. Investor A exercised the warrant concurrently at USD22.32 per share.

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The movement of put option liabilities during the Track Record Period are set out below:

	Years ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
As at January 1	570,000	605,000	640,095
Changes in the carrying amount	35,000	35,095	35,000
As at December 31	605,000	640,095	675,095

(b) Convertible redeemable preferred shares

All series of convertible redeemable preferred shares have the same par value of USD0.0001 per share. The redemption and other preferential rights of the convertible redeemable preferred shares are set forth below.

Redemption Rights

The Company is obliged to redeem all or part of the outstanding issued preferred shares, at any time after the occurrence of specified contingent redemption events, including but not limited to that the Company has not completed an [REDACTED] as at December 31, 2027.

The redemption amount payable for each preferred shares upon the occurrence of any of the specified contingent events, will be an amount equal to 100% of the preferred shares’ original issue price, plus all accrued but unpaid dividends thereon up to the date of redemption and compound interest on the original issue price at the rate of 10% per annum for Series A convertible redeemable preferred shares and Series B convertible redeemable preferred shares, or simple interest on the original issue price at the rate of 8% per annum for Series C convertible redeemable preferred shares.

Conversion Rights

Each preferred share shall be convertible, at the option of the holder, at any time after the date of issuance of such preferred shares, without the payment of any additional consideration, into fully-paid ordinary shares according to a conversion ratio of 1:1 based on the original issuance price, subject to adjustments for dilution, including but not limited to issuing new shares below the original subscription price per share paid by the holders.

All the outstanding preferred shares shall be converted into ordinary shares, at the applicable then-effective conversion price upon either of (a) the closing of an [REDACTED], or (b) the date or the occurrence of an event, specified by vote or written consent or agreement of the majority or all corresponding preferred shares holders.

Voting Rights

The holders of convertible redeemable preferred shares shall be entitled to vote on all matters on which the holders of ordinary shares shall be entitled to vote on an ‘as-converted’ basis, except for that the Series A-2 convertible redeemable preferred shares and Series C-2 convertible redeemable preferred shares confer no right to vote.

Dividend Rights

The holders of preferred shares are entitled to receive dividends at a simple rate of 8% of the original issue price per annum for each preferred share held by such holder, payable out of funds or assets when and as such funds or assets become legally available. Such dividends shall be payable only if declared by the Board of Directors and they are non-cumulative. The dividends shall be paid in the sequence of (i) Series C; (ii) Series B and (iii) Series A. After the dividends have been paid in full or declared to the holders of preferred shares, the holders of the preferred shares and the ordinary shares shall be entitled to receive on a pro rata, as-converted basis any additional dividends that the Board of Directors may declare, set aside or pay.

Presentation and classification

The Group recognized the financial liabilities arising from the redemption obligations for the convertible redeemable preferred shares at the present value of the redemption amounts, with the changes in the carrying amount recorded in profit or loss. The movements of these financial liabilities during the Track Record Period are set out as below:

	RMB'000
As at January 1, 2023	1,281,980
Issuance of new convertible redeemable preferred shares	273,824
Changes in the carrying amount	139,989
Foreign exchange effect	23,852
As at December 31, 2023	1,719,645
Changes in the carrying amount	167,567
Foreign exchange effect	27,316
As at December 31, 2024	1,914,528
Changes in the carrying amount	184,019
Foreign exchange effect	(45,447)
As at December 31, 2025	2,053,100

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24 CONVERTIBLE NOTES

Yixin Convertible Notes

The Company and Yixin entered into several convertible note purchase agreements in 2018, 2019, 2020 and 2023, pursuant to which the Company issued interest free convertible notes (the “Yixin Convertible Notes”) with maturity period of 20 years and are convertible into convertible redeemable preferred shares at a predetermined price. Among which, the aggregate consideration of convertible note issued in 2018 consists of a cash payment of USD21.0 million and the Services Agreements (Note 2(i)). The consideration of convertible notes issued in 2019, 2020 and 2023 are in cash payments.

Investor B Convertible Notes

In June 2023, the Company, through one of its subsidiaries, entered into a convertible note purchase agreement with an investor (“Investor B”), pursuant to which Investor B subscribed for the interest free convertible notes (the “Investor B Convertible Notes”) with maturity period of 20 years and are convertible into convertible redeemable preferred shares at a predetermined conversion price.

The movement of convertible notes during the Track Record Period is set out as below:

	Liability components	Derivative components	Total
	RMB’000	RMB’000	RMB’000
As at January 1, 2023	337,575	1,382,957	1,720,532
Issuance of convertible notes	6,030	180,437	186,467
Accrued financial charges for the year	48,327	–	48,327
Fair value changes on the derivative components	–	229,520	229,520
Foreign exchange effect	11,374	21,546	32,920
As at December 31, 2023	403,306	1,814,460	2,217,766
Accrued financial charges for the year	56,711	–	56,711
Fair value changes on the derivative components	–	120,616	120,616
Foreign exchange effect	6,579	28,268	34,847
As at December 31, 2024	466,596	1,963,344	2,429,940
Accrued financial charges for the year	64,688	–	64,688
Fair value changes on the derivative components	–	285,560	285,560
Foreign exchange effect	(11,394)	(48,153)	(59,547)
As at December 31, 2025	519,890	2,200,751	2,720,641

The Group has engaged an independent valuation firm to evaluate the fair value of the derivative components of convertible notes as at each reporting date, utilizing the binomial option-pricing model with the following assumptions:

	As at December 31,		
	2023	2024	2025
Expected volatility	45.49%-60.51%	47.32%-58.72%	47.92%-57.86%
Risk-free interest rate (per annum)	4.21%-4.43%	5.01%-5.10%	4.64%-5.01%
Expected dividend yield	–	–	–
Contractual term	20 years	20 years	20 years

The risk-free interest rate was based on the U.S. Treasury rate for the expected remaining life of the convertible notes. The expected volatility was estimated based on the historical volatility of comparable peer public companies with a time horizon close to the expected term of the Company’s convertible notes. Expected dividend yield is zero as the Company does not anticipate any dividend payments in the foreseeable future.

25 EQUITY-SETTLED SHARE-BASED TRANSACTIONS

In August 2025, the Board of Directors of the Company approved a share incentive plan, under which the Company reserved 8,697,917 ordinary shares to grant share options, RSUs or restricted shares to officers, directors, employees and non-employees of the Group.

(a) Share options

Share options granted under the share incentive plan are performance-based, generally subject to a varying time-based requirement of up to four-year service schedule.

For the year ended December 31, 2025, the Company granted 170,399 share options under the share option plan with exercise prices which is USD0.0001. All the share options granted have a contractual term of ten years. No share options were exercised or forfeited for the year ended December 31, 2025.

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The weighted-average fair value of granted share options was USD13.85 per share for the year ended December 31, 2025. The aggregated fair value of the share options at the grant date for the year ended December 31, 2025 were USD2.4 million (equivalent to RMB16.8 million). The share-based payment expenses of share options recognized in the consolidated statements of profit or loss and other comprehensive income for the year ended December 31, 2025 were USD0.9 million (equivalent to RMB6.1 million). The share options outstanding as at December 31, 2025 had weighted average remaining contractual life of 9.98 years.

Fair value of share options and assumptions

The fair value of share options granted was measured by reference to the fair value of the Company’s equity interest. The Group had used the discounted cash flow method to determine the underlying equity fair value of the Company. The estimation of the share options granted was measured based on a binominal options pricing model. The key assumptions used in determining the fair value of share options were as follows:

	Year ended December 31,
	2025
Fair value of share options and assumptions	
Fair value of the underlying shares	USD13.85
Expected volatility	52.53%
Risk-free interest rate	4.54%
Exercise multiple	2.8
Expected dividends yield	–
Expected term	10 years

The expected volatility was referenced to the average of daily historical share price volatility of comparable companies operating in similar industry of the Company. The risk-free interest rate was estimated based on the yield to maturity of U.S. treasury bonds denominated in USD for a term consistent with the expected term of the Company’s options in effect at the measurement date. The expected exercise multiple was estimated by referencing to a widely accepted academic research publication. Expected dividend yield is zero as the Company has never declared or paid any cash dividends on its shares, and the Company does not anticipate any dividend payments in the foreseeable future. The expected term is the contract life of the option.

(b) RSUs

In August 2025, 957,427 RSUs were granted by the Company under the share incentive plan to certain officers with a service period up to two years and a requirement of the closing of an [REDACTED] of the Company. No cash consideration is required from the grantees in connection with the grant of RSUs. The weighted-average fair value of granted RSUs was USD13.85 per share for the year ended December 31, 2025. The aggregated fair value of the RSUs at the grant date for the year ended December 31, 2025 was USD13.3 million (equivalent to RMB94.6 million).

(c) Restricted ordinary shares

In August 2025, 5,268,007 restricted ordinary shares were granted by the Company to certain officers, directors and non-employees, among which, 1,366,287 restricted ordinary shares were granted to certain consultants and directors and immediately vested on the grant day, and the remaining 3,901,720 restricted ordinary shares were granted to certain officers with a service period up to two years and a requirement of the closing of an [REDACTED] of the Company. The weighted-average fair value of granted restricted ordinary shares was USD13.85 per share for the year ended December 31, 2025. The aggregated grant-date fair value of the restricted ordinary shares granted during for the year ended December 31, 2025 was USD72.9 million (equivalent to RMB520.5 million). The share-based payment expenses of restricted ordinary shares recognized in the consolidated statements of profit or loss and other comprehensive income for the year ended December 31, 2025 were USD18.9 million (equivalent to RMB135.1 million).

For the RSUs and restricted ordinary shares with a requirement of the closing of an [REDACTED] of the Company, the completion of the Company’s [REDACTED] was considered a non-market performance condition before the Company completed its [REDACTED]. Service and non-market performance conditions are not taken into account when determining the grant date fair value of share options, RSUs or restricted ordinary shares, but the likelihood of the conditions being met is assessed as part of the Group’s best estimate of the number of these share-based awards that will ultimately vest.

That is, before the Company completed its [REDACTED], the actual length of vesting period of these share-based awards is subject to an [REDACTED] condition. The Group considered and recognized the share compensation expenses over the estimated vesting period, which was based on an estimate of when an [REDACTED] would occur.

The Company had determined that completion of an [REDACTED] was not probable as at December 31, 2025, therefore, no compensation expense relating to the share-based awards with a requirement of the closing of an [REDACTED] of the Company was recognized for the year ended December 31, 2025.

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26 CAPITAL AND RESERVES

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group’s consolidated equity during the Track Record Period are set out in the consolidated statements of changes in equity. Details of the changes in the Company’s individual components of equity are set out below:

The Company

	Share capital	Capital reserve	Accumulated losses	Exchange reserve	Share-based payments reserve	Total deficits
	RMB’000 Note 26(a)	RMB’000 Note 26(b)(i)	RMB’000	RMB’000 Note 26(b)(iii)	RMB’000 Note 26(b)(ii)	RMB’000
Balance at January 1, 2023 . . .	6	64,031	(59,636)	(38,383)	–	(33,982)
Changes in equity for 2023:						
Loss for the year	–	–	(418,341)	–	–	(418,341)
Other comprehensive income . . .	–	–	–	(48,111)	–	(48,111)
Balance at December 31, 2023 .	6	64,031	(477,977)	(86,494)	–	(500,434)
Changes in equity for 2024:						
Loss for the year	–	–	(302,393)	–	–	(302,393)
Other comprehensive income . . .	–	–	–	(64,076)	–	(64,076)
Balance at December 31, 2024 .	6	64,031	(780,370)	(150,570)	–	(866,904)
Changes in equity for 2025:						
Loss for the year	–	–	(600,806)	–	–	(600,806)
Other comprehensive income . . .	–	–	–	109,827	–	109,827
Total comprehensive income . .	–	–	(600,806)	109,827	–	(490,979)
Retirement of issued ordinary shares	(1)	1	–	–	–	–
Equity-settled share-based transactions	–	135,004	–	–	6,145	141,149
Balance at December 31, 2025 .	5	199,036	(1,357,861)	(64,058)	6,145	(1,216,734)

(b) Share capital

Authorized:

As at January 1, 2023, the authorized share capital of the Company was USD50,000 divided into 500,000,000 shares of a par value of USD0.0001 each, comprising 459,301,282 ordinary shares and 40,698,718 convertible redeemable preferred shares.

In June 2023, the Board of Directors approved the reorganization of the authorized share capital of the Company, comprising 475,779,866 ordinary shares and 24,220,134 convertible redeemable preferred shares.

In March 2024, the Board of Directors approved the reorganization of the authorized share capital of the Company, comprising 475,782,748 ordinary shares and 24,217,252 convertible redeemable preferred shares.

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Issued:

As at January 1, 2023, December 31, 2023 and 2024, 8,463,542 ordinary shares were issued to the equity shareholders of the Company, among which, 7,994,792 ordinary shares were treasury shares for the employee incentive scheme.

In August 2025, 1,366,287 ordinary shares were granted to consultants and directors of the Company without any service or performance conditions (see Note 25), and 4,859,147 ordinary shares were granted to directors and officers of the Company with service and performance conditions (see Note 25). The remaining 1,769,358 treasury shares were retired.

(c) **Nature and purpose of reserves**

(i) *Capital reserve*

The capital reserve mainly comprises the differences between the net considerations received and the nominal amount of share capital issued by the Company.

(ii) *Share-based payments reserve*

The share-based payments reserve represents the portion the grant date fair value of share-based awards granted to employees, executives and non-employees of the Group that has been recognized in accordance with the accounting policy adopted for share-based payments in Note 2(v)(ii).

(iii) *Exchange reserve*

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of the Company and its foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Notes 2(z).

(d) **Dividends**

No dividends were declared or paid to the equity shareholders of the Company during the Track Record Period.

(e) **Capital management**

The Group’s primary objectives when managing capital are to safeguard the Group’s ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other shareholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

27 **FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS**

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group’s business.

The Group’s exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) **Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group’s credit risk is primarily attributable to trade receivables, receivables from default payments, deposits and other receivables included in prepayments and other receivables and guarantee liabilities. The Group’s exposure to credit risk arising from cash, cash equivalents and restricted cash is limited because the counterparties are banks with high credit rating, for which the Group considers to have low credit risks.

Except for the financial guarantees given by the Group as set out in Note 22, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of each reporting period is disclosed in Note 22.

Trade receivables

The Group has established a credit risk management policy under which individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer’s past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within a period of 60 days from the date of billing. Normally, the Group does not obtain collateral from customers.

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The Group has no significant concentration of credit risk in industries or countries in which the customers operate. Significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at December 31, 2023, 2024 and 2025, 41.6%, 69.4% and 42.5% of the total trade receivables were due from the Group’s largest debtor, 79.3%, 85.4% and 77.7% of the total trade receivables were due from the Group’s five largest debtors, respectively.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group’s historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group’s different customer bases.

The following table provides information about the Group’s exposure to credit risk and ECLs for trade receivables:

As at December 31, 2023			
	Gross carrying amount	Weighted average expected loss rates	ECLs
	RMB’000		RMB’000
Within 1 year	358,081	1%	3,545
More than 1 year	1,785	4%	69
	<u>359,866</u>		<u>3,614</u>
As at December 31, 2024			
	Gross carrying amount	Weighted average expected loss rates	ECLs
	RMB’000		RMB’000
Within 1 year	282,763	1.2%	3,263
More than 1 years	1,415	5%	71
	<u>284,178</u>		<u>3,334</u>
As at December 31, 2025			
	Gross carrying amount	Weighted average expected loss rates	ECLs
	RMB’000		RMB’000
Within 1 year	89,805	1%	898
More than 1 years	1,327	5%	66
	<u>91,132</u>		<u>964</u>

Expected loss rates are based on actual loss experience over the past recent years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group’s view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of trade receivables during the Track Record Period is as follows:

Years ended December 31,			
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
As at January 1	2,386	3,614	3,334
Credit loss recognized/(reversed)	1,228	(280)	(2,370)
As at December 31	<u>3,614</u>	<u>3,334</u>	<u>964</u>

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Receivables from default payments and guarantee liabilities

All of the Group’s receivables from default payments are assessed to be credit-impaired financial assets and measured at lifetime ECLs. As at December 31, 2024 and 2025, the loss allowance rate of receivables from default payments was 79% and 81%, respectively.

As of the end of each reporting period, the aging analysis of receivables from default payments, based on the guaranteed repurchase date, is as follows:

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Within 1 year	–	10,998	51,103
More than 1 year	–	–	2,884
	–	<u>10,998</u>	<u>53,987</u>
	–	–	–

The movement of allowance for credit losses in respect of receivables from default payments and guarantee liabilities for the Track Record Period was as follows:

	Years ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
At the beginning of year	–	–	8,729
Release from guarantee liabilities	–	9,040	39,214
Provision for credit losses	3,905	3,612	14,487
Write-off	(3,905)	(3,923)	(18,846)
At the end of year	–	8,729	43,584

Other receivables excluding receivables from default payments and guarantee liabilities

In determining the ECL for other receivables, the management has taken into account the historical default experience and forward-looking information, as appropriate. The management has assessed that no debtors of other receivables had a significant increase in credit risk since initial recognition and risk of default is insignificant.

Credit risk arising from referral service with guarantee

The Group has taken measures to identify credit risks arising from referral service with guarantee. The Group manages credit risk through pre-approval, internal review and regular cash flow follow-up supervision processes. Expected credit loss provisions of related risk assurance liabilities are modelled on a collective basis. A grouping of exposures is performed on the basis of shared risk characteristics, such that the risk exposures within a group are homogeneous. The Group determines groupings by third-party auto financing service providers.

During the cash flow follow-up supervision process, the third-party auto financing service providers conduct on-site inspections and monitoring and the Group maintains continuous regular reviews, focusing on various aspects to detect potential risks. The Group takes proactive preventive actions based on the risk analysis and design contingency plans accordingly.

When a certain number of clients undertake the same business activities, stay in the same geographical locations, or bear similar economic features for their industries, their ability to fulfill contracts will be affected by the same economic changes. Concentration of credit risk reflects the sensitivity of the Group’s operating results to specific industries or geographical locations. As the Group mainly operates its businesses in the PRC, there exists a certain level of geographical concentration risk for its guarantee service in that it might be affected by changes in the PRC economic conditions. Since April 2026, the Group has ceased providing new guarantees.

The guarantee issued and outstanding are analyzed as follows:

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Financing guarantees	224,899	1,225,163	1,939,667
Less: customer pledged deposits	(2,503)	(17,841)	(62,776)
Net guarantee exposure	222,396	1,207,322	1,876,891

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(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses, participation in supplier finance arrangements with banks and the raising of loans to cover expected cash demands, subject to approval by the Company’s Board of Directors when the borrowings exceed certain predetermined levels of authority.

The Group’s policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities of the Group’s non-derivative financial liabilities as at December 31, 2023, 2024 and 2025, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of each reporting period) and the date the Group is contractually required to pay, or if the counterparty has the choice of when the amount should be paid (irrespective of the fulfilment of covenants), the earliest date the Group can be required to pay.

As at December 31, 2023						
Contractual undiscounted cash flow						
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Over 5 years	Total	Carrying amount
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Borrowings	642,149	10,259	44,500	–	696,908	694,430
Trade and bills payables	181,862	–	–	–	181,862	181,862
Accruals and other payables	48,304	–	–	–	48,304	48,304
Lease liabilities	36,854	23,694	12,877	–	73,425	70,781
Put option liabilities	605,000	–	–	–	605,000	605,000
Convertible notes-liability components	–	–	–	2,411,051	2,411,051	403,306
Total financial liabilities that are settled by delivering cash or another financial asset	1,514,169	33,953	57,377	2,411,051	4,016,550	2,003,683

As at December 31, 2024						
Contractual undiscounted cash flow						
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Over 5 years	Total	Carrying amount
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Borrowings	638,418	–	44,500	–	682,918	676,667
Trade and bills payables	261,597	–	–	–	261,597	261,597
Accruals and other payables	82,969	–	–	–	82,969	82,969
Lease liabilities	31,051	18,297	7,828	–	57,176	54,669
Put option liabilities	640,095	–	–	–	640,095	640,095
Convertible notes-liability components	–	–	–	2,444,346	2,444,346	466,596
Total financial liabilities that are settled by delivering cash or another financial asset	1,654,130	18,297	52,328	2,444,346	4,169,101	2,182,593

As at December 31, 2025						
Contractual undiscounted cash flow						
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Over 5 years	Total	Carrying amount
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Borrowings	824,476	44,500	25,000	–	893,976	886,343
Trade and bills payables	186,003	–	–	–	186,003	186,003
Accruals and other payables	180,035	–	–	–	180,035	180,035
Lease liabilities	25,489	16,925	9,740	–	52,154	50,706
Put option liabilities	675,095	–	–	–	675,095	675,095
Convertible notes-liability components	–	–	–	2,394,072	2,394,072	519,890
Total financial liabilities that are settled by delivering cash or another financial asset	1,891,098	61,425	34,740	2,394,072	4,381,335	2,498,072

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The carrying amounts of the redemption liabilities arising from convertible redeemable preferred shares were RMB1,719,645,000, RMB1,914,528,000 and RMB2,053,100,000 as at the end of each reporting period, respectively. These carrying amounts represented the maximum amounts that the Company could be required to pay upon occurrence of specified contingent events. As some of these triggering events, such as change of control of the Company could happen at any time from the end of each of the Track Record Period, the Group may be required to pay the carrying amounts upon such events. These contingent redemption obligations will automatically expire when the preferred shares are converted into ordinary shares at the closing of an [REDACTED].

(c) Interest rate risk

Interest-bearing financial instruments at fixed rates expose the Group to cash flow interest rate risk and fair value interest risk, respectively. The Group determines the appropriate weightings of the fixed rate interest-bearing instruments based on the current market conditions and performs regular reviews and monitoring to achieve an appropriate mix of fixed rate exposure. The Group does not enter into financial derivatives to hedge interest rate risk.

The following table details the interest rate profile of the Group’s financial assets and liabilities as at the end of each reporting period.

Interest rate risk profile

		As at December 31,					
		2023		2024		2025	
		interest rates		interest rates		interest rates	
		%	RMB’000	%	RMB’000	%	RMB’000
Fixed rate instruments:							
Cash and cash equivalents . . .	1-1.9		103,307	1-1.9	81,419	1-1.9	235,499
Restricted cash	0.2-5.2		104,846	0.02-5	106,093	0.05-1.1	8,851
Borrowings	3.45-9.6		(694,430)	2.4-9.6	(676,667)	2.4-9.6	(886,343)
Lease liabilities	4.90		(70,781)	4.90	(54,669)	3.50	(50,706)
			<u>(557,058)</u>		<u>(543,824)</u>		<u>(692,699)</u>

The Group does not have significant exposure to the risk of changes in market interest rates during the Track Record Period as the Group does not have any significant financial assets and liabilities which are subject to floating interest rate.

(d) Currency risk

The Group is not exposed to significant foreign currency risk since financial assets and liabilities denominated in currencies other than the functional currencies of the Company and its subsidiaries are not significant.

(e) Fair values measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group’s financial instruments measured at the end of each reporting period on a recurring basis, categorized into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*.

The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

The following table presents the Group’s financial assets and liabilities that are measured at fair value at the end of each reporting period:

		As at December 31, 2023			
Recurring fair value measurement		Fair value	Level 1	Level 2	Level 3
		RMB’000	RMB’000	RMB’000	RMB’000
Liabilities					
Derivative components of the convertible notes (Note 24)		1,814,460	–	–	1,814,460

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Recurring fair value measurement	As at December 31, 2024			
	Fair value	Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
Financial assets at FVTPL	10,373	–	–	10,373
Liabilities				
Derivative components of the convertible notes (Note 24)	1,963,344	–	–	1,963,344
Recurring fair value measurement	As at December 31, 2025			
	Fair value	Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
Financial assets at FVTPL	10,472	–	–	10,472
Liabilities				
Derivative components of the convertible notes (Note 24)	2,200,751	–	–	2,200,751

During the Track Record Period, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group’s policy is to recognize transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(ii) **Information about Level 3 fair value measurements**

Financial assets measured at FVTPL

Financial assets measured at FVTPL represent investment in unlisted equity instruments, the fair value of which is determined using the price to book value ratios of comparable listed companies adjusted for lack of marketability discount. Major assumptions used in the valuation for the financial assets were presented as below:

Valuation techniques	Significant unobservable inputs	Range	Weighted average
Unlisted equity securities	Market comparable companies	Discount for lack of marketability	2024: 15% 2025: 19%

The movement of unlisted equity instruments during the Track Record Period is set out as follows:

	Years ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At January 1	–	–	10,373
Payments for purchase	–	10,000	–
Changes in fair value recognized in profit or loss . . .	–	373	99
At December 31	–	10,373	10,472

Quantitative sensitivity analysis on the fair value changes of investment in unlisted equity instruments is set out below. It is estimated that with all other variables held constant, an increase/decrease in the respective parameter would have impacts on profit or loss for the Track Record Period.

	Years ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
10% increase in discount for lack of marketability	–	(1,281)	(1,232)
10% decrease in discount for lack of marketability	–	1,281	1,232

Derivative components of the convertible notes

As disclosed in Note 24, the fair value of derivative components of the convertible notes at the dates of issuance and balance sheet dates were determined by management with the assistance of a valuer using valuation techniques. The Group uses its judgments to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The Group has used discounted cash flow method to determine the business value of the Group, followed by binomial option-pricing models to determine the fair value of convertible notes, which involved the use of significant accounting estimates and judgments.

Major assumptions used in the valuation for the fair value of derivative components of the convertible notes and its movement are presented in Note 24.

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Quantitative sensitivity analysis on the fair value changes of the derivative components of the convertible notes is set out below. It is estimated that with all other variables held constant, an increase/decrease in the respective parameter would have impacts on profit or loss for the Track Record Period.

	Years ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
1% increase in risk-free interest rate	61	(464)	(469)
1% decrease in risk-free interest rate	154	630	340
10% increase in expected volatility	(5,320)	6,712	(7,436)
10% decrease in expected volatility	(755)	1,105	626

(iv) *Fair values of financial assets and liabilities carried at other than fair value.*

The carrying amounts of the Group’s financial instruments carried at cost or amortized cost are not materially different from their fair values as at the end of each reporting period, except for the redemption liabilities and convertible notes, for which their carrying amounts and fair value and the level of fair value hierarchy were disclosed as below:

	Carrying amounts	Fair value	Fair value measurements As at December 31, 2023 categorized into		
			Level 1	Level 2	Level 3
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Redemption liabilities	2,324,645	1,650,362	–	–	1,650,362
Liability components of the convertible notes	403,306	303,150	–	–	303,150

	Carrying amounts	Fair value	Fair value measurements As at December 31, 2024 categorized into		
			Level 1	Level 2	Level 3
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Redemption liabilities	2,554,623	1,810,627	–	–	1,810,627
Liability components of the convertible notes	466,596	353,825	–	–	353,825

	Carrying amounts	Fair value	Fair value measurements As at December 31, 2025 categorized into		
			Level 1	Level 2	Level 3
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Redemption liabilities	2,728,195	1,918,944	–	–	1,918,944
Liability components of the convertible notes	519,890	286,472	–	–	286,472

The fair value of redemption liabilities was determined using the binominal option-pricing model. Assumptions used in the binominal option-pricing model were presented as below:

	As at December 31,		
	2023	2024	2025
Expected volatility	63.81%	59.39%	57.09%
Risk-free interest rate (per annum)	3.95%	4.45%	3.56%
Expected dividend yield	0.0%	0.0%	0.0%
Expected term	4 years	3 years	2 years

The risk-free interest rate was based on the U.S. Treasury rate for the expected remaining life of the redemption liabilities. The expected volatility was estimated based on the historical volatility of comparable peer public companies with a time horizon close to the expected term of the Company’s redemption liabilities. Expected dividend yield is zero as the Company does not anticipate any dividend payments in the foreseeable future. Expected term is the remaining life of the redemption liabilities.

28 COMMITMENTS

The Group did not have any significant capital commitments as at December 31, 2023, 2024 and 2025.

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29 MATERIAL RELATED PARTY TRANSACTIONS

- (a) Name and relationship of the related parties that had material transactions with the Group during the Track Record Period:

Name of related parties	Relationship with the group
Tencent Cloud Computing (Beijing) Co., Ltd. (“Tencent Cloud”)	Subsidiary of a shareholder which has significant influence over the Group
Tenpay Payment Technology Co., Ltd. (“Tenpay”)	Subsidiary of a shareholder which has significant influence over the Group

- (b) Transactions with related parties

	Years ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Purchases of services from:			
Tencent Cloud	3,424	3,806	4,665
Tenpay	64	67	146
	<u>3,538</u>	<u>3,873</u>	<u>4,811</u>

- (c) Balances with related parties

The Group’s balances with related parties as at the end of each reporting period are as follows:

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Trade related:			
Accruals and other payables			
Tencent Cloud	–	–	(742)
	–	–	(742)
	–	–	–

- (d) Key management personnel remuneration

Key management personnel are those persons holding positions with authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including the Company’s directors.

Remuneration for key management personnel of the Group, including amounts paid to the Company’s directors as disclosed in Note 8 and certain of the highest paid employees as disclosed in Note 9, is as follows:

	Years ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Salaries, wages and other benefits	991	1,225	1,328
Contributions to pension costs, other social security costs and housing fund	226	221	267
Equity-settled share-based payments expenses	–	–	55,402
	<u>1,217</u>	<u>1,446</u>	<u>56,997</u>

Total remuneration is included in “payroll and employee benefits” in Note 5(a).

APPENDIX I

ACCOUNTANTS’ REPORT

30 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR BEGINNING ON JANUARY 1, 2025

Up to the date of this report, the IASB has issued a number of new or amended standards, which are not yet effective for the year beginning on January 1, 2025 and which have not been adopted in the Historical Financial Information. These include the following:

	Effective for accounting periods beginning on or after
IFRS 9 and IFRS 7, <i>Contracts Referencing Nature-dependent Electricity</i>	January 1, 2026
IFRS 9 and IFRS 7, <i>Amendments to the classification and measurement of financial instruments</i>	January 1, 2026
Annual improvements to IFRS Accounting Standards-Volume 11	January 1, 2026
IFRS 18, <i>Presentation and disclosure in financial statements</i>	January 1, 2027
IFRS 19, <i>Subsidiaries without public accountability: Disclosures</i>	January 1, 2027
Amendments to IFRS 10 and IAS 28, <i>Sale or contribution of assets between an investor and its associate or joint venture</i>	To be determined at a future date

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements except for the following:

IFRS 18, *Presentation and Disclosure in Financial Statements*

IFRS 18 will replace IAS 1 *Presentation of financial statements* and aims to improve the transparency and comparability of information about an entity’s financial statements. IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027 and is to be applied retrospectively.

Among other changes, under IFRS 18, entities are required to classify all income and expenses into five categories in the statement of profit or loss and other comprehensive income, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to provide specific disclosures about management-defined performance measures in a single note in the financial statements.

The Group does not plan to early adopt IFRS 18. IFRS 18 will impact the presentation of financial statements and is not expected to have significant impact on the financial performance and positions of the Group.

31 SUBSEQUENT EVENTS

In April 2026, upon the conversion of Yixin Convertible Notes described in Note 24, the Company issued 15,150,000 Series A convertible redeemable preferred shares, 548,718 Series B convertible redeemable preferred shares and 462,981 Series C-2 convertible redeemable preferred shares to Yixin.

In April 2026, pursuant to the Investor B Convertible Notes purchase agreement described in Note 24, Investor B Convertible Notes of RMB37,000,000 were converted into 205,835 Series C-1 convertible redeemable preferred shares.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of its subsidiaries in respect of any period subsequent to December 31, 2025.